

Ninety-second Session

Rome, 3 - 5 November 1987

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

(Rome, 7 - 13 October 1987)

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(as at 13 October 1987)

MATTERS REQUIRING ATTENTION BY THE COUNCIL

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

1. Its review of the main issues in the world commodity situation and outlook (paras 7 to 18).
2. Its review of the activities of the Intergovernmental Commodity Groups (paras 19 to 34).
3. Its review of recent developments in protectionism in agricultural trade as follow-up to Conference Resolution 2/79 (paras 38 to 54).
4. Its review of economic cooperation among developing countries in agricultural trade (paras 55 to 64).
5. Its comments on FAO commodities programme of work for 1988-89 (paras 76 to 83).

I. INTRODUCTION

1. The Committee on Commodity Problems held its Fifty-Sixth Session from 7 - 13 October 1987 at FAO Headquarters, Rome. Of the 83 member countries of the Committee for the biennium 1986-87, 65 were represented at the Session. One Member Nation of the Organization, the Holy See and 11 international organizations participated as observers. The list of participants is given in Appendix A.
2. The Session was opened by Mr Javed Musharraf (Pakistan), the outgoing Chairman. The Committee thanked Mr Musharraf for his services to the Committee and expressed its appreciation of the useful contribution which he made to its work.
3. The statement of the Director-General, Mr Edouard Saouma, was delivered on his behalf by the Deputy Director-General of FAO, Mr D.J. Walton. The Director-General's statement is reproduced in Appendix B.
4. The Committee elected Mr A. Daniel Weygandt (United States of America) as Chairman, Mr Mazlan bin Jusoh (Malaysia) as First Vice-Chairman and Mr Humberto Carrión (Nicaragua) 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 delegations of France, New Zealand, Panama, Philippines, Senegal, Spain, Thailand, United States of America and Zambia, under the Chairmanship of Mr Paul Baigent (New Zealand).

II. REVIEW OF WORLD COMMODITY SITUATION AND OUTLOOK

7. The Committee reviewed the world commodity situation and outlook based on information contained in documents CCP 87/12 and CCP 87/18. These supplemented the detailed review contained in the FAO Commodity Review and Outlook 1986-87. The Committee generally agreed with the assessment presented in these documents which depicted the current commodity situation to be in a continuing crisis.
8. The Committee noted that the value of world merchandise trade had modestly increased in terms of US dollars in 1986. The export earnings of the developed market economy countries had increased by approximately 15 percent. However, export earnings of the developing countries had declined by 4.5 percent, despite increased volumes exported, mainly due to a decline in prices of most commodities on the international markets and particularly a large decline in export prices of petroleum.
9. The Committee further noted that world trade in agricultural, fishery and forestry products increased by 8.6 percent in 1986 to US\$ 299 billion. The agricultural export earnings of the developed countries had increased by over 10 percent in 1986 to an estimated US\$ 211 billion. However, the Committee noted with concern that the earnings of developing countries had increased only slightly above the depressed level of 1985 and had reached the same level in current US dollars as at the beginning of the present decade. For both developed and developing countries, the increase in export earnings in 1986 reflected mainly increases in US dollar prices of a relatively small number of commodities, particularly coffee in the case of developing countries and livestock products in the case of developed countries. Indeed, according

to the FAO trade indices the volume of agricultural exports had declined by one percent in 1986 for both developed and developing countries. As a consequence the volume of world agricultural trade had expanded by barely six percent during the period 1980 to 1986.

10. The Committee noted that the agricultural trade balances of developing countries as a group had further improved in 1986 to US\$ 16.6 billion and that the overall balance of the low-income food-deficit countries had increased to US\$ 6.5 billion. However, it was stressed that these balances must be considered in the context of total trade flows and if these continued at their low levels it would jeopardize the trade balances and economic growth in these countries. Moreover, the positive balance on this trade mainly reflected the reduced capacity of developing countries to import due principally to their low export earnings, their need to give priority to the servicing of an increasing foreign debt burden and a significant decline in the flow of external resources to support their development efforts.

