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*President:* Mr. George F. DAVIDSON (Canada).

*Present:*

Representatives of the following States: Brazil, Canada, Chile, China, Costa Rica, Finland, France, Greece, Indonesia, Mexico, Netherlands, Pakistan, Poland, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Observers for the following Member States: Argentina, Australia, Bulgaria, Czechoslovakia, Ireland, Israel, Italy, Japan, New Zealand, Portugal, Romania, Spain.

Observers for the following non-member States: Federal Republic of Germany, Holy See, Switzerland.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, International Bank for Reconstruction and Development, International Monetary Fund.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 5

**International commodity problems (E/3118, E/3124; E/CN.13/27) (*continued*)**

1. Mr. NESBITT (Canada) said that international commodity problems were among the most important facing the world at the present time. Many countries, especially those in the earlier stages of economic development, derived a substantial, and in some cases the major, part of their export earnings from the sale of one or more basic foodstuffs or raw materials. Their vulnerability to severe fluctuations in international market conditions was accentuated by a number of features which were peculiar to basic commodities. For example, substantial declines in prices might not lead to any increase in sales because of the relative inelasticity of demand for many commodities. Declining prices might even be accompanied by a falling-off in the volume of trade. Moreover, in the case of a number of basic commodities, variations in climate and improvements in technology often resulted in a greater output than the market could absorb. Surpluses accumulated and hampered efforts to restore prices to previous levels. Another characteristic of the markets for many basic commodities was the development of synthetics and

substitute raw materials which aggravated the problems of commodity producers in periods of weakening demand.

2. There had been some rather disquieting developments in world commodity markets over the past year. In the second half of 1957 the prices of a number of raw materials and foodstuffs had declined, so that by the end of the year the price index of primary commodities had fallen to the level of 1953. It was true, as the *World Economic Survey, 1957* (E/3110) pointed out, that by the end of 1957 and the early months of 1958 the prices of a number of commodities were tending to become more stable, but in other cases the price declines continued. Thus there was a great deal of apprehension regarding the future, and the place that international commodity problems occupied on the Council's agenda reflected a general feeling that greater efforts should be made to grapple with those problems.

3. As the Canadian delegation had pointed out in its statement on the world economic situation (1026th meeting), the instability of commodity prices during 1957 was in many of the under-developed countries probably the most serious aspect of the economic adjustment which the world economy had been undergoing and corresponded in its impact to the cut-back of investment and the resulting unemployment in the industrialized countries. While it might be useful for certain purposes to differentiate between industrialized countries and under-developed countries, the distinction tended to break down when the question of the instability in commodity markets was dealt with. Some countries, like Canada, which had reached a relatively advanced stage of industrial development, also relied to an important extent for their prosperity on the production and export of certain raw materials and foodstuffs. During the past year or so Canada had been concerned about the sharp declines in the wholesale prices of a number of commodities of which it was a major producer.

4. The countries which were not major producers of basic commodities had strong reasons for being concerned about the economic health of those parts of the world which were more directly affected. If the export earnings of commodity-producing countries declined, they would buy less from other nations. Moreover, if satisfactory conditions did not prevail in world commodity markets, the United Nations would be hard put to it to assist the under-developed countries to increase their rate of economic growth and achieve higher living standards. As the Secretary-General had pointed out at the twenty-second session of the Economic and Social Council (934th meeting), a change of only five per cent in average export prices of primary commodities was approximately equivalent to the total annual inflow of

private and public capital and government grants to under-developed countries.

5. Some progress had been made in the post-war period in providing for a greater measure of stability in the markets for basic commodities. The growth of international co-operation in that field was one of the more significant economic developments of the post-war period. Nations had in the last decade or so endeavoured to apply the lessons which they had learned in the 1930s. It had become generally recognized that one of the best antidotes to commodity ills was high and expanding world demand, and the Organization for European Economic Co-operation, (OEEC) the International Monetary Fund and the countries that were parties to the General Agreement on Tariffs and Trade (GATT) had made efforts to reduce world trade barriers and to ensure that countries did not try to remedy their own troubles at the expense of their neighbours. Study groups had been set up in the period of post-war shortages, when the prices of most foodstuffs and materials had been rising, to inquire into the position of such commodities as wool, tin, rubber, sugar, cotton, wheat and tea. Much useful work had been done by the Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA), and the international commodity agreements that had been concluded — the International Wheat Agreement in 1949, the International Sugar Agreement in 1954 and the International Tin Agreement in 1956 — had proved effective instruments.

