

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS ROME

Eighty-fourth Session

Rome, 1 - 3 November 1983

REPORT OF THE FIFTY-FOURTH SESSION OF THE COMMITTEE ON COMMODITY PROBLEMS

(Rome, 3 - 7 October 1983)

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(as at 6 October 1983)

MATTERS REQUIRING ATTENTION BY THE COUNCIL

The Committee wishes to draw the attention of the Council to the following matters in particular:

1. The main issues in the world commodity situation and outlook (paras.16 to 23).
2. Its review of protectionism in agricultural trade and action taken on Conference Resolution 2/79 (paras.24 to 43).
3. Its discussion on the reports of the Intergovernmental Group on Oilseeds, Oils and Fats (paras.66 to 71).
4. Its review of the outcome of UNCTAD VI and other developments and follow-up action (paras.100 to 115).
5. Its comments on the FAO commodities programme of work for 1984-85 (paras. 116 to 123).

I. INTRODUCTION

1. The Committee on Commodity Problems held its Fifty-Fourth Session from 3-7 October 1983 at FAO Headquarters, Rome. Of the 81 member countries of the Committee for the biennium 1982-83, 72 were represented at the Session. Four Member Nations of the Organization, the Holy See and international organizations participated as observers. The list of participants is given in Appendix A.
2. The Session was opened by Mr A.F.M. de Freitas (Brazil), the retiring Chairman. The Committee thanked Mr de Freitas for his services to the Committee and expressed its appreciation of the valuable contribution which he had made to its work.
3. The Session was addressed by Mr D.F.R. Bommer, Assistant Director-General, Agriculture Department, on behalf of the Director-General of FAO. (Attached as Appendix B).
4. The Committee elected Mr H. Carandang (Philippines) as Chairman, Ms M.C. Wenner (United Kingdom) as First Vice-Chairman, and Mr Mustafa Hamdoon (Iraq) as Second Vice-Chairman.
5. The Committee adopted the agenda reproduced in Appendix C.
6. The Committee was assisted during the Session by a drafting committee composed of the representatives of Algeria, Argentina, Australia, France, India, Japan, Kenya, Norway, Peru, Thailand, Tunisia, United Kingdom and the United States of America, under the chairmanship of Ms M.C. Wenner (United Kingdom).

II. REVIEW OF THE WORLD COMMODITY SITUATION AND INTERNATIONAL ACTION

Main issues in the world commodity situation and outlook

7. The Committee reviewed the world commodity situation and outlook and the main commodity issues of international significance on the basis of documents CCP 83/20 and CCP 83/21. The Committee also took into consideration the detailed analysis of agricultural commodity and trade developments provided in the FAO Commodity Review and Outlook, 1982-83, for which it expressed its appreciation.

(a) Current commodity situation and short-term outlook

8. The Committee noted with concern the distinct deterioration in the world economy and the state of international trade in 1981-82, including trade in agricultural commodities. The value of world merchandise trade as a whole had dropped by 6.5 percent in 1982 in terms of US dollars and preliminary FAO estimates showed that the value of world exports of agricultural, fishery and forestry products declined by about 8 percent (US\$ 24 billion) to US\$ 276 billion, following a smaller decline in the preceding year. In real terms ^{1/}, the decline amounted to 5.5 percent. By contrast, the average growth rates achieved in the seventies were 14 percent in current dollars and 4 percent in real terms.

9. The Committee particularly regretted the steep fall in the developing countries' export and trade receipts from agricultural, fishery and forestry products. Their returns had fallen for the second successive year in 1982 by 10 percent in current dollars and hence further aggravated their balance of payments problems. This could be compared with a 7 percent reduction in returns for developed countries in 1982 and a long-term rate of expansion of 13 percent in the export earnings of developing countries from agricultural, fishery and forestry products.

10. The Committee noted with concern that trade in many commodities of export interest to both developed and developing countries had fallen sharply in 1982. Among individual commodities, sugar incurred the largest losses in export receipts, and there were also substantial declines in the value of trade in cereals, oils and fats, tea, cocoa and natural rubber. The persistent sharp declines in prices, rather than a decline in the volume of trade, accounted for the major drop in the value of world agricultural trade, the largest setback in over 20 years.

^{1/} i.e. deflated by the UN index of export unit values of manufactured goods.

11. The Committee also noted with concern the further deterioration in the terms of trade of agricultural exports in 1982, notwithstanding the marked decline in the unit value of exports of manufactured goods. At the world level the terms of trade of agricultural products dropped by 11 percent between 1981 and end 1982. The corresponding declines were 15 percent for developing and 10 percent for developed agricultural exporters.

12. Despite a decline in the agricultural imports of developing countries in 1982, their agricultural trade balance continued to deteriorate, their deficit rising to US\$ 3.4 billion in 1982, compared with an average net surplus of nearly US\$ 13 billion during 1978-80. Oil-importing countries in Latin America suffered the main setback in 1982, whereas the agricultural trade deficit of the oil exporting developing countries fell, reflecting principally their smaller outlays on food imports.

13. The Committee noted with satisfaction that more recently there had been some improvement in the international commodity market situation. The declines in many commodity prices, often to very low levels by late 1982, had been checked or reversed in the first half of 1983. The upturns were partly attributable to improved demand for current use and re-stocking, but mostly reflected short-term factors affecting supplies. In the case of coarse grains and oilseeds, the principal reasons were the production controls through acreage reduction programmes and poor growing conditions in the United States which were expected to lower output and stocks of maize and soybeans considerably. Because of the steady appreciation of the US dollar against many other currencies, prices have increased even more in terms of the currencies of most importing countries.

14. As regards the short-term outlook, the Committee noted that the OECD Secretariat had forecast economic growth of less than two percent in industrialized countries for 1983, but more significant expansion in 1984. Also, according to the GATT Secretariat, the outlook was for only a moderate expansion of world merchandise trade in 1983. While welcoming this more positive development, the Committee was concerned that the upturn in the economic activities in some industrialized countries had not yet led to a substantial and sustained improvement in the economies and trade of developing countries and that the short-term economic prospects of many of them would remain clouded by worsening terms of trade and persisting problems of indebtedness.

15. Some delegates referred to the broader concept of world food security which had been drawn up by the Committee on World Food Security and endorsed by the Eighty-Third Session of the Council, and stressed its trade-oriented components. The Committee considered that it would be useful to include the linkages with world food security in the analyses of trade problems. In this connection, the Secretariat informed the Committee of its recent analytical work in this area, and of its intention to highlight these linkages in its future reports to CCP.

(b) Main issues in the commodity situation and outlook

16. The Committee pointed out that the main problems in the world commodity situation were deeply rooted. It was seriously concerned that the recent difficulties in the world trade situation had been superimposed on a long-term trend of weakness in many agricultural commodity markets, which had complex causes and diverse symptoms. The overall trade in agricultural products had been growing rather slowly. Many international commodity prices had tended to decline in real terms and most commodity markets had been long unstable, a problem which had been aggravated in recent years by volatile exchange rates and monetary instability. Moreover, the agricultural export performance of the developing countries, and of low-income countries in particular, had been relatively poor and even deteriorated in some of them, reflecting both internal and external constraints.

17. The Committee agreed that slow growth of agricultural trade had been aggravated by protectionist policies, especially in many developed countries. Most delegates emphasised that the use of open-ended support policies often led to disposal of excess production in international markets with the help of subsidies and other export aids. They also stressed the need for structural adjustments in agricultural sectors, and restraint in the use of subsidies and other export aids in unfair competition with other producing countries, and especially developing countries. The Committee also agreed that in part the slow growth in

agricultural trade stemmed from already relatively high per caput consumption levels of certain commodities such as tropical beverages, combined with the low or even negative population growth, in the developed market economy countries. Other contributory factors had been the rapid expansion in the use of synthetic materials in a wide variety of end-uses, instead of natural raw materials; and technological improvements which reduce the materials content per unit of industrial output. Overall, the problem remained of how national policies including concerns for food security could best be reconciled with international trade objectives, particularly with the aim of stimulating more rapid growth of the agricultural exports of developing countries.

18. Some delegates pointed out the negative role of transnational corporations in food and agricultural commodity trade, a fact which needed to be taken into full account in analysis of the causes of the inadequate trade performance of the developing countries. It was also stressed that many of these analyses and information were available in some other organizations of the United Nations.