11. The Committee was deeply concerned that although export prices of some agricultural commodities had partially improved in 1986 from the low levels of 1985, they remained seriously depressed. The FAO index of food export prices by end-1986 was only 71 percent of the level of 1980 and the overall index of prices of non-foods was only 74 percent of the 1980 level. Moreover, export prices of only a few commodities, such as rice and some agricultural raw materials had increased in the course of 1987. The Committee stressed that both developed and developing exporting countries had been adversely affected by these trends.

12. The Committee recognized that the severely low levels of export prices had resulted from a convergence of both supply and demand factors. Such factors included on the supply side, large overhangs of stocks and continuing improvements in agricultural productivity and production performance which had occurred in many cases due to high levels of domestic support. At the same time, continued severe financial problems constrained import demand in many developing countries while agricultural policies, particularly in many developed countries had continued to curb trade opportunities and to exacerbate competition for markets.

13. The Committee expressed concern that coupled with the very low levels of export prices of agricultural commodities, the prices of manufactured goods had continued to increase. As a consequence, the terms of trade of most agricultural exports had continued to deteriorate sharply in 1986 and 1987. By early 1987 the overall index of terms of trade of food and agriculture commodities against manufactures had declined by 35 percent compared with 1980 for both developing and developed countries. The Committee noted that the outlook for the remainder of 1987 suggested little if any improvement in the terms of trade of agriculture.

14. In considering the short-term outlook for agricultural commodity trade, the forecasts pointed to only limited expansion of the world economy and global trade in the near future. The Committee concluded that although the prices of some agricultural commodities in international trade had shown partial recovery in recent months, there were, on the whole, only slight grounds for optimism about the growth of this trade in the short term as fundamental factors such as ample supplies of most commodities and only slow growth of import demand seemed likely to persist.

15. The Committee recognized that several major uncertainties besides commodity-specific factors continued, which would influence the short-term outlook. In the first place, export competition, with the help of large subsidies, together with barriers to imports, had contributed to the very depressed price levels which prevailed in markets for major food commodities. Thus, developments in the short term would heavily depend on the global economic growth and on policy initiatives which affect trade, including domestic policy orientations regarding production in particular. Moreover, the heavy foreign debt burden of many developing countries and the related adjustment measures which they had to undertake, were constraining their capacity to finance imports, including imports of food and agricultural products, below required levels. Any improvements in this respect could also lead to a more rapid growth in their imports. At the same time several oil-exporting countries, which were formerly major growth markets for agricultural imports, have had to economize on imports in recent years. Thus, the outlook would also hinge to some extent on any developments which may enable these countries to raise their effective demand for imports.

16. Many delegates stressed the urgency of action to reform the adverse environment besetting international commodity trade. They placed emphasis on the twin need for reforms in policies which directly affected international trade, through trade liberalization, and for reforms of protectionist domestic policies which were the major cause of distortions in world agricultural trade. In this connection, it was stressed that solutions should not be sought which merely shifted the problems to other commodity sectors or to other countries.

17. Many delegates also emphasized the importance of improving the conditions of agricultural trade in the context of overall economic problems, particularly those confronting developing countries. They stressed the importance of agricultural export earnings to their national development, to their total foreign exchange earnings and their debt-servicing capacities, as well as to the social and economic fabric of their society, including the distribution of income. Urgent action for the implementation of a new international economic order was called for.

18. The Committee also stressed the need for lasting solutions to the crisis facing world agricultural trade. In this connection, it welcomed recent developments and initiatives in international trade affairs, including the Ministerial Declaration on the Uruguay Round of GATT multilateral trade negotiations, the Ministerial Communiqué of OECD member countries on principles for agricultural policy reform and the outcome of the recent Venice Summit meeting in relation to agricultural trade. Many delegates emphasized, however, that although these developments indicated the growing awareness of the need for fundamental reforms in policies affecting trade, little had so far been achieved in terms of concrete results.