6. The fourth report of the Commission on International Commodity Trade (E/3124) and the 1958 review of international commodity problems prepared by ICCICA (E/3118) both provided much valuable information and would be of considerable assistance to the Council in working out a constructive approach to commodity problems. GATT and the Food and Agriculture Organization (FAO) had also taken a close interest in questions relating to trade in basic commodities and had done a great deal of useful work on the subject. A high-level committee of experts convened by GATT was at present meeting in Geneva and making a general study of commodity problems, and FAO had been instrumental in establishing study groups on a large number of commodities. Other study groups were operating under the auspices of ICCICA. Canada welcomed the steps which had been taken through that body to convene a meeting late in 1958 for the purpose of considering the position in regard to copper, lead and zinc.

7. It was possible that the Council would find at its present session that more and better use could be made of the studies conducted by the various international bodies which were at present looking at commodity problems from various angles.

8. The Canadian delegation had pointed out in its statement on the world economic situation (1026th meeting) that it shared the concern of the under-developed countries at the fluctuations in commodity prices and was willing to consider sympathetically any constructive and practical proposals in that field. Canada was a party to all three commodity agreements in existence, although it was a major producer of only one of the products

covered. Canada had also participated actively in the work of all the study groups now operating and in the work of the Commission on International Commodity Trade and the commodity work of FAO and GATT.

9. He emphasized that much could be learned from a study of international co-operation in the commodities field during the post-war period. Experience of the International Wheat, Tin and Sugar Agreements would seem to show that the results of a commodity agreement were closely related to the proportion of world trade in the commodity it covered. There was not much point, therefore, in taking action to stabilize commodity prices unless they closely affected the principal producing and consuming countries.

10. A study of the application under different conditions of various methods of stabilizing prices, such as the establishment of a range within which prices might be allowed to fluctuate, the setting up of buffer stocks or the use of export quotas, might prove of some value. Commodity problems were, however, of a highly complex character and could best be dealt with on a commodity-by-commodity basis. Nevertheless, his delegation did not deny that better progress might be achieved in dealing with certain aspects of commodity problems which were common to a number of items by discussing them in a wider forum. Countries which benefited from the existence of one commodity agreement were under some obligation to help to bring into being other agreements in which they were perhaps not so directly interested.

11. The Canadian delegation did not think that any single panacea would solve all commodity problems. Experience had shown that patience and an accommodating spirit were necessary if real progress was to be made in that field, and his delegation pledged itself to devote whatever time and efforts were necessary to exploring any promising possibilities for improving international co-operation on commodity matters.

12. Mr. VIDIĆ (Yugoslavia) said that two subjects had dominated the Council's debate on the world economic situation — the recession in the United States of America and international commodity problems. International action on the problem of primary commodities had been to a great extent inadequate. The problem was not a new one, and delegations of primary producing countries had been drawing attention to the instability of commodity markets for many years.

13. The volume of international primary commodity trade had grown in the post-war period at a much slower rate than the volume of industrial exports, with the result that the foreign exchange earnings of primary exporting countries had increased more slowly than had the earnings of countries exporting industrial goods. The exports of countries exporting food and agricultural raw materials had also increased very slowly, as a result of which their share in the total volume of exports of primary exporting countries had decreased from 87 per cent in 1928 to 63 per cent in 1956, while the share of oil exporting countries had increased at the same time from 5 to 24 per cent and the share of mineral exporting countries from 8 to 13 per cent. The very slow increase in the foreign exchange earnings of the countries which

exported mainly agricultural products was a serious obstacle to their economic progress.

14. The *Commodity Survey, 1957* (E/CN.13/27), drew attention to another aspect of long-term trends in primary commodity trade — namely, that the dependence of primary producing countries on the export of a small number of commodities was apparently increasing.

15. The short-term aspect of commodity problems was characterized by sharp fluctuations in export prices and in the aggregate export earnings of primary producers. The study on the instability in export markets of the under-developed countries had shown that cyclical fluctuations in a period of only four years might lead to price oscillations amounting to 37 per cent. The study on non-ferrous metals in under-developed countries had shown that the annual fluctuations of the prices of such metals might amount to 27 per cent.

16. The impact of those sharp price fluctuations on the economies of the under-developed countries was felt even more strongly at the present time.

17. In appraising the problem of fluctuations in the international primary commodity trade it should be borne in mind that such fluctuations were to a great extent due to changes in the demand in importing countries, and particularly to the expansion or liquidation of stocks in trade and industry, as well as to changes in the stock-piling policies of major importing countries.