19. In the light of its consideration of these major issues arising from the commodity situation, the Committee agreed that the ultimate goal for improving the agricultural trading system continued to be a progressive and multilateral liberalization of markets, with a special emphasis on enhancing the purchasing power of developing countries. It also agreed on the importance of promoting technical and economic cooperation among developing countries, especially in order to stimulate further their intra-trade in agricultural products. The Committee stressed the importance of the early entry into force of the Agreement establishing the Common Fund and urged all states that had not yet done so to sign and ratify the Agreement without further delay and preferably by 1 January 1984.

20. In this overall context, the Committee also considered some possible ways in which FAO could assist in improving the agricultural trade environment. In particular, it recalled that a number of the Intergovernmental Commodity Groups had established informal commodity arrangements or policy guidelines for national and international cooperation. Many delegates pointed out that the usefulness of such techniques depended on their effectiveness in encouraging desirable adjustments in policies at both national and international levels. Some delegates were skeptical about the usefulness and effectiveness of such techniques. The Committee requested the FAO Intergovernmental Groups concerned, taking into account the special characteristics of the commodities within their own ambit and the complex nature of national agricultural policies, to consider ways of improving the effectiveness of the existing informal arrangements or policy guidelines. It left open the possibility, bearing in mind some doubts about the effectiveness of such techniques, for other Groups to examine, where appropriate, whether similar techniques would be desirable and feasible for the commodities concerned.

21. Most delegates recognized the need to secure financing for commodity development projects, many of which had already been prepared, in the event of further delay in the ratification of the Common Fund, and particularly its Second Account which had been envisaged as a major source of finance.

22. The Committee recognized that there was a growing need for assistance to individual commodity exporting and importing developing countries in the elaboration and implementation of improved national commodity policies. In this connection, it commended the FAO activity on Commodity Policy at the Country Level (CPCL), and agreed that special attention should be focussed on the needs of the least developed countries. Reference was also made to the need for assistance in improving marketing for export and the role of ITC in this connection.

23. The need for the establishment of a new international economic order, as adopted by the United Nations, was stressed so as to resolve the structural difficulties that the developing countries were facing in the field of trade.

III. PROTECTIONISM IN AGRICULTURAL TRADE: REVIEW OF ACTION TAKEN ON CONFERENCE
RESOLUTION 2/79

24. The Committee made its second review of follow-up action to the Conference Resolution 2/79 on Commodity Trade, Protectionism and Agricultural Adjustment on the basis of Secretariat document CCP 83/19. The Secretariat's report, which the Committee considered to be a balanced review, took into account developments in GATT, UNCTAD and other international fora and the conclusions of the Intergovernmental Groups. The Committee also took note of the main conclusions and recommendations (document CCP 83/22) of an Expert Consultation on Ways to Foster Agricultural Trade through Economic Cooperation among Developing Countries, convened by FAO in Rome in September 1983.

25. The Committee expressed disappointment that progress had not been faster in liberalizing trade in agricultural products, and in limiting the use of export subsidies and other export aids, although it was noted that some progress had been made. Concern was expressed that not only were long-standing protectionist policies being continued, but that there was also an introduction of new restrictive measures. Most delegates stressed that protectionist policies and resort to open-ended export subsidies and other export aids were detrimental to all countries, and especially developing countries which were heavily dependent on agricultural exports. The Committee hoped that with the strengthening of the apparent economic recovery, progress in trade liberalization would gather momentum. The Committee stressed the growing interdependence between developed and developing countries. The need to liberalize trade in order to sustain and strengthen the process of economic recovery was also stressed.

26. Some delegates stated that their governments were resisting increasing pressures for protectionist policies and that the incidence of protectionism in their countries had not increased as much as had been feared. One delegate expressed the view that the state regulation of trade by socialist developed countries imposed a more severe limitation on agricultural imports than the tariffs applied by developed market economy countries.

27. Many delegates expressed the frustration which their countries felt in facing continuing and severe restrictions on market access and the displacement of agricultural exports from traditional markets. They regretted the lack of action so far in the GATT and the apparent tendency to introduce new trade restraints which were outside the GATT. They voiced their grave concern that such meagre results had been achieved in matters of such vital concern, particularly to the developing countries. They urged all countries to avoid distorting international markets in the conduct of their domestic agricultural policies.

28. The Committee was informed by several delegates that adjustments had been made in their agricultural sectors and were continuing. They pointed in particular to the heavy out-migration of labour from farming in their countries over recent decades. They also emphasized the careful balance which has to be struck between economic, social and political factors, including the assurance of adequate livelihoods to farm families, the need to maintain viable rural communities particularly in remote areas of their countries, and food security objectives. Nonetheless, a number of these countries had already taken steps to curtail excessive output of certain products, through specific measures of supply management. They recognized that, while some import restrictions were necessary to safeguard the position of disadvantaged groups, such protectionist measures should not be stepped up or prolonged unduly.

29. Many delegates expressed strong concern at measures introduced by some major importing countries which created serious difficulties for exporting countries. These included access limitations, export subsidies, and similar practices which were consequently used to dispose of the surplus production caused by high, open-ended price supports. They pointed out that these measures had the effect of shifting the burden of agricultural adjustments to other competing suppliers.

30. Some delegates referred to the voluntary export restraint agreement between the EEC and Thailand for tapioca. Another delegate pointed to the supplementary levy by the EEC on slaughtered poultry. Some delegates also expressed strong concern that the current review of agricultural policies by the EEC was intended to and could well lead to the implementation of measures that would place a large part of the burden of solving the budgetary problems of the EEC on other exporting countries. These delegates emphasized

that the measures, as proposed, would cause damage to the trade interests and export earnings of other countries, particularly the developing countries. Some delegates also pointed out that the proposed measures would circumvent the EEC's GATT obligations and would be contrary to its other international obligations, and to declarations regarding the avoidance of protectionism. Special attention was drawn to the recent proposal made by the Commission of the EEC to restrain imports of several commodities and to introduce as from 1 January 1984 a tax on fats and oils of animal and vegetable origin, except butter, which many believed discriminatory. These and other specific commodity measures were discussed in greater detail in Section V below.

31. The observer of the EEC, speaking on behalf of the 10 member countries of the Community, pointed out that the Community was the world's leading importer of agricultural products, accounting for 26 percent of the total, and that its agricultural trade deficit amounted to US\$ 26 billion in 1980. He stated that the Community's commercial policies were fully in accordance with its obligations in the GATT and that the Community supported the GATT Ministerial Declaration of November 1982, while specifying the framework in which they would undertake this exercise. With regard to specific commodity trade problems, he emphasized that the agreements drawn up with exporters of tapioca to the Community had been endorsed by the parties concerned. He also informed the Committee that the United States of America was resorting to heavy export subsidies and other aids including subsidized credit arrangements and concessional sales, and displaced the exports of the EEC in some of its traditional markets. Furthermore he expressed reservations concerning the operational measures on agricultural trade mentioned in paragraphs 5 to 10 in the Secretariat paper and stated in the meeting by some delegates in view of the fact that these matters were within the competence of other specialized bodies, namely the GATT.

32. Recalling that Resolution 2/79 had urged developed countries to adhere strictly to and implement fully the standstill provisions they have accepted, in particular concerning imports from developing countries, the Committee welcomed the recent commitment which the developed countries had made to this effect in UNCTAD Resolution 159(VI). Many delegates stressed, however, that a mere standstill of agricultural trade barriers erected by developed countries would be inadequate for achieving the goal set out in Conference Resolution 2/79, of enabling the developing countries to accelerate their foreign exchange earnings, particularly in order to overcome the rapidly mounting burden of external debt. The Committee looked forward to the early implementation of UNCTAD Resolution 159(VI) in which developed countries have agreed inter alia to work systematically towards reducing and eliminating quantitative restrictions and measures having similar effect. The Committee was of the opinion that any review of protectionism should preferably take into account the interests and needs of developing countries.

33. The Committee also noted that the GATT Ministerial Session (November 1982) had emphasized the need to examine the agricultural trade system, and its decision to establish a Committee on Trade in Agriculture was welcomed. The Committee urged that every encouragement and support should be offered to the GATT in carrying out its work programme in agricultural, fishery and forestry products. Many delegates expressed the hope that this work would extend beyond the mere examination of problems and would lead to negotiations on trade liberalization, particularly for the benefit of developing countries.

34. The Committee stressed the need for other international organizations to provide full technical support to the GATT's work in this field while avoiding duplication. It was informed of the decision of the Director-General to pledge the Secretariat's cooperation to the GATT in implementing the Ministerial Declaration and noted with satisfaction that FAO was participating in the Committee on Trade in Agriculture.