III. REVIEW OF ACTIVITIES OF THE INTERGOVERNMENTAL COMMODITY GROUPS

19. The Committee reviewed the activities of the Intergovernmental Commodity Groups, progress made and difficulties encountered by them on the basis of the reports of the Groups which had met since its last Session.

20. The Committee approved the following Intergovernmental Group reports:

- 29th and 30th Session of the Group on Rice (CCP: 87/4 and 87/11)
- 9th Session of the Group on Bananas (CCP: 87/5)

- 21st Session of the Group on Hard Fibres (CCP: 87/6)
- 7th Session of the Group on Citrus Fruit (CCP: 87/7)
- 21st and 22nd Sessions of the Group on Jute, Kenaf and Allied Fibres (CCP: 87/2 and 87/8)
- 12th Session of the Group on Meat (CCP: 87/9)
(including the 1st Session of the Sub-Group on Hides and Skins)
- 19th and 20th Sessions of the Group on Oilseeds, Oils and Fats (CCP: 87/3 and 87/10)

21. The Committee endorsed the work of the Intergovernmental Groups, stressing their usefulness as fora for producing and consuming countries to exchange information, to identify problems facing the commodities, and to consider the feasibility and desirability of remedial measures. Some delegates expressed regret that the number of meetings of Groups had shown some tendency to decline in recent years. However, the Committee recognized that the number of meetings had to be adjusted with a view to making the best use of limited resources and that financial constraints in the current biennium had caused several meetings to be cancelled or postponed. The Committee commended the flexibility with which the Groups operated, in terms of the issues considered, the methods of work and the frequency of sessions. This flexibility made maximum use of available resources while allowing for changes in priorities in the light of the wishes and needs of member governments, as well as the problems faced in different commodity sectors.

22. Regarding the Intergovernmental Group on Rice, the Committee stressed the usefulness of the Group as a forum for the exchange of information on both market outlook and policy developments affecting production, consumption and trade, as well as of the Guidelines for National and International Action on Rice as a basis for international cooperation. The Committee noted the concern expressed by the Group regarding the widespread and increasing use of export aids and subsidies in rice trade. Some delegates referred to the adverse effects of the changes that had to be made in their rice policies as a result of the conditions attached to loans from some international financing agencies. Some other delegates informed the Committee of the programmes adopted in their countries to reduce rice production which had led to considerable hardships for rice farmers, particularly in developing countries. They stressed that the introduction of such programmes had not been voluntary but had to be adopted because of the strong competition from other exporters.

23. Regarding the Intergovernmental Group on Wine and Vine Products, the Committee noted that the Fifth Session of the Group was scheduled to be convened in Rome in October 1988 to carry out its periodic assessment of trends and problems in the global wine economy. The Committee expressed its appreciation for the annual wine market situation reports issued between sessions of the Group, which kept both producing and consuming countries informed of developments in this sector.

24. Regarding the Intergovernmental Group on Bananas, the Committee noted that the Ninth Session had reviewed the structural changes that had occurred in the world banana economy in the last decade and the longer-term prospects for the industry, and had decided to set up an Expert Consultation on Possible New Policy Initiatives to Increase the Economic Viability of the World Banana Economy. This allowed the Group to draw on the expertise of people directly

involved in production, marketing and distribution. Although the report of the Expert Consultation had yet to be submitted to the full Group at its next session, the Committee was informed that its main recommendations were that FAO should intensify its monitoring of the world banana economy and should explore the possibility of obtaining financial support from private industry for the development of a comprehensive information network which would enhance market transparency and rational investment decisions. The Expert Consultation had also recommended that the Group consider the adoption of voluntary policy guidelines for the orderly development of the world banana economy. Delegates from banana-producing countries also drew attention to the re-emergence of Black Sigatoka disease in major Latin American banana-producing countries, and were provided with information on past and present FAO assistance to control it. They requested FAO to continue to provide support in this sector. Some other delegates from countries where bananas were an important staple food stressed the high post-harvest losses which occurred due to unsatisfactory transport infrastructure and technology and requested that this problem be looked into by the appropriate FAO unit.