18. The short-term and the long-term aspects of primary commodity problems were closely interwoven and had become even more acute as a result of the decline of economic activity in industrial countries. According to the *Economist* of 5 July 1958, the index of prices of primary commodities had been seven points lower at the beginning of July 1958 than in the same period in 1957. Such a development had been the main cause of the decline in export earnings of primary exporting countries in 1958. According to *International Financial Statistics, July 1958*, the export earnings of thirty-six primary exporting countries had declined during the first quarter of 1958 by about 12 per cent as compared with the first quarter of 1957.

19. The long-term aspect of primary commodity problems was primarily a question of the over-all development of the under-developed countries and of the diversification of their production. The short-term aspect of the question called for immediate action by the Council for the purpose of stabilizing primary commodity trade.

20. Emphasizing the important social aspect of the question of primary commodities, he pointed out that many conflicts and upheavals in the world were linked with the natural aspirations of the peoples of the primary producing countries towards changes in world economic relations which would introduce stability into their everyday life and create prospects for a more promising future for their countries.

21. Yugoslavia, as a primary producing country and one which was developing its industries successfully, considered that a proper understanding of the primary commodity problems was in the interest of both developed and under-developed countries. The sooner the developed countries understood that fact the better

it would be for their own economies and for greater stability in international relations.

22. Whenever the under-developed countries requested that primary commodity exchanges should be stabilized, the industrialized countries pointed out that various bodies and instruments existed for dealing with that problem. The activities of those bodies and the efficiency of the relevant instruments had, however, proved to be inadequate.

23. ICCICA had played a useful role in stimulating the conclusion of international commodity agreements such as the arrangements concerning wheat, sugar and tin. Governments must, however, give that body greater support in the future in order to enable it to promote the conclusion of a number of commodity agreements relating to at least those primary commodities whose situation had been particularly critical in more recent times.

24. After paying a tribute to the work of the FAO Committee on Commodity Problems, he said that his delegation had been pleased to note that the work of the Commission on International Commodity Trade had been more successful in 1957. He felt, however, that the participation of the two most important importing countries — the United States of America and the United Kingdom — would promote the activities of the Commission.

25. His delegation welcomed the setting-up of the Sub-Committee on Commodity Problems by the Administrative Committee on Co-ordination (ACC) and hoped that the specialized agencies concerned with finance would be represented on that Sub-Committee.

26. He emphasized that governments must jointly examine the possibilities for new international action in the field of primary commodities in order to solve the various problems which arose.

27. Recalling the statement made by his delegation in the debate on the world economic situation (1026th meeting), he said that it considered that consultations of government experts on the question of primary commodity problems should take place in the autumn of 1958, concurrently with the session of the Second Committee of the General Assembly. Such consultations could review the possibilities of a compensatory financing of primary exporting countries and there should be an exchange of views for the purpose of co-ordinating commercial and political measures such as quantitative restrictions, duties, fiscal measures, national stock-piling policies and so forth. The conclusion of multilateral or bilateral long-term arrangements for the stabilization of primary commodity marketing and prices should also be discussed, as should the improvement of the organization of primary commodity trade.

28. The Yugoslav delegation's suggestions regarding consultations had been prompted by the same motives as those which had prompted the suggestions made by the Under-Secretary for Economic and Social Affairs at the Council's 1033rd meeting. Intergovernmental consultations might give a new impetus to the work of the Commission on International Commodity Trade and

other international bodies dealing with stabilization measures.

29. He emphasized that at a time when millions of human beings were feeling the consequences of unfavourable trends in world primary commodity markets and when the fall in primary commodity prices seriously threatened the economic development of a number of countries, the United Nations must take practical measures, since inaction at the present critical period could have grave and far-reaching consequences.

30. Mr. COSIO VILLEGAS (Mexico) noted that the reports all gave evidence of instability in the prices of and demand for commodities, which led to fluctuations in the terms of trade and revenue of the producing and exporting countries.

31. Since the end of the Second World War there had been six marked fluctuations, three upwards and three downwards, in prices and demand. The importance of the Secretary-General's statement (934th meeting) that a change of only 5% in average export prices was approximately equivalent to the entire annual flow of private and public capital and government grants to under-developed countries could not be sufficiently stressed. Hence, if those countries were given the choice between the technical assistance and the inflow of foreign capital they were at present receiving, on the one hand, and a stable demand and lucrative prices on the other, they would certainly opt for the latter, since they would thus obtain not only the necessary resources for their development, but also the moral satisfaction of being self-sufficient.

32. The poverty-stricken countries were now aware of what wealth meant and of the material well-being that accompanied it. They were therefore trying to emerge from their present situation by diversifying their production of primary products, in the hope that stability or an increase in the price of one product would compensate for a reduction in the price of another, and by industrializing their economy. For both purposes, however, they required capital, which they did not possess, and time — and they were already behindhand. However, until the change was brought about they had not the means to produce purchasing power in the industrial countries. It was those industrial countries which, by augmenting their productive capacity, could increase their requirements in primary products and create in the producing countries the purchasing power which would enable them to develop their economy.