35. The Committee agreed that special attention should be given to the possibilities of liberalizing trade in tropical products, and welcomed the decisions taken in the GATT Ministerial Session with regard to consultations and negotiations on this problem. It was noted that progress would partly depend on formulating an acceptable definition of tropical products.

36. The Committee also stressed that intensified efforts should be made to reduce tariff escalation applied to semi-processed and processed products, bearing in mind the beneficial impact this would have on export diversification and higher export receipts

and the promotion of domestic industries in developing countries, particularly those which enjoyed a comparative economic advantage in agricultural production. One delegate pointed out that data on tariff escalation were subject to caution and that all pertinent factors would need to be checked carefully before arriving at conclusions that might be erroneous.

37. Most delegates considered that although concessions had been granted under the GSP and particularly through arrangements like the Lomé Convention, there remained much scope for extending preferential treatment to developing countries in agricultural trade. Some delegates stressed the positive role of their GSP schemes in enhancing the agricultural exports of developing countries, and referred in particular to the free market access extended to the least developed countries. Some other delegates considered that the preferential arrangements presently in place were based on political considerations and were subject to unilateral changes by the developed countries. In their view, these arrangements should be extended to the agricultural export products of all developing countries.
38. The proposal made by the delegate of Thailand and supported by some delegates that FAO should convene a group of experts to develop guidelines on national agricultural support measures, tariff and non-tariff barriers and export subsidies was noted with interest. Some delegates suggested that governments should consider the feasibility of developing such guidelines in the GATT Committee on Trade in Agriculture. The Committee agreed that it would be appropriate for it to keep progress in GATT under review and, if necessary, to consider this proposal at a future session.
39. The Committee noted the suggestion in the Secretariat document concerning a special standstill agreement on export subsidies. Several delegates proposed that this suggestion should be examined further in appropriate fora. Other delegates stated that a standstill agreement of this kind could only be an initial step towards a solution, and could, in no way, mean a confirmation of the present situation.
40. The Committee noted FAO's work in identifying and quantifying the subsidy equivalent of agricultural support and protective measures affecting producers and consumers and in assessing the impact of such measures on commodity trade. The Committee in general agreed that these activities should continue, and be improved upon where feasible, so as to provide more reliable indicators for monitoring the changing incidence of support levels.
41. The observer for the OECD reported on work being carried out by his Organization in its Committees for Agriculture and for Trade under the Ministerial Mandate. This included a major analysis of the approaches and methods for a balanced and gradual reduction of protection for agriculture in OECD countries by means of the identification of all measures affecting trade in selected agricultural commodities, including those implemented by private traders, on a country by country basis. As part of the policy analysis the OECD was adopting methods to measure the degree of protectionism, and would prepare a number of country policy studies as well as analyses of appropriate methods for improving the functioning of the world agricultural market. He appreciated the cooperation being extended by FAO and the usefulness of its work in this regard.
42. The Committee recognized the importance of ECDC as a means of promoting agricultural trade among developing countries which could to some extent counter the limitations on trade in other markets. It welcomed the recent Expert Consultation on this subject convened by the Director-General and hoped there would be effective follow-up to its recommendations. The Committee agreed that the efforts of developing countries to improve their processing, marketing and distribution facilities for agricultural export products deserved the support of the international community. It also stressed the need to resolve quickly the procedural difficulties which were holding up progress in UNCTAD on a Global System of Trade Preferences.
43. The Committee agreed to continue to keep under regular review developments in protectionism which might affect the trade prospects of agricultural commodities. Many delegates stressed that the issue of protectionism and the threats of future increases should be further reviewed by the Council and Conference in the light of the principles expressed in Conference Resolution 2/79. It requested the Secretariat to prepare, for consideration by the Committee at its next session, a further review of follow-up action to Conference Resolution 2/79, taking into account any new developments in GATT, UNCTAD, and other international organizations, and bearing in mind the need to avoid duplication of work.

IV. SELECTED COMMODITY ISSUES

(a) Agricultural Raw Materials: Competition with Synthetic Substitutes

44. The Committee reviewed the provisional findings of a special study undertaken by the FAO Secretariat in response to suggestions at its earlier sessions that it should keep regular watch on the competitive position of agricultural raw materials vis-à-vis their synthetic substitutes.

45. The Committee viewed with concern the medium-term prospects for the agricultural raw materials. Many agricultural raw materials competing with synthetics were less price-competitive in 1982 than ten years earlier. The possibility of these agricultural raw materials becoming more competitive in future would depend on many factors including the production and marketing policies of the chemical companies producing synthetics.

46. The Committee welcomed the provisional study which was badly needed in view of recent developments in markets for agricultural raw materials, and generally agreed with its broad analytical conclusions. Nevertheless, it was felt that some of the conclusions had been over-simplified, and that producers of agricultural raw materials competing chiefly on price had been offered no policy options other than measures to increase productivity in order to cut prices.

47. The Committee considered that it was not necessarily wise to concentrate entirely on measures to increase productivity at the expense of new end-uses and promotion for those commodities with no significant technical advantages over synthetics; nor was it necessarily correct for the commodities possessing such advantages to concentrate entirely on promotion and end-use research to the complete neglect of measures aimed at raising productivity. Moreover, the importance of finding new end-uses for agricultural raw materials and of transferring processing technology to developing producing countries, could not be over-emphasized.

48. Several delegates emphasized the important contribution of agricultural raw materials to the national income, employment and foreign exchange earnings of developing countries and referred to the negative impact of synthetics. They appealed for greater cooperation with those developed countries consuming natural raw materials which were also producers of synthetics. They further stressed that if any indicative price and supply arrangement scheme were developed for natural products, similar action would need to be taken for synthetics. In this connection, a representative from a consuming country stated that his government was ready to request producing companies of synthetics to make corresponding efforts to match those made by producers of natural products. One delegation from a consuming country noted that in its view an extension of the informal arrangements to synthetic substitutes would not improve the competitive position of jute and hard fibres. However, this delegation felt that this matter should be left to the two Groups themselves to be dealt with in an appropriate manner.

49. Several delegates suggested that, in determining the priorities to be given to different types of research and promotion, it should be ensured that the maximum benefits accrued to primary producers.

50. Some other delegates pointed out that levels of synthetic prices were determined not only by prevailing market conditions, but also by the marketing policies of the trans-national chemical companies producing them.

51. The Committee expressed the hope that producers of natural and synthetic raw materials could cooperate in order to work towards agreement on mutually beneficial production, marketing and pricing policies which would ensure fair market shares for the agricultural raw materials.

52. The Committee requested the FAO Secretariat, when revising the full study, to take account of its comments and to formulate proposals to the extent possible for remedial action designed to limit further encroachments by synthetics into traditional markets for agricultural raw materials, bearing in mind the need for developing countries to maintain employment, producer incomes and export earnings from these commodities.

53. The Committee requested the FAO Intergovernmental Groups on Jute, Kenaf and Allied Fibres, and on Hard Fibres:

- (i) to review the results of the revised study and to examine its implications for national and international policies regarding prices, investment, research, development and market promotion;
- (ii) to consider the feasibility of extending the informal arrangements operating under their auspices so as to take account of competition with synthetics at the product level; and
- (iii) to intensify their efforts to monitor developments in capacities and prices of synthetics competing with jute and hard fibres and extend coverage to a wider range of markets.

54. Taking into account the importance of rubber, cotton and leather to the economies of the developing countries, the Committee also requested the Secretariat, in consultation with the specialized commodity organizations concerned and with other interested international agencies, to make periodic reviews of developments in prices and production capacities for synthetic products competing with these agricultural raw materials.

55. Some delegates requested the Secretariat to approach the UN Centre for Transnational Corporations in order to examine the role played in price formation by the costing and marketing policies of transnational petrochemical companies.

(b) Sugar: Major trade and stabilization issues in the eighties

56. The Committee reviewed problems facing the world sugar economy against the background of an ongoing Secretariat study, the provisional results of which were presented to the Committee in document CCP: 83/16.

57. The Executive Director of the International Sugar Organization informed the Committee on the status of ongoing negotiations on a new sugar agreement which revolved round a regulatory mechanism based on stocks rather than on export quotas. The stocking provisions under consideration were based on the comparison of actual with "reference" export availabilities and contemplated the withdrawal of surplus supplies from the market. The accumulation of security stocks - to be released in times of shortage - was also under consideration.