25. Regarding the Intergovernmental Group on Tea, the Committee noted that the Group's Sixth Session in 1985 had recommended that the Sub-Group of Exporters should be reactivated and that the full Group should not meet until sufficient progress had been made by exporters in developing short-term measures to arrest the decline in prices and to stabilize the market. The Sub-Group of Exporters had met in June 1986 and May 1987. It had concentrated its efforts on removing substandard teas from the market and on implementing an already existing minimum quality standard which would be applied on all black tea exports. Exporting countries had requested that one further session of the Sub-Group should be held as soon as practicable before reporting back to the full Group. Some delegates of importing countries considered that the Sub-Group of Exporters should report back to the Intergovernmental Group on Tea as soon as possible on the progress achieved. The Committee noted the usefulness of the semi-annual market reports which had helped to compensate for the absence of Intergovernmental Group meetings in 1986 and 1987. Some delegates referred to the need to consider further the impact on the industries of tea exporting countries which could arise from increased radioactivity resulting from accidents such as had occurred in 1986. While they expressed their appreciation of FAO's prompt response to the problems posed by radionuclide contamination of commodities such as tea, they stressed the need for a continuous attention to this new threat to commodity trade by the appropriate international bodies with a view to setting up international standards for maximum acceptable limits in this field.

26. The Committee noted that the Intergovernmental Group on Hard Fibres and its Sub-Group of Sisal and Henequen Producing Countries, which had met the first time in 1986, had recommended indicative prices for abaca and sisal fibre and sisal harvest twine. For abaca a warning mechanism had been agreed upon when the market price remained above or below the agreed range for more than three months. For sisal an innovative informal consultative mechanism had been suggested which would be considered by the next session of the Group. This proposal envisaged informal consultations among trade and industry experts from producing countries, outside the auspices of FAO and without any cost to the Organization. The main purpose of such informal consultations would be to advise the governments of the producing countries on how to restore balance in the sisal market in situations of market disruption. Delegates from sisal and henequen producing countries expressed concern regarding the continuing penetration of the sisal market by synthetics and the negative effects on low-income sisal producers who were concentrated in rural areas. They stressed that there was no reason for giving preference to

polypropylene harvest twine over sisal when applying modern harvesting methods because, in some major consuming countries, sisal continued to be technically equal to synthetics without having the damaging effects to the environment. Some delegates expressed concern that no progress had been made in raising funds for previously formulated research and development projects for abaca and coir, and stressed the need for renewed efforts in this direction.

27. Regarding the Intergovernmental Group on Citrus Fruit, the Committee noted that the considerable period which had elapsed between the previous session and the recent Seventh Session in November 1986 was due to the easing of earlier problems of surplus in the fresh fruit market. However, in more recent years a number of changes had taken place in the structure of the world citrus market, particularly in the processed sector, which had given rise to growing concern regarding the possible re-emergence of surpluses. Therefore, at the request of the citrus producing countries, the Group had been reconvened to carry out an assessment of the major problems facing the global citrus market. The Committee noted the conclusions and recommendations of the Group, in particular the assessment of the longer-term market prospects for fresh fruit and the possible downward pressure on prices, as well as the need to avoid indiscriminate expansion of citrus processing facilities. Attention was drawn to the need to give priority in the recommended work programme for the analysis of longer-term price trends in order to assist producing countries in developing appropriate production policies.