33. Turning to the factors most clearly apparent from the reports, he noted that the fall in prices had started towards the middle of 1956, and that by the end of 1957 prices had fallen to a level below that of 1950. As was shown in the case of non-ferrous metals and agricultural products such as sugar and coffee, the reduction in demand had led to an excess in productive capacity and the resultant accumulation of stocks. A further depressive factor had been the disorderly disposal of accumulated stocks. It was to be anticipated that the economic recession in the industrial countries, with the drop in the prices of some agricultural products and of non-ferrous metals, would make the terms of trade even more unfavourable to the countries of Latin America, diminishing their foreign

exchange resources and reducing the imports essential to their development.

34. He deplored the fact that international action had shown itself incapable of eliminating or even alleviating those evils. He placed some hope in the circumspection with which certain countries were approaching the establishment or raising of customs barriers and the imposition of import quotas for non-ferrous metals. Fortunately there was increasing comprehension of the fact that the disorderly dispersal of surpluses by some was to the prejudice of others. Lastly, it was encouraging to see that twenty-three countries had decided on a joint examination of the problems raised by the production of and trade in coffee and that others were proposing to do the same for copper, lead and zinc. The Mexican delegation nevertheless believed that the only possible solution lay in putting new life into the Commission on International Commodity Trade, in the work of which the industrial countries did not participate, although those questions were of just as much interest to them as to the under-developed countries. The Commission's efforts should be directed to the search for practical, if unspectacular, measures and in particular to stimulating the Council and governments to greater action.

35. Mr. FARUQI (Pakistan) paid a tribute to the Under-Secretary for Economic and Social Affairs for his able and elaborate analysis of a complex problem (1033rd meeting). The Council should make the best use of the guidance the Under-Secretary had given it. The delegation of Pakistan fully endorsed his suggestions and recommendations.

36. His delegation hoped that the industrialized countries would give the Under-Secretary's suggestions their full support and that the two major trading nations which were not represented on the Commission on International Commodity Trade would nevertheless make a positive contribution to the work of that Commission.

37. The delegation of Pakistan wished to emphasize the need for the study of a larger number of commodities such as fibres.

38. The stabilization of the international demand for, and prices of, primary products at an economic and equitable level was one of the most important problems facing the under-developed countries. The economies of most of those countries were entirely dependent for their foreign exchange earnings on the export of one or two primary products. It was well known that the shortage of foreign exchange continued to be the main hindrance to the economic development of such countries.

39. Emphasizing the importance of the work done by the Commission on International Commodity Trade, he expressed the hope that the industrialized countries would work in close collaboration with the under-developed countries in solving the problem of commodity trade stabilization and thereby create conditions that would be conducive not only to the accelerated economic development of the under-developed countries, but also to a viable and stable world economy.

40. His delegation shared the misgivings expressed in the fourth report of the Commission on International Commodity Trade and viewed with serious concern the

fact that there had been a general decline in primary commodity prices in the second half of 1957 and that in the last quarter of that year the price index of primary commodities had declined almost to the lowest level of any quarter since the outbreak of hostilities in Korea.

41. The report also mentioned that countries which exported non-ferrous metals, cotton and coffee had experienced a decline in their income from export trade during 1957. He hoped that the Council would take serious note of those trends in the primary commodity markets.

42. The export earnings of Pakistan had declined from 526.3 million rupees in the last quarter of 1956 to 458.6 million rupees in the last quarter of 1957. That decline had been mainly due to the fall in the export receipts from cotton, which had decreased from 111.9 million to 60.5 million rupees.

43. He briefly reviewed the report of which analysed and reviewed intergovernmental consultations in the post-war period. The report clearly indicated the importance and magnitude of the problem of stabilizing prices and the volume of primary commodities. He noted that in the early post-war period considerable stress had been laid on the need for taking action when a burdensome surplus of a primary commodity or widespread unemployment had occurred or was likely to occur.

44. The terms of trade of primary producing countries continued to deteriorate in relation to those of the industrialized countries, with the result that the disparity in the international distribution of incomes grew wider, the poor countries became poorer and the comparatively rich countries became richer. He noted from the report of the Commission on International Commodity Trade that the spread between the prices of primary commodities and manufactured goods had become more pronounced in the first quarter of 1958 and was indirectly reflected in an improvement in the terms of trade of the leading industrial countries. His delegation did not begrudge the ever-increasing prosperity of the industrialized countries, but it felt that there should be a corresponding increase in other countries.