58. He indicated there had been a strong degree of consensus on the prices which would trigger stockbuilding or stock releases. Substantial agreement had also been reached regarding the status of small exporters (all of which are developing countries) who were to be free of stockholding obligations provided they did not increase shipments beyond specified levels. Differences persisted, however, regarding contributions by importers towards the financing of stocks, and divergences still existed among exporters regarding the size of stocks and their rate of accumulation. The Second Session of the Negotiating Conference, which had ended in Geneva on 30 September 1983, had led to a better understanding among exporters, and further meetings of the Consultative Group called by the independent Chairman of the Conference would be held in London in November 1983. These would be followed by a Third Session of the Negotiating Conference in February 1984 which, if successful, could result in a new agreement (covering the crop year of individual countries) coming into force on 1 July 1984. He expressed confidence that the negotiations would be ultimately successful.

59. He considered that the FAO Secretariat study presented a sound analysis of the problems and issues confronting the world sugar economy and he expressed support for the general policy objectives outlined in the document.

60. The Committee welcomed the study as a useful survey of recent trends and policies, and a realistic assessment of the world outlook for sugar. It agreed broadly with its analysis, which highlighted the structural imbalances in the sugar economy, and viewed with concern the possibility of increasing surpluses. The Committee therefore stressed the need for effective action to restore and maintain equilibrium in the world sugar market.

61. Some delegates considered that the study did not give sufficient emphasis to demand growth potential in certain developed countries, and one delegate pointed out that the study over-estimated the extent to which HFCS was likely to displace sugar in his country. It was also suggested that in revising the study, the Secretariat should cover alternative sweeteners in a more comprehensive way. It was recognized that while markets for raw sugar had contracted, those for white sugar had expanded. Some delegates, however, suggested that this reflected the low price at which white sugar was marketed and this also acted as a disincentive to investment in additional refining capacity in developing importing countries. In this connection, the Committee noted that only three developing countries exported white sugar and that the bulk of imports into developing countries came from developed countries.

62. In order to achieve trading in sugar at reasonable and stable prices, many delegates believed that it would be useful to bear in mind certain general policy objectives. In the first instance, it was necessary to match exportable supplies to the quantities which importing countries could absorb at such prices; at the same time, there should, ideally, be sufficient sugar stocks to compensate for periodic crop shortfalls. This in turn would require the harmonization of the national sugar and sweetener policies and programmes of different countries. Special consideration would need to be given, within the context of a new international sugar regime, to the interests of developing countries, particularly those heavily dependent on sugar exports, and to the special contribution which the sugar industry could make to their economic and rural development. It was also desirable that national and international production and trade policies should not favour alternative sweeteners, particularly HFCS, at the expense of sugar.

63. The observer of the EEC, speaking on behalf of the member countries of the Community, recalled the new sugar regulations since 1 July 1981 in the EEC, as a consequence of which producers themselves are bearing the costs arising from the disposal of surpluses in excess of the consumption within the Community.

64. Some delegates drew attention to the special problems faced by developing exporting countries which had been advised to expand sugar cultivation and were now faced with shrinking domestic and export markets. They also advocated greater efforts toward economic cooperation among the developing countries in the field of sugar, and urged the Secretariat to explore the possibilities of stimulating sugar consumption in the less developed countries.

65. In conclusion, the Committee stressed the need for consistent national and international sugar and sweetener policies, and agreed that the most effective way of achieving this objective would be through a new International Sugar Agreement embracing the maximum number of both exporting and importing countries, and embodying flexible and effective economic provisions. It expressed the hope that the current negotiations would lead to the early conclusion of such an Agreement, and to its implementation by 1 July 1984.

V. REVIEW OF ACTIVITIES OF THE INTERGOVERNMENTAL COMMODITY GROUPS

(a) Oilseeds, oils and fats

66. The Committee approved the Reports of the Sixteenth and Seventeenth Sessions of the Intergovernmental Group on Oilseeds, Oils and Fats and the Group's revised rules of procedure.

67. It noted that the EEC Commission had recently put on the EEC Council a formal proposal for the imposition of a tax of ECU 7.5/quintal (about US\$ 65/ton) on domestic and imported fats and oils of animal and vegetable origin except butter to be effective from 1 January 1984.

68. Many delegates of both developing and developed countries considered that, though the proposed tax would be levied on both domestic and imported fats and oils, it would in practice be discriminatory with regard to countries as the EEC has a low degree of self-sufficiency in fats and oils. The tax would also be discriminatory with regard to commodities because it would not be levied on butter and, being specific and not ad valorem, it would penalize more the lower-priced fats and oils, even those not competing with butter. As the EEC production was small, the tax would be similar to an import duty and, rather than being paid by consumers, it would largely be transferred to the

exporting countries, thus reducing export earnings and returns to producers. The tax would be a new barrier to trade and would be contrary to the EEC commitments under GATT, to UNCTAD resolutions and to the Conference Resolution 2/79. The tax, which appeared to some delegates to be designed to circumvent the GATT, would damage particularly those developing countries which are economically weak; it would thus be contrary to the stated objective of the EEC to aid developing countries and would go against the principles underlying the Generalized System of Preferences and the Lomé Convention as well as the assurances given at the first meeting of the ASEAN/EEC Joint Cooperation Committee. They expressed concern that the proposed tax would represent a dangerous precedent for the adoption of similar taxes in the same or even other sectors. They noted that the objective of imposing the tax had been changed from helping to dispose of surplus olive oil following the proposed enlargement of the EEC to helping to reduce the current imbalance between butter and other fats and oils in the EEC. They therefore feared that an additional tax on fats and oils could be imposed in the future if the olive oil surplus were to emerge. They stressed that as the tax was meant to help solve problems arising from the EEC Common Agricultural Policy on dairy products, the EEC should find the solution domestically rather than by shifting the burden to another sector and to third countries. It was pointed out that even if it were possible for the EEC to find legalistic justification for the tax under GATT, it was still morally incorrect to transfer the burden of butter subsidies to third countries, many of which were developing countries.

69. The observer of the EEC, in addition to providing the Committee with details of the proposed tax, stated that he had listened with much interest to the concern of delegates regarding the possible introduction of a tax. He noted that at this stage it was only a proposal of the Commission to the Council of Ministers. He stressed that any eventual measure would be in full conformity with the obligations of the Community under GATT. He explained that this tax was necessary in view of the fact that in the Community, butter fats are already governed by a policy of production controls, by a co-responsibility tax and quantitative production restrictions, and that such measures have no equivalent for other fats and oils and that this difference has contributed to creating an imbalance between these commodities. The introduction of the tax should therefore help to reduce this imbalance. Furthermore, he explained that since this was a specific tax, its effect would be greater for the cheaper fats and oils but that this would not bring about any discrimination since the most important imported oil is more expensive than the oil produced in the Community. He explained that the tax would be non-discriminatory in character because it would be levied on commodities irrespective of their origin and the varying incidence it would have on different fats and oils would not imply a significant discrimination between them. He suggested that, if the views of the Commission were not shared by its trading partners, they should take up the matter in the GATT, which was the appropriate forum.

70. The delegate of Greece, speaking on behalf of the ten member countries of the EEC, stated that, as the proposal of the Commission in this regard was currently being examined by the EEC Council, it was not possible for them to take any position at this time on the various aspects of the matter.

71. The Committee, with the exception of the EEC member countries, expressed great disappointment that, despite the assurance given by the EEC observer at the sessions of the Intergovernmental Group on Oilseeds, Oils and Fats, as well as at the Fifty-Third Session of the CCP in 1981, the EEC Commission had disregarded the strong feelings which had been expressed on the issue. The Committee, with the exception of the EEC member countries, appealed to both the EEC Council and the individual member governments of the Community to take full account of the feelings of deep concern and worry which had been expressed and to reject the Commission's proposal to impose a tax on oils and fats other than butter.

(b) Rice

72. The Committee approved the Reports of the Intergovernmental Group on Rice on its Twenty-Fifth and Twenty-Sixth Sessions, and the revised Rules of Procedure of the Group. It welcomed the statement by the delegate of the United States at the Twenty-Sixth Session of the Group that, in the application of the Blended Credit Programme, the commercial interests of non-subsidizing rice exporting countries would be protected. Some delegates stated that in their view self-sufficiency in rice was not an appropriate objective for all developing countries to pursue, in view of the financial and other constraints.

(c) Grains

73. The Committee approved the Report of the Twenty-First Session of the Intergovernmental Group on Grains and the Group's revised Rules of Procedure. It welcomed the Group's decision to consider at its next session the impact of national grain policies on market stability and growth of international trade. Some delegates stressed the need to continue the Group's work on feed/livestock problems and to obtain more information on alternative sources of feed which are more suitable to conditions in developing countries.

74. Delegates of several exporting countries informed the Group of the current grain situation in their countries and stated that there were adequate supplies in the current season to meet foreseen import demand. The Executive Secretary of the International Wheat Council informed the Committee of the extensions made to the Wheat Trade Convention and the Food Aid Convention for a further three years, and referred to the study that was currently under way in the IWC on the impact on trade of various practices such as credit, export subsidies and special pricing practices.

75. Several delegates expressed concern over the concentration of stocks in a few producing countries and considered that the responsibility for holding stocks should be shared by both exporters and importers. The Committee stressed the role of economic incentives to producers in maintaining adequate supplies to ensure world food security. While there was great concern expressed about protectionism in the grains market, some delegates were encouraged by the recently proposed policy by the EEC to narrow more rapidly the gap between internal and external prices and expressed the hope that such action would take place.

(d) Meat

76. The Committee approved the report of the Tenth Session of the Intergovernmental Group on Meat and the Group's revised Rules of Procedure.

77. The Committee agreed that the Intergovernmental Group should continue its work on market evaluation, analysis and review of follow-up action to the Guidelines for International Cooperation in the Livestock and Meat Sector, including the monitoring of protectionist developments. A number of delegates reiterated their countries' concern about the rise in protectionism affecting international meat trade and the pressure on prices caused by export subsidies. The Committee noted that a regional workshop on ECDC in meat trade had recently been held in Santiago, and that a similar workshop for another region had been proposed for the 1984-85 biennium.

e) Jute, kenaf and allied fibres

78. The Committee approved the reports of the Seventeenth and Eighteenth Sessions of the Intergovernmental Group on Jute, Kenaf and Allied Fibres (documents CCP 83/2 and CCP 83/8) and the Group's revised Rules of Procedure.

79. The Committee noted that negotiations for an International Agreement on Jute and Jute Products had been concluded successfully in 1982, and the first meeting of the Council was scheduled to take place in January 1984. It heard with interest a statement by the delegate of Australia concerning his country's imminent decision on possible accession to the Agreement.

80. In considering the future activities of the Intergovernmental Group, the Committee agreed that no definite decisions could be made on how best to support and complement the work of the International Jute Organization until the resources available for implementing the new Organization's functions were better known.

81. The Committee agreed that the informal FAO price arrangements for raw jute had been beneficial to the interests of both producing and consuming countries despite difficulties which had been experienced especially in periods of abnormal supply conditions. The Committee, therefore, recommended that the Intergovernmental Group should continue its efforts to improve the effectiveness of the arrangements.

82. The Committee noted that there had been a long-term downward trend in the real prices of raw jute which reflected in particular competition from synthetics. The Committee agreed that intensified research and development work was necessary to improve productivity and reduce costs. In this connection, the Committee noted with satisfaction that FAO was developing project proposals for research and development and cost reduction in jute and kenaf agriculture and primary processing, for eventual submission to the International Jute Organization as requested by the UNCTAD/UNDP Seminar for Jute Producing and Consuming Countries which took place in Dhaka in December 1982.

83. The Committee agreed that the market intelligence and analysis work being carried out by the Group should continue to be pursued, since it provided useful information not readily available elsewhere.

f) Hard fibres

84. The Committee approved the Report of the Seventeenth Session of the Intergovernmental Group on Hard Fibres and the Group's revised Rules of Procedure. It also received an oral report of the Eighteenth Session of the Group which had met from 22 to 28 September 1983 in Arusha, Tanzania.

85. In addition to its usual review of existing indicative price arrangements (which remained unchanged) for sisal, henequen and abaca, the Group at its Eighteenth Session examined the FAO paper on synthetics (CCP 83/15), considered the report of a Consultation of Experts on strengthening the indicative price arrangements for sisal and henequen, and examined the feasibility of establishing a trust fund to implement selected research and development and promotion projects for coir and abaca.

86. The Committee endorsed the Group's recommendation that a second Consultation of Experts be convened as soon as practicable to attempt to develop indicator prices for agricultural twine made from sisal and from polypropylene to be supported by a workable supply management scheme for fibre and harvest twines.

87. The Committee supported the Group's recommendation that FAO should contact prospective donors to ascertain interest in the possible financing of research and development and market promotion projects for coir and abaca. Most delegates expressed the hope that this initiative would lead to the eventual establishment of a trust fund under FAO auspices. It was also pointed out that if this initiative were successful for abaca and coir, a similar scheme might subsequently be developed to implement sisal and henequen projects.

g) Bananas

88. The Committee approved the Report of the Eighth Session of the FAO Intergovernmental Group on Bananas, and the Group's revised Rules of Procedure. It noted that the Group had pointed to the likelihood of exportable supplies outstripping import demand and had expressed its renewed interest in coordinated international action to achieve market equilibrium. The Group had therefore requested a meeting of the Exporters Sub-Group in order to enable exporting countries to reach a common position on possible policy proposals. The Committee was also informed that before the Sub-Group met, a technical Consultation on the subject was held in Medellin, Colombia, under the auspices of FAO and with the participation of major Latin American banana exporting countries. Subsequently, the Sub-Group of Exporters met in June 1983 and recommended that intensified efforts should be made to develop the framework and a working draft of an international agreement for bananas. It also recommended that the Sub-Group should meet again to discuss, in depth, market rationalization proposals.

89. Delegates from banana exporting countries pointed to the declining trends of demand and prices and the tendency for export availabilities to exceed import demand at current prices. They emphasized that the most adequate means of adjusting supply to demand requirements and to improve prices would be through an international banana agreement, with the participation of both exporting and importing countries. To regulate supplies, such an agreement should include export quotas linked to specific price objectives. It should also include provisions on trade liberalization, development of new markets, treatment of preferential suppliers, limitation of imports from non-members and incentives to encourage processing of bananas.

h) Wine and Vine Products

90. The Committee approved the report of the Fourth Session of the Intergovernmental Group on Wine and Vine Products (CCP 83/14) including its recommendation, on its future programme of work. The Committee also approved the changes proposed by the Group in its terms of reference and Rules of Procedure.

91. The Committee agreed that the world wine market suffered from serious structural surplus conditions, particularly for common wines, and endorsed the view expressed by the Group that a major supply adjustment effort was required.

92. The Committee agreed that the annual reports on the world wine situation issued under the auspices of the Group, enabled it to fulfil its functions despite the limited frequency of its meetings. The Committee therefore endorsed the recommendation that the Secretariat continue to issue these reports and requested members to provide information requested by the Secretariat for this purpose.

i) Tea

93. The Committee noted that the Intergovernmental Group on Tea had not met since October 1977 when consultations on tea had moved from FAO to UNCTAD in order to prepare the way for the negotiation of an international tea agreement. The FAO Secretariat had been closely involved in servicing the UNCTAD meetings and had contributed a significant part of the documentation.

94. The Committee was informed that a number of member governments had expressed the view that the FAO Intergovernmental Group on Tea should resume its sessions in order to review regularly the market situation and the short and longer term outlook for tea. This was considered particularly important since discussions in UNCTAD were centred entirely on efforts to negotiate a tea agreement and the need for a thorough review of the market situation was long overdue. In the light of these approaches and following informal consultations with member countries and UNCTAD, the Secretariat had decided to reconvene the FAO Intergovernmental Group on Tea which would meet from 28 February to 2 March 1984.

95. The Committee welcomed the proposed resumption of sessions of the Intergovernmental Group on Tea, and noted that its technical activities would complement and not run counter to efforts in UNCTAD to negotiate an international tea agreement.

VI. REVIEW OF THE WORK OF THE CONSULTATIVE SUB-COMMITTEE
ON SURPLUS DISPOSAL (CSD)

96. The Committee approved the Twenty-Ninth Report of the CSD and thanked its Chairman, Mr Muhammad Zafarullah Khan (Pakistan), who had come from Washington to present the report to the Committee.

97. The Committee welcomed the steps that had been taken to improve the consultative procedures within the framework of the FAO Principles of Surplus Disposal, especially in respect of rice transactions. These included an agreement on the definition of "relatively small-size" for rice transactions and the development, at the request of CSD, of rice trade data by the FAO Secretariat, separating commercial and concessional imports, for use in establishing the usual marketing requirements (UMRs). The Committee encouraged the Secretariat to further refine and improve these data and to consider development of similar data for other commodities, especially dairy products and coarse grains. The Committee noted that the report of the Working Group on Uniform UMR Periods set up by the CSD was nearing completion and that CSD's consultative arrangements on the World Food Programme projects continued to be refined.

98. The Committee welcomed the consultative and monitoring functions of the CSD as contributing to the orderly disposal of agricultural commodities as food aid and on other concessional terms. Some delegates called attention to the recent rapid build-up of surpluses, the increased competition for export markets through special programmes, and possible distortion of agricultural trade patterns; they suggested that CSD reports should be more issue-orientated. In this context, they suggested that the CSD, in its role of

safeguarding commercial interests of exporting countries, should broaden its activities to include consideration of other practices that could have harmful effects on normal patterns of production and international trade. Some other delegates considered that the monitoring mandate of the CSD and the existing consultative procedures within the framework of the FAO Principles of Surplus Disposal should remain the main focus of CSD's work. Some delegates considered that the CSD in its consideration of the impact of concessional transactions, should also keep in view the developmental benefits of food aid, and that some concepts, such as the usual marketing requirements, needed to be reassessed.

99. In response to the suggestions which were made by the CSD Chairman to make the Sub-Committee more effective and to help resolve particular problems in the context of its mandate, the Committee urged all food aid supplying countries to consult and to notify their transactions to the CSD and urged all FAO member countries, especially food aid recipient countries, which have not already done so, to join the CSD and participate actively.

VII. INTERNATIONAL ACTION RELATING TO AGRICULTURAL TRADE AND POSSIBLE FOLLOW-UP ACTION

a) Outcome of UNCTAD VI and other developments

100. The Committee reviewed the outcome of UNCTAD VI in relation to agricultural commodities and trade issues as well as other developments since its Fifty-Third Session, on the basis of documents CCP 83/17 and CCP 83/18.

101. The observer of UNCTAD, on behalf of the Secretary-General of UNCTAD, expressed appreciation for the close collaboration which existed between FAO and UNCTAD in commodity work and hoped that it would continue. He informed the Committee that in addition to the resolutions in the area of commodities reproduced in document CCP 83/18, UNCTAD VI had also adopted resolutions on monetary and financial issues, on the negotiation of an international arrangement to replace the International Wheat Agreement 1971 as extended, and on the strengthening of the International Trade Centre UNCTAD/GATT, particularly in relation to commodities. He stated that Resolution 93(IV) on the Integrated Programme for Commodities (IPC), as expanded under Resolution 124(V) and again endorsed at UNCTAD VI, continued to guide the commodity work of the UNCTAD Secretariat, the main objective being in each case to develop the most suitable commodity agreement or arrangement to ensure stability in trade. An important aspect of the IPC related to the problem of market access and the UNCTAD Secretariat was currently conducting studies on the problem of processing, marketing and distribution faced by the 18 IPC commodities. As a follow-up to these studies, and as requested by UNCTAD VI, elements of frameworks for cooperation in processing, marketing and distribution on a cross-commodity basis would be discussed by the UNCTAD Committee on Commodities for report to the UNCTAD Trade and Development Board by the end of 1984. Further, as the focal point in the UN system for ECDC, UNCTAD had taken particular note of the FAO's activities in this area proposed for 1984 and 1985, and it looked forward to a close and fruitful cooperation with FAO in this regard.

102. Many delegates expressed their disappointment at the outcome of UNCTAD VI, which did not fully reflect the hopes and aspirations of developing countries as reflected in the Buenos Aires Platform. Their expectation of a positive response to their grave commodity and trade problems by developed countries, following the Williamsburg Summit, had not been realized. However, they were not entirely discouraged as, in the final analysis, the outcome of UNCTAD VI would depend on the extent to which the developed countries translated the commitments they had made into concrete action. A number of these delegates also expressed disappointment at the inadequacy of action so far in the IMF to meet the financing needs of the developing countries to stem their serious problems of indebtedness and assist in their economic recovery.

103. Despite the feeling of frustrations expressed by those who were disappointed at the outcome of the UNCTAD VI, several other delegates considered, however, that the decisions reached at that Conference constituted pragmatic and positive steps forward in the North-South dialogue. In this connection they referred to the resolutions adopted by consensus which had inter alia given a new impetus to the entry into force of the Common Fund and the implementation of the Integrated Programme for Commodities. They also considered that the agreements reached on financial and monetary issues, on standstill and roll-back of protectionism in international trade, and on support to the least developed countries, were positive achievements.

104. The Committee recognized that, while the UNCTAD VI results were not without shortcomings, it was essential to continue the dialogue between developed and developing countries, particularly in the field of commodities. Attention was drawn in particular to UNCTAD Resolution 154(VI), including explanatory statements, which called for an early resumption of negotiations for an international arrangement to replace the International Wheat Agreement, taking into account the interests of developing countries.

105. The observer from the International Wheat Council (IWC) informed the Committee that the IWC had not abandoned the search for a new Wheat Agreement. There was a consensus in the IWC that a new agreement should provide for holding stocks by countries, and for assurance of supplies to food deficit countries in times of food shortages. At present the recurrent trade disputes between member countries of the IWC did not promise an early conclusion of such an agreement. Nonetheless, the next IWC session in November would consider UNCTAD Resolution 154(VI) to decide what action to take.

106. On specific commodity and trade issues, the Committee expressed its concern at the slow pace at which negotiations were proceeding on many commodities under the Integrated Programme for Commodities. It regretted the protracted delay in bringing the Agreement Establishing the Common Fund into operation, and urged governments which had not yet ratified the Agreement to do so at an early date so that it could come into operation by 1 January 1984. Some delegates recalled that they had committed themselves to finance the capital contributions to the Common Fund of some of the least developed countries.

107. The Committee noted the suggestion of the Director-General that, if there was a continued delay in ratification of the Common Fund, ways should be explored of authorizing the Second Account to operate on a provisional basis without prejudice in the future of the Common Fund as a whole. In response to questions of some delegates, the Committee was informed of a number of courses of action by which it would be legally possible to activate the Second Account, presupposing the necessary political willingness to take such action. Many delegations nonetheless recalled their firm support for the Common Fund as it had been negotiated and their clear preference for its rapid implementation rather than considering this type of solution.

108. The Committee noted that Resolution 153(VI) on the Common Fund invited governments members of intergovernmental bodies which may meet the eligibility criteria for International Commodity Bodies referred to in the Common Fund agreement, to consider projects appropriate for financing through the Second Account so as to expedite action when the Common Fund enters into operation. Bearing in mind that the UNCTAD preparatory meetings had already identified one FAO Intergovernmental Group (Oilseeds) as an appropriate body for considering projects for Common Fund financing, the Secretariat intended to circulate UNCTAD Resolution 153(VI) to all those FAO Intergovernmental Groups which might be concerned for their information and action as they considered appropriate. One delegate questioned whether there was any need to proceed on this Resolution since the Common Fund had not yet been entered into operation.

109. Noting that UNCTAD Resolution 155(VI) referred to the elaboration of research and development project proposals on hides and skins, the Committee requested the Intergovernmental Group on Meat to consider whether it would be desirable to add or include hides and skins in its mandate. In view of the close connection of hides and skins with meat products, it was felt that this might be the most efficient way of considering hides and skins in an appropriate technical fashion.

110. Some delegates drew attention to UNCTAD VI Resolution 156(VI) on the implementation of the Integrated Programme for Commodities in the area of processing, marketing and distribution including transportation, and requested FAO to give full support to UNCTAD in developing the elements of a framework for cooperation in these areas.

111. One delegate drew attention to the UNCTAD Resolution 158(VI) to strengthen the activities of the UNCTAD/GATT International Trade Centre in order to support the UNCTAD's Integrated Programme for Commodities. The Committee noted with interest the statement of the observer of the UNCTAD/GATT International Trade Centre. He stressed that the ITC was preparing projects on commodity marketing for possible financing by the Second Account of the Common Fund, in line with the request in UNCTAD Resolution 158(VI), and that the Centre would support the Integrated Programme for Commodities by substantially increasing its activities in this field.

112. The observer from GATT expressed appreciation for the technical support of FAO to work of GATT in the preparations for the ongoing consultation on tropical products.

113. The Committee stressed the importance of cooperation among developing countries for the expansion of trade and economic development of these countries, particularly at the regional and sub-regional levels. In this regard it urged the early implementation of UNCTAD VI Resolution 139(VI), in which FAO was specifically called upon to support the efforts of developing countries to implement economic cooperation programmes among themselves.

114. The Committee welcomed the successful conclusion of an International Agreement on Jute and Jute Products and urged governments which had signed the Agreement to take early action, as provided in the Agreement, to put it into force among themselves at the earliest possible date.

115. The observer of the International Federation of Agricultural Producers (IFAP) informed the Committee of some of its most recent commodity activities with the aim of improving the economic and social conditions of agricultural producers. She expressed appreciation for the work of FAO on commodities and documentation which was of particular value to producers' organizations, and emphasized the role played by FAO in the search for improvement of international agricultural markets and hence the incomes of farmers throughout the world.

b) Commodities programme of work and meetings schedule for 1984-85

116. The Committee's review of the Secretariat's proposals for commodity work and related meetings in 1984-85, was based on the detailed information provided in document CCP 83/13 concerning intergovernmental consultations on commodity problems; commodity policy assistance at regional, sub-regional and country level; and the Organization's work on global commodity intelligence, situation and outlook analysis. The Committee noted that the FAO Programme Committee had supported and endorsed these proposals at its 45th Session in September 1983.

117. The Committee stressed that the network of FAO Intergovernmental Groups continued to provide a valuable mechanism where producing and consuming countries could consult together in order to review the commodity situation and prospects to assess global problems of international trade facing agricultural commodities, and to consider desirable policy measures to improve conditions of trade. It agreed that, subject to the need to maintain flexibility in order to meet unforeseeable changes in priorities, the Secretariat's work to support these consultations should focus on the key technical and commodity policy problems identified by the Intergovernmental Groups, particularly those on bananas; tea; jute, kenaf and allied fibres; hard fibres; rice; oilseeds, oils and fats; and meat.

118. The Committee supported the provision made to continue the Secretariat's collaboration with other organizations, including UNCTAD, GATT, World Bank, OECD and independent commodity bodies. It also supported the Secretariat's proposal to continue its work, together with UNCTAD, on commodity development programmes and projects for potential financing by the Second Account of the Common Fund, and noted with satisfaction that support in this area would be extended to the new International Jute Organization.

119. The Committee stressed the practical usefulness of the assistance provided to developing countries in formulating and implementing their national commodity policies under the CPCL programme, and drew attention to the importance of including an element of training in these activities. Priority should also be attached to the furthering of economic cooperation among developing countries, particularly at regional and sub-regional levels.

120. The Committee placed high priority on FAO's global commodity intelligence activities, together with the associated analytical work, which was found very valuable not only by developing countries but also by developed countries. Special reference was made to the continued high quality of the annual Commodity Review and Outlook, and the resumption of work on Per Caput Fibre Consumption was welcomed.

121. A number of delegates made suggestions for additional commodity activities, including a review of national rice policies, national grain policies, country studies of pulses and legumes, medium-term outlook reviews, and analyses of oilseeds and protein feedstuffs. In taking note of these suggestions, the Secretariat informed the Committee that some of these studies were already included in the Programme of Work for 1984-85 while the possibility of adding others would be considered in the light of the available resources.

122. The Committee endorsed the proposed schedule of meetings of its subsidiary bodies in 1984-85, on the understanding that the schedule was flexible and would be adapted to changing circumstances including progress in UNCTAD's preparatory commodity meetings, particularly on tea, and that all possible care would be taken to avoid overlapping with consultations on the same commodities in other organizations.

123. The Committee noted with satisfaction that the Secretariat was able to complement and not duplicate the work of other organizations through a careful inter-agency programming of activities.

VIII. ARRANGEMENTS FOR THE FIFTY-FIFTH SESSION

124. The Committee noted that the Fifty-Fifth Session of the Committee was planned to be held in Rome in September/October 1985, i.e. before the Twenty-Third Session of the Conference in 1985, and left it to the Director-General of FAO to fix a precise date of the Session in consultation with the Chairman, taking into consideration the schedule of other meetings.

IX. TRIBUTE TO MR A.G. LEEKS

125. The Committee was informed that Mr A.G. Leeks, Director of the Commodities and Trade Division, would retire at the end of 1983 after 31 years of distinguished service with FAO during which he had been closely associated with the activities of the Committee, its intergovernmental commodity groups and the CSD. The Committee placed on record its deep appreciation of the significant contribution which he had made to its work throughout this long period.



Appendix B

STATEMENT TO THE FIFTY-FOURTH SESSION OF THE COMMITTEE ON COMMODITY
PROBLEMS DELIVERED BY DR D.F.R. BOMMER, ASSISTANT DIRECTOR-
GENERAL, AGRICULTURE DEPARTMENT, ON BEHALF OF
THE DIRECTOR-GENERAL OF FAO

The toll of recession

Distinguished delegates and observers:

I should like to warmly welcome all representatives of member governments and international organizations to this Fifty-Fourth Session of the Committee on Commodity Problems.

In its long existence, the CCP has seen many ups and downs in the world economic scene, and the past two years has been a particularly difficult period. The signs of the world recession were already manifest when the Committee last met in 1981. The impact on international trade, including agricultural trade, was already severe, as reflected in the warnings expressed by this Committee - the stagnation of world agricultural exports; the damaging effects of the deteriorating terms of trade on developing countries; their dwindling agricultural trade surplus; and the need for governments to resist protectionist pressures.

Your concerns, which I fully shared, were timely.

FAO estimates that the recession in 1981 and 1982 cost the world at least 700 billion dollars in terms of lost production, jobs and incomes. Developing countries forfeited over 200 billion dollars' worth of output or income in these two years. This was four times their receipts of external assistance.

Impact on trade

The worsening world commodity trade situation and the impact on national economies and farmers have been fully analyzed in the latest FAO Commodity Review and Outlook. By the end of 1982 the terms of agricultural trade had declined by 10 percent for the developed countries, and by as much as 15 percent for developing countries, compared with the previous year. Price declines, more than any other factor, accounted for the first decrease in over twenty years in the value of world trade in agricultural, fishery and forestry products in 1981. And this was followed in 1982 by an alarming further drop in receipts from this trade, estimated by FAO at 8 percent.

Again the developing countries fared worse, at just the time when the increasing burden of servicing their foreign debts heightened the need for a prosperous export trade. Yet by 1981, as we had feared, their agricultural trade account was in deficit. FAO estimates that this shortfall widened further in 1982, notwithstanding the lower prices of their main agricultural and food imports.

1983 is hardly better. According to GATT, the total volume of world trade scarcely grew in the first half of this year and is likely to grow by only 2 percent in the second half. Although prices of some agricultural commodities have risen, the extent to which this will improve the position of the most affected developing countries remains uncertain.

Commodity prices unstable

This recovery in world prices of some major commodities, mainly from abnormally low levels, reflects the poor crops more than stronger demand. The devastating drought in the United States of America, the worst for fifty years, demonstrates, yet again, the hostile environment which agriculture continues to face, even in one of the most advanced economies. The drastic reduction in production has already led to an increase in food prices which will add to heavy food import bills of many low-income countries. Even with economic recovery, the prices of several major tropical products on world markets - such as coffee, cocoa and bananas - are projected to remain unfavourable in real terms.

The inadequacy of international cooperation

The deteriorating trade situation of the developing countries must be tackled on both sides of the balance. Imports must be lowered by increasing domestic production, and export earnings must be expanded. The issues relating to export promotion - increasing market access and price stabilization - lend themselves, par excellence, to international negotiation.

Yet two years have passed by, characterized in my view by growing disappointment from results of multilateral discussions and negotiations. Unfortunately it is becoming commonplace to expect major international conferences to stall, or call for further studies, rather than initiate concrete steps to deal with pressing issues of development, trade and aid.

UNCTAD VI

At UNCTAD VI, in Belgrade, I pledged FAO's continuing support to the UNCTAD'S Integrated Programme for Commodities. I am frankly disappointed, however, that seven years after the initiation of the Integrated Programme, it was found necessary to urge governments to reaffirm their commitments and support to the Programme and to the Common Fund. There seem to be growing doubts as to political willingness to implement these important programmes.

Common Fund delayed

Indeed, although UNCTAD VI agreed that it would be preferable to begin operations of the Common Fund by 1 January 1984, this now seems highly uncertain. The number of countries that have ratified the Agreement still falls short of the minimum required. And the prospect of reaching the minimum required level of capital contributions remains equally clouded. In these circumstances, I have suggested that in the meantime ways should be sought to authorize the Common Fund's Second Window to operate on a provisional basis, without prejudice to the future of the Common Fund as a whole. Commodity development projects have already been prepared, many of them by FAO, which are urgently needed by developing countries to improve their competitiveness in commodity production and export. Finance for these projects through the Common Fund has also been pledged. As I stressed to the ECOSOC in July, it would be a tragic irony if we could not take advantage of all those efforts and resources.

I do not underestimate the few successes which have been achieved in the past two years. The conclusion - in a very difficult period - of the International Natural Rubber Agreement is an example. I trust that similar success will be achieved in the negotiations now underway on sugar. The outcome, however limited, of the GATT ministerial session last November, also offers governments the opportunity to progress towards trade liberalization. I have pledged FAO's cooperation in the work programme being prepared by GATT in the agricultural sector. In the meantime, however, there has been a continuation of protectionist pressures, which can only deter investments in agricultural production for export.

Trade difficulties remain immense even with economic recovery

Some limited improvement in the general economic situation now seems to be underway, which should improve trading prospects. OECD estimates that each one percent increase in the growth rate of the industrialized countries could raise the total exports of developing debtor countries by some 5 billion dollars per year. But this is dwarfed by the enormous debts of developing countries, on which the annual burden of debt servicing amounted to 130 billion dollars in 1982. It is clear that economic recovery in the OECD countries cannot, by itself, be relied upon to meet more than a small fraction of the developing countries' financing needs. This is more serious because there is no sign yet that governments are prepared to reverse their inward-looking protectionist tendencies.

Economic Cooperation among Developing Countries

This underlines the need for developing countries to intensify their efforts to promote their mutual trade. The potential is indicated by the fact that agricultural trade among developing countries increased in the past decade at twice the rate of their exports to developed countries. Yet it has proved difficult to translate the accepted principles of ECDC into workable policies in the field of trade, whether at regional or global levels. The Expert Consultation convened on this subject by FAO last month made a useful examination of several aspects of this complex problem, and I would welcome this Committee's views on practical ways in which ECDC can promote agricultural trade among developing countries.

Intergovernmental commodity groups

There is also a continuing need to stabilize commodity prices. Yet resistance, or even philosophical opposition, to international commodity agreements - as well as technical difficulties in concluding them - have stifled proposals in the Integrated Programme. I have recently reminded the ECOSOC of the useful, albeit more modest, objectives which can be achieved through the flexible approach adopted by the Intergovernmental Commodity Groups established by the CCP. I refer to the informal stabilization arrangements operated by the Groups on Hard Fibres, and on Jute. The guiding principles for international cooperation which have been agreed by the rice, oilseeds and meat Groups are other examples. I suggest that this Committee should give serious consideration to the scope for extending such arrangements to other commodities.

Role of CCP

Distinguished delegates and observers:

In conclusion, I would like to stress the constructive role which the Committee has played over more than 30 years in the field of commodity problems and policies. Since it is a technical body of such long experience, it offers a forum where producing and consuming countries can discuss sensitive policy issues without commitment, and thus facilitate international negotiations. The CCP is also in a good position, because of the network of Intergovernmental Commodity Groups, to test new ideas in an objective way. Both of these roles are reflected in the issues before the Committee at its present session. Your deliberations will help to guide the commodity work of FAO and can contribute to the global search for a new consensus on the world trading system. I wish you well in these important tasks.

Appendix CAGENDA

1. Opening of the Session
 - (a) Election of Chairman and Vice-Chairmen
 - (b) Adoption of Agenda and Timetable
2. Review of World Commodity Situation and Outlook
3. Protectionism in Agricultural Trade: Follow-up to Conference Resolution 2/79
4. Selected Commodity Issues
 - (a) Competition from Synthetic Substitutes: Fibres, Rubber and Leather
 - (b) Sugar: Major Trade and Stabilization Issues in the 1980s
5. Review of Activities of the Intergovernmental Commodity Groups
 - (a) Oilseeds, Oils and Fats
 - (b) Rice
 - (c) Grains
 - (d) Meat
 - (e) Jute, Kenaf and Allied Fibres
 - (f) Hard Fibres
 - (g) Bananas
 - (h) Wine and Vine Products
 - (i) Tea
6. Review of the Work of the Consultative Sub-Committee on Surplus Disposal (CSD)
7. International Action Relating to Agricultural Commodities
 - (a) Outcome of UNCTAD VI in relation to agricultural trade and possible follow-up action
 - (b) Other Developments in UNCTAD, GATT, Common Fund and other organizations
 - (c) FAO Commodities Programme of Work 1984-85
8. Arrangements for the Fifty-Fifth Session
9. Any other business
10. Adoption of Report

Appendix D

LIST OF DOCUMENTS

<u>Number</u>	<u>Title</u>	<u>Agenda Item No.</u>
CCP 83/1	Provisional Agenda	
CCP 83/2	Report of the Seventeenth Session of the Inter-governmental Group on Jute, Kenaf and Allied Fibres	5(e)
CCP 83/3	Report of the Sixteenth Session of the Inter-governmental Group on Oilseeds, Oils and Fats	5(a)
CCP 83/4	Report of the Twenty-Fifth Session of the Inter-governmental Group on Rice	5(b)
CCP 83/5	Report of the Eighth Session of the Intergovernmental Group on Bananas	5(g)
CCP 83/6	Report of the Seventeenth Session of the Inter-governmental Group on Hard Fibres	5(f)
CCP 83/7	Report of the Twenty-First Session of the Inter-governmental Group on Grains	5(c)
CCP 83/8	Report of the Eighteenth Session of the Inter-governmental Group on Jute, Kenaf and Allied Fibres	5(e)
CCP 83/9	Report of the Tenth Session of the Intergovernmental Group on Meat	5(d)
CCP 83/10	Report of the Seventeenth Session of the Inter-governmental Group on Oilseeds, Oils and Fats	5(a)
CCP 83/11	Report of the Twenty-Sixth Session of the Inter-governmental Group on Rice	5(b)
CCP 83/12	Consultative Sub-Committee on Surplus Disposal: Twenty-Ninth Report to CCP	6
CCP 83/13	Commodities Programme of Work and Meetings Schedule for 1984-85	7(c)
CCP 83/14	Report of the Fourth Session of the Intergovernmental Group on Wine and Vine Products	5(h)
CCP 83/15	Agricultural Raw Materials: Competition with Synthetic Substitutes	4(a)
CCP 83/16	Sugar: Major Trade and Stabilization Issues in the Eighties	4(b)
CCP 83/17	International Action Relating to Agricultural Commodities: Developments in other International Fora	7(b)
CCP 83/18	Outcome of UNCTAD VI in Relation to Agricultural Trade and Possible Follow-up Action	7(a)
CCP 83/19	Protectionism in Agricultural Trade: Review of Action Taken on Conference Resolution 2/79	3
CCP 83/20	Review of the World Commodity Situation and Outlook	2
CCP 83/21	Review of the World Commodity Situation and Outlook - Updating Statement	2
CCP 83/22	Expert Consultation on Ways to Foster Agricultural Trade Through Economic Cooperation Among Developing Countries	3

Appendix EMEMBERSHIP OF THE COMMITTEE ON COMMODITY PROBLEMS (BIENNIUM 1982-83)

(as at 6 October 1983)

AFGHANISTAN	GERMANY, FEDERAL REPUBLIC OF	PAKISTAN
ALGERIA	GHANA	PANAMA
ANGOLA	GREECE	PERU
ARGENTINA	GRENADA	PHILIPPINES
AUSTRALIA	HONDURAS	POLAND
AUSTRIA	HUNGARY	PORTUGAL
BANGLADESH	INDIA	ROMANIA
BELGIUM	INDONESIA	SAO TOME AND PRINCIPE
BRAZIL	IRAQ	SENEGAL
BULGARIA	IRELAND	SIERRA LEONE
CAMEROON	ISRAEL	SPAIN
CANADA	ITALY	SRI LANKA
CAPE VERDE	IVORY COAST	SWEDEN
CHILE	JAMAICA	SWITZERLAND
COLOMBIA	JAPAN	TANZANIA
CONGO	KENYA	THAILAND
COSTA RICA	KOREA, REPUBLIC OF	TUNISIA
CUBA	LIBERIA	TURKEY
CYPRUS	MALAYSIA	UGANDA
DENMARK	MALTA	UNITED KINGDOM
DOMINICAN REPUBLIC	MEXICO	UNITED STATES OF AMERICA
ECUADOR	MOROCCO	UPPER VOLTA
EGYPT	NETHERLANDS	URUGUAY
EL SALVADOR	NEW ZEALAND	VENEZUELA
EQUATORIAL GUINEA	NICARAGUA	YUGOSLAVIA
FINLAND	NIGERIA	ZAIRE
FRANCE	NORWAY	ZAMBIA

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