28. Regarding the Intergovernmental Group on Jute, Kenaf and Allied Fibres the Committee noted that, because of the pronounced deterioration in world jute prices in 1986, the monitoring of the market situation carried out by the Group was of particular importance. The Group had continued to seek to improve conditions under which the fibres were marketed and had continued to establish indicative prices for jute and kenaf under the informal arrangements. The Committee also noted that, in reviewing its future role and functions following the establishment of the International Jute Organization (IJO), the Group had agreed to continue the range of activities currently being undertaken while maintaining the closest cooperation with the IJO to avoid duplication of activities.

29. Regarding the Intergovernmental Group on Meat, the Committee expressed its general approval of the Group's work on market review, policy analysis and on follow-up to the Guidelines for International Cooperation in the Livestock and Meat Sector. It stressed the value which member countries attached to the information gathered by the Group, and suggested that closer cooperation between the Secretariats of FAO and OECD in this area would be useful. Regarding follow-up to a proposal made at the Group's last session to review linkages between feed grain prices and meat production, the Committee was informed that the Secretariat had plans to undertake more work on feed/livestock relationships and that the results of this analysis would be presented to future sessions of the Intergovernmental Groups on Grains and Meat.

30. Regarding the Sub-Group on Hides and Skins the Committee noted that the Sub-Group had identified major issues and problems of the hides and skins economy and had selected three broad areas for its work programme. First, regarding economic and trade issues and policies, the programme provided for market outlook work, examination of trade practices, including protectionist measures, and for assessing the scope for ECDC, including trade. The second element concerned the improvement of statistics while the third element was the urgent need, in the technical field, to provide a new impetus to improve the quality of hides and skins and reduce waste. The Committee expressed its

satisfaction that an intergovernmental forum had now been established for hides and skins which had substantial economic potential for both developing and developed countries. It expressed the hope that the approved work programme would be speedily and effectively implemented.

31. Regarding the Intergovernmental Group on Oilseeds, Oils and Fats, the Committee, with the exception of the EEC member countries, reiterated its indignation, vigorous protest and strong concern about the proposal by the EEC Commission to introduce a stabilization mechanism in the vegetable and marine oils sector. The Committee, with the exception of EEC member countries, expressed concern that the Commission's proposal was still being pursued despite the repeated appeals from third countries and, as noted by some delegates of countries not members of the EEC, there seemed to exist some difficulties, even inside the Community in arriving at an agreement on this proposal. The Committee, with the exception of the EEC member countries, felt that, for the reasons already given in paragraphs 21 to 24 of the report of the 20th session of the Group (CCP: 87/10), the proposed stabilization mechanism was the equivalent of a tax, would be protectionist and discriminatory, would violate the EEC undertakings in the GATT, would be against FAO Conference Resolution 2/79 and the FAO Guidelines and Targets for International Agricultural Adjustment and the Group's own Guidelines for International Cooperation in the Oilseeds, Oils and Oilmeals Sector. In addition, the Committee, with the exception of the EEC member countries, felt that the stabilization mechanism would reduce EEC imports, would penalize low-cost third-country producers many of whom were poor, small farmers in developing countries, and would transfer to third countries the burden of financing agricultural adjustment within the EEC.

32. The observer of the EEC Commission informed the Committee on actions recently taken to introduce and/or strengthen disincentives to EEC oilseed farmers to discourage them from exceeding pre-established production levels. Moreover, he reiterated that the arguments in favour of a stabilization mechanism which had been put forward last February by the Commission's Representative and which appear in document CCP: 87/10 were still valid. At the request of the EEC Council the mechanism was being further analyzed and discussed with third-country trading partners with a view to finalizing in November a report for consideration by the EEC Council of Ministers in early December.

33. The Committee, with the exception of the EEC member countries, expressed surprise that, in view of the already well-known opposition of third-country trading partners to the proposal, further consultations were considered necessary, and reiterated the appeal to the governments of the EEC member countries and to the EEC Council of Ministers to reject the stabilization mechanism proposed by the EEC Commission.

34. Regarding other matters of concern to this commodity sector, some delegates expressed the hope that the Joint FAO/WHO Codex Alimentarius Committee would expedite the work to complete the procedures to establish internationally agreed limits for aflatoxin contamination together with recognized methods of analysis and sampling. It was also suggested that FAO should consider updating its 1977 study on "Dietary Fats and Oils in Human Nutrition" to take into account the many new and recent findings on nutritional aspects of fats and oils.

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

35. The Committee approved the Thirty-first Report of the CSD and thanked its Chairman Dr Mohammed Tayel (Egypt) for his clear introduction of the Report to the Committee.

36. The Committee welcomed the continuing consultative and monitoring functions of the CSD which aimed at contributing to the orderly disposal of agricultural commodities as food aid and on other concessional terms. It noted that the CSD consultative procedures, which involved bilateral consultations and the establishment of UMRs by supplying countries in accordance with the FAO Principles on Surplus Disposal, had the objective of bringing the concerns of third country suppliers to bear on a proposed food aid or concessional transaction. In this connection, the Committee considered the availability of accurate and reliable trade statistics to the CSD as indispensable for establishing UMR levels and appreciated that FAO has provided this service for rice since 1983. The Committee agreed with the Sub-Committee's recommendation to the FAO Secretariat to continue this service and urged the CSD members to cooperate by providing relevant information.

37. The Committee appreciated the efforts made by the Chairman of CSD to enlarge the membership of and attendance at CSD, especially of food aid recipient countries, and invited all interested FAO member countries, which had not already done so, to join the CSD and participate actively in its proceedings.

V. REPORT ON RECENT FOLLOW-UP ACTION TO CONFERENCE RESOLUTION 2/79 ON COMMODITY TRADE, PROTECTIONISM AND AGRICULTURAL ADJUSTMENT

(a) Protectionism in agriculture

38. The Committee undertook its regular review of developments in protectionism in agriculture, and of action taken on Conference Resolution 2/79 on Commodity Trade, Protectionism and Agricultural Adjustment, on the basis of document CCP: 87/14 and extracts from the Report of the Ninety-First Session of the FAO Council presented in CCP: 87/Inf. 6. The Committee agreed in general with the analysis and conclusions of the document.

39. The Committee strongly deplored protectionism in agriculture. It regretted that agricultural protectionism and the problems resulting from it had seriously worsened in recent years, despite certain efforts made by a number of countries to limit their budgetary expenditures and to take adjustment measures to curb excessive production of commodities in surplus supply.

40. In this connection, the Committee noted that various yardsticks of the extent and incidence of agricultural protectionism, and many studies of its consequences and effects, had demonstrated the serious adverse effects of protectionism at both international and domestic levels. In an international context, protectionist agricultural policies had exacerbated the severe declines in international market prices of agricultural commodities; had distorted trade patterns; had depressed the export earnings of other countries aggravating their macro-economic difficulties, particularly of developing exporting countries; and had led to a worsening of the state of international trade relations in general. In domestic terms, protectionist agricultural policies had led to a build-up of costly surplus stocks; had caused budgetary expenditures to rise to record levels; had distorted domestic resource use; and, yet, had not been able to protect the incomes of producers, especially small producers.

41. The Committee noted that a large proportion of support provided to agricultural producers in the industrialized countries was linked to the level of domestic production and provided incentives to production through policy measures which caused domestic prices to exceed prices in international markets. Such measures caused distortions in patterns of production and trade flows.

42. Some delegates stated, however, that in determining the levels of domestic producer prices and the appropriate policy instruments to apply to agriculture, governments also considered social and other concerns which were not purely economic, such as food security, environment protection or overall employment. Moreover, the instruments applied were not intended to distort international trade.

43. Some delegates of industrialized countries pointed out that their countries were large importers of food and that their self-sufficiency ratios for food were low. They shared the concerns about the decline in world prices and the unfavourable effects on developing countries. However, they felt that, in dealing with these issues, due consideration should be given to the domestic objectives, and that the major exporters, particularly those using extensive export subsidies, should bear the main responsibility for policy reforms.

44. Some other delegates stressed that all countries which pursued protectionist agricultural policies, irrespective of their importing or exporting status, were responsible for the adverse consequences of such policies and that, accordingly, the responsibility for reforms needed to be shared by all.

45. The Committee noted with satisfaction that, although in practice protectionist pressures had increased, the issue of agricultural protectionism had moved significantly higher on the agenda for international policy action, and that an increasingly widespread consensus had evolved on the need for agricultural policy reform, particularly in industrialized countries, and on the need for urgent action. The Committee agreed that the Uruguay Round provided a timely and unique opportunity to embark on a process of internationally coordinated agricultural policy adjustment and reform and liberalization of international trade in agricultural products. The Committee also welcomed some major initiatives and proposals which had been set out recently by a large number of countries concerning principles and approaches to guide agricultural policy reform, such as those of the Cairns Group, the Group of 77, the OECD Ministerial Communiqué of May 1987, the outcome of the Venice Summit of leaders of seven major industrialized countries, as well as proposals made in the context of the GATT negotiations on agriculture and tropical products by a number of individual countries. The Committee expressed the hope that, in view of the emerging consensus, action on a concerted reform of agricultural policies would soon be possible.

46. The Committee noted with appreciation that the Contracting Parties to the GATT had invited FAO to attend the meetings of the Negotiating Group on Agriculture and of the Negotiating Group on Tropical Products. The Committee hoped that the experience and knowledge of FAO in food and agriculture would thereby contribute to progress in the Uruguay Round in these sectors. Some delegates stressed that FAO's expertise should be available to interested countries in making their preparations for the Uruguay Round negotiations.

47. The Committee heard with great interest a statement by the representative of the OECD. He outlined the main features of the OECD Ministerial Communiqué of 13 May 1987 in relation to agriculture which had been summarized in document CCP: 87/14, paragraphs 30-32. He emphasized that the Communiqué had stated that agricultural reform would be not solely in the interests of OECD Member Countries but that developing countries which are agricultural exporters would benefit from a recovery on world markets and that developing countries which are importers of agricultural products would be encouraged to base their economic development on more solid ground, by strengthening their own farm sector. The representative of OECD also informed the Committee of his Organization's work on a major study entitled National Policies and Agricultural Trade, issued in July 1987, which had clearly highlighted the serious imbalances that prevail in the markets for the main agricultural products, and their causes and effects. In this connection, he informed the Committee of his Organization's work in developing and refining the measurement of producer subsidy equivalents (PSEs), which had been an important element of the study. He officially expressed his Organization's appreciation for the cooperation extended by FAO in this work and expressed the hope that such mutual cooperation would continue and be strengthened in the future. The Committee warmly welcomed the close cooperation of the FAO and OECD secretariats.

48. The representative of OECD informed the Committee that OECD would continue to monitor the implementation of the actions and principles set out in the Ministerial Communiqué and that a progress report would be considered by the OECD Council at Ministerial level in 1988.

49. The Committee reviewed the international policy initiatives regarding desirable adjustments of national policies and related action towards remedying the distortions of agricultural trade caused by protectionist agricultural policies. It considered that only limited benefits for trade could be expected if efforts to reform policies focussed solely on border measures. It emphasized that at the root of the disarray in agricultural trade were inappropriate domestic policies applied to agriculture. The Committee therefore stressed that domestic policy measures which distorted trade should be the subject of reform as well as measures which directly impinged on trade.

50. The Committee noted with approval that the thrust of proposals for reform concerned the reduction and dismantling of those domestic agricultural policies which distorted trade. It considered that domestic agricultural policies which had clear developmental, social and environmental aims without distorting trade, should not be called into question.

51. The Committee stressed that there is need to pursue both longer-term reforms of agricultural policies in the Uruguay Round and concurrently to prevent further damage to the agricultural trade situation by taking immediate or early action. In this connection, it noted with approval that OECD governments had agreed to avoid initiating actions which would result in stimulating production in surplus agricultural commodities and in isolating the domestic market further from international markets and to act responsibly in disposing of surplus and refrain from confrontational and destabilizing trade practices. The Committee emphasized the need to apply effectively to agriculture, as a matter of urgency, the standstill and rollback agreements contained in the Ministerial Declaration on the Uruguay Round.

52. Many delegates stressed the particularly adverse effects which protectionist agricultural policies, applied by many industrialized countries, had imposed on the developing countries, especially those developing countries which depended heavily on agricultural exports such as sugar for earning foreign exchange. The Committee expressed its deep concern about the severe constraints on the developing countries' development efforts caused by the heavy burden of external debt, inadequate inflows of capital, widespread protectionism and depressed terms of trade. The Committee agreed on the need for progressive elimination of protectionist policies and urged that the interests of developing countries should receive priority attention in the Uruguay Round negotiations on agriculture and tropical products, including in their processed and semi-processed forms. The Committee further urged that the principles of differential and more favourable treatment be applied in the Uruguay Round negotiations, in line with the Ministerial Declaration of Punta del Este.

53. In line with the foregoing analysis and conclusions, the Committee:

- (i) urged that the Uruguay Round be used to the fullest extent possible by all countries and groups of countries participating in the negotiations and that the goals set out in the Ministerial Declaration on the Uruguay Round be achieved as soon as possible particularly in relation to agricultural trade;
- (ii) called on all countries, particularly those pursuing protectionist agricultural policies, to ensure that their agricultural trade policy measures comply closely with the standstill commitments in the Declaration of Punta del Este; and to proceed with agricultural policy reforms as soon as possible, in line with the rollback agreed in the Declaration;
- (iii) recommended that all approaches which could make significant contributions towards establishing more discipline in international agricultural trade, including complementary reductions in protectionist domestic policies, be fully considered during the negotiations with a view to developing viable and widely accepted rules and disciplines to govern international agricultural trade;
- (iv) stressed that the negotiations on agriculture in the Uruguay Round should aim to achieve a progressive, predictable and greater liberalization of agricultural trade to which all countries, particularly those which currently pursue protectionist policies, contribute in a balanced and concerted manner;
- (v) urged that in the Uruguay Round the needs of developing countries are fully taken into account and that the principle of differential and more favourable treatment as embodied in the GATT and its related instruments be applied to negotiations on agriculture; and
- (vi) urged the achievement of the fullest liberalization of trade in tropical products, including in their processed and semi-processed forms.

54. The Committee also considered ways in which it, and its Intergovernmental Groups, could contribute to the furthering of international understanding of the issues involved in agricultural policy reform and to the monitoring of progress in this regard. Accordingly, the Committee decided:

- (i) to keep under review, with the assistance of its Intergovernmental Groups, as appropriate, developments in policy measures to improve prospects for demand and prevent an increase in excess supply, with a view to avoiding the further growth of market imbalances of commodities in surplus;
 - (ii) to assess, at its next session, alternative approaches to allowing market signals to influence the orientation of agricultural production, and the possible implications of such approaches for social concerns, particularly income distribution and food security; and
 - (iii) to examine, in the context of its regular reviews of follow-up to Conference Resolution 2/79, experiences with and the implications of employing direct farm income support measures which do not give incentives to production or distort trade.
- (b) Economic cooperation among developing countries in agricultural commodity trade

55. The Committee discussed the subject of economic cooperation among developing countries in agricultural commodity trade on the basis of document CCP: 87/15 which drew upon a special study completed recently by the FAO Secretariat. The Committee expressed its appreciation of the high quality of the document and generally agreed with its analysis of the issues involved in expanding agricultural trade among developing countries.

56. The Committee noted that since the early seventies agricultural trade among developing countries had expanded more rapidