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GENERAL

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COUNCIL COMMITTEE ON NON-GOVERNMENTAL ORGANIZATIONS

INTERNATIONAL ACTION FOR THE STABILIZATION OF PRICES OF PRIMARY PRODUCTS

The Secretary-General has received a proposal from the International Confederation of Free Trade Unions, a non-governmental organization in Category A consultative status, that in accordance with Council resolution 288 (X) the Council Committee on Non-Governmental Organizations request him to include an item on the above subject on the provisional agenda of the Council.

The documentation submitted by the International Confederation of Free Trade Unions in support of this request follows:

Since the beginning of the war in Korea and the intensification of military defense measures in many countries, a sudden and marked rise in the wholesale and retail prices of a number of commodities has set in which has already affected the cost of living. To prevent a decline in real wages, trade unions in many countries have been impelled to demand wage adjustments. An inflationary spiral is in the offing which threatens to increase social tension, to bring about social and political unrest, and to imperil the policies of economic stability, full employment, and economic and social progress.

There can hardly be any doubt that the centre of this inflationary wave has been formed by the precipitate rise in the prices of a number of primary key products which are traded on the world markets. How striking these price increases have been can be gathered from the following table in which prices of internationally traded primary products on the New York market - as a typical representative of the world market - at the time immediately preceding the invasion of the Republic of Korea, are compared with present prices.

/Table 1

Table 1

Commodity Prices on the New York Market

	22 June 1950	22 September 1950	Percentage Increase
	Cents per pound		
Coffee (#4 Santos)	48.25	55.	14.
Copper (Electrolytic)	22.5	24.5	8.9
Lead	12.	16.	33.3
Zinc	15.7	18.2	15.9
Tin (Straits)	76.5	103.5	35.3
Rubber (#1 std. rib, smoked sheets)	29.	60.5	105.2
Cotton (Mid. 15/16")	34.7	41.9	20.7
Wool (spot price)	152.	223.	46.7

Such huge increases in the prices of primary products, regardless of whether and to what extent they have temporarily been aggravated by speculative and panic buying, are apt to imperil the goal of a stable economy of full employment and progress which has been embodied in the United Nations Charter and in the Declaration of Human Rights and which has again been confirmed in the resolution on Full Employment adopted by the eleventh session of the Economic and Social Council.

Since the rising wave of prices has to a large extent originated in the primary products whose prices are formed on international markets, it is extremely difficult to fight inflation by compensatory domestic measures only. Stabilization of prices of primary products on international markets obviously requires international action.

The present inflationary trend illustrates the need for international action for the stabilization of the prices of primary commodities. But such action is continuously required in order to prevent severe fluctuations of the prices of such products which, in turn, imperil economic stability everywhere. International action on such a broad scale as would be needed to stabilize the prices of all important primary products traded on international markets can obviously be undertaken only through the initiative and guidance of the United Nations.

/It appears

It appears to us that the most appropriate way of taking international action in this field would be an invitation by the United Nations to the governments of the countries most interested, as producers or consumers, in these products to conclude international commodity agreements.

The form which such agreements should take will depend on the structure of production, consumption and markets for each of these commodities. The international wheat agreement, which was concluded in 1949 between five producer countries and thirty-seven consumer countries, with its provisions as to maximum and minimum prices for four years, quantities allocated to each producer country and to each consumer country, safeguards in case of non-fulfilment of import or export quotas, and with its administrative provisions, may generally serve as a model of such agreements, with one considerable difference, however.

While the international wheat agreement does not provide for a stabilization fund, we hold that international commodity agreements can function satisfactorily only if they provide for the establishment of adequate stabilization funds. It would be socially and economically inequitable to force producers or processors of such commodities to stabilize the prices of their products if their own cost of production or distribution had gone up. Stabilization funds would then be needed to pay subsidies to producers, processors or traders.

While it is in principle possible to finance stabilization funds of this kind by levies on these commodities in periods of low commodity prices, to choose such a financing method in a period of sharp rising prices would mean an aggrevation of the rising price trend and thus defeat the purpose of the international agreements. It would, therefore, be necessary to finance the stabilization funds for the time being by contributions of the participating countries, on the basis of quotas which should take into consideration the ability of each of the participating countries to make financial sacrifices.

The objection that it would be discriminatory to put a ceiling on the prices of these primary commodities when prices are high, does not hold when there is also established a minimum under which prices could not fall. A better balance in the market prices would furthermore prevent wages in the underdeveloped countries from falling in times of low market prices to a degree that they hardly offer a subsistence level. At the same time price control for manufactured goods may supplement the measures of primary products. In addition,

/measures

measures should be studied for the establishment of a fund in form of loans or grants to finance the development of economically less developed areas. The establishment of a better balance of prices and wages in highly developed as well as in under-developed countries will aid all participants. Unchecked inflation in the long run would have disastrous effects on both categories of countries and on the common purpose for which international collaboration is being developed. The same idea is developed in the so-called Gray Report submitted to the President of the United States of America:

> "It is important that methods of international collaboration be rapidly developed for the purpose, during the period of rearmament, of guiding supplies of scarce materials among the Free Nations in the manner best calculated to contribute to the common defense."

While care should be taken to encourage the conclusion of international agreements with respect to all major primary commodities traded on world markets, it might be advisable to make a very quick start with a pilot agreement. Which commodity should be selected for such an agreement may depend on a number of economic and political factors. The following considerations appear to be in favour of using natural rubber as a pilot commodity.

First of all, the rise in the price of natural rubber has been particularly striking. Although the rubber price at the beginning of the war in Korea was depressed, an increase of more than one hundred per cent is so exorbitant that the need for stabilizing the price of this product is particularly pressing.

Another factor which should facilitate the conclusion of an international agreement about natural rubber is the strong geographical concentration both of production and of consumption. Thus the four countries - Malaya, Indonesia, Siam and Ceylon, in 1949 produced or exported close to four-fifths of all the natural rubber produced in countries reporting to the United Nations (See Table 2). The consumption of rubber is to a large extent determined by the production and circulation of motor vehicles. United Nations figures for the production of motor vehicles show that five countries (United States, United Kingdom, Canada, France and the German Republic) in 1949 accounted for 98 per cent of the production of all countries reporting to the United Nations (See Table 3).

In view of the fact that the number of countries whose production or consumption or rubber is of outstanding importance for the determination of the price of this product, is extremely small, it should not prove too difficult to arrive at an understanding designed to expedite the conclusion of an international rubber agreement.

It is understood that the procedure provided for by the Charter of the International Trade Organization would have to be adhered to. That is, an investigation would have to be made by a study group and an international conference would have to be called by the Interim Commission for the ITO which would have to draft a stabilization agreement. But this entire procedure could be considerably sped up by quick action on the part of the chief producing and consuming countries under the guidance of the United Nations.

We therefore recommend that the Economic and Social Council adopt a resolution inviting the governments of those countries which are large producers or consumers of the most important primary products traded on international markets, to conclude international commodity agreements.

The purpose of such agreements should be to prevent extreme fluctuations from bringing a continuous element of insecurity and unbalance to the markets and the economy.

The resolution should further recommend that the participating countries shall make contributions to a joint fund from which subsidies be paid wherever they could be used most effectively to keep prices of primary commodities in balance.

/Table 2

Table 2

Production of Natural Rubber by Countries - 1949

	Thousand Metric Tons	% of Total
Malaya	682.8	35.9
Indonesia	438.0	29.5
Thailand	95.8 (1)	6.4
Ceylon	91.2	6.1
North Borneo	67.1 (1)	
Indochina	43.1	
Liberia	28.7 (1)	1.9
India	15.8	
Burma	9.2 (2)	
Belgium Congo	7.6 (1)	
Nigeria	6.8 (1)	
Brazil	3.2 (3)	
Cameroons	2.5 (2)	
Papua	1 (1)	
Total	1.486.5	100.

(1) Net Exports 1949
(2) Net Exports 1949
(3) Exports only 1949

Source: United Nations, Monthly Bulletin of Statistics, September, 1950

Table 3

Production of Motor Vehicles in 1949

	Thousands	% of Total
United States	6,238.0	80.5
United Kingdom	628.6	8.1
Canada	292.5	3.8
France	284.2	3.7
Germany (Trizone)	160.9	2.1
Italy	86.2	
Japan	27.7	1.8
Czechoslovakia	25.2 (1)	
Austria	2.1	
	7,745.8	100.

(1) 1948 Figures

Source: United Nations Monthly Bulletin of Statistics, September 1950