45. Those who supported the principle of free trade might look askance at intergovernmental arrangements designed to secure stabilization in the international demand for, and the prices of, raw materials. Objections might be raised on political or philosophical grounds, or on the grounds that it would be extremely difficult to devise a practical scheme for such arrangements and that their administrative and financial costs would be exorbitant. Nevertheless, if every nation represented on the Council sincerely felt that something should be done to solve the commodity problems, there was no reason why stability in prices and in the volume of exports of primary commodities should not be achieved.

46. Mr. PATTEET (International Confederation of Free Trade Unions), speaking at the invitation of the PRESIDENT, said he thought the question before the Council and the reports on it were most disquieting.

When a recession put the brake on commodity trade a vicious circle was formed. Lower prices meant lower foreign currency receipts for the producers, who liquidated their currency reserves and could then no longer purchase the capital goods needed to produce their commodities, and that in turn reduced exports from the industrialized countries.

47. There had been a time when the industrialized countries had solved their internal economic problems by making arbitrary changes in commodity prices. Holders of monopolies, such as the tin monopoly in Bolivia, had done the same. Times had changed and any persisting reluctance to multiply international agreements on stabilization stemmed from the fact that some circles wanted to retain possibilities of speculation whilst others did not yet realize that the interests of consumer and producer coincided. Some countries, for example, accepted international agreements when they were big producers of a particular commodity, but refused to sign agreements on commodities when they were the main consumers.

48. A perusal of the reports had shown him that commodity prices had fallen by 10 per cent between June 1957 and June 1958, whilst stocks had increased, with the inevitable result of a fall in production. He noted that the countries signatories to the Tin Agreement had decided to reduce their exports by 40 per cent. Producers of copper and coffee had taken similar decisions. Venezuela had been affected by restrictions on petroleum imports into the United States. Several African countries had been hit by the fall in metal prices and some Asian countries by the fall in rubber prices and by the tin market situation.

49. His organization therefore reiterated even more urgently its demand for the conclusion of international agreements to stabilize prices and markets. In November 1957, at the request of its Asian committee, it had written to the Executive Secretary of the Economic Commission for Asia and the Far East (ECAFE) to request that the Commission should consider at its next session the fall in the prices of those commodities on which the economies of many Asian countries depended. The Secretary-General of the International Confederation of Free Trade Unions (ICFTU) had informed the Secretary-General of the United Nations of the keen interest the ICFTU took in the solution of the problem and he had written to the Director-General of FAO asking him to take steps to stabilize the prices of plantation products such as rubber and tea. Finally, at the following session, held from 3 to 5 July, the Executive Committee of the ICFTU had again appealed urgently to all countries to take effective action. It was to be regretted that once again procedural issues seemed to have slowed down United Nations action when so many human beings were suffering as a result of the situation.

50. Mr. EGGEMAN (International Federation of Christian Trade Unions), speaking at the invitation of the PRESIDENT, pointed out that as the drop in the price of raw materials was coupled with a rise in the price of manufactured goods the terms of exchange had become increasingly unfavourable for primary producing coun-

tries and particularly for those which depended upon only a few raw materials. Those countries had often been advised to diversify their production and to convert local raw materials themselves, but that could not be done overnight.

51. His organization believed in broad international co-operation. It regretted that, despite the establishment of suitable international machinery in the form of such bodies as the Commission on International Commodity Trade, ICCICA and the FAO Committee on Commodity Problems, there had been virtually no practical results. It was convinced that the fault lay not with the present machinery, but with the individual policy of the countries concerned, and that the solution was to conclude an international commodity agreement. He cited the observations of ICCICA on the reluctance of governments to conclude multilateral agreements (E/3118). His organization hoped that the Council would recommend to all the countries concerned that they review their position on commodity agreements, and that it would take up ICCICA's suggestion that long-term specialized working groups should be set up for the preparation of those agreements.

52. The greatest importance should be attached to the decisions taken by the Commission on International Commodity Trade at its last session, for they might, by their effectiveness, strengthen the Commission's terms of reference.

53. His organization noted with satisfaction that ACC had decided to set up a sub-committee on commodity problems. As a trade-union organization interested in the economic and social aspects of international commodity trade, it welcomed the Committee's statement that the competent specialized agencies would be kept informed of the Sub-Committee's work and would be allowed to take part in it. It hoped that the ILO, in particular, would benefit from that arrangement and that its participation in the sub-committee's work and in that of other United Nations organs concerned with commodities would serve as a constant reminder that due account must be taken of the social aspects of any economic project.

The meeting rose at 4.20 p.m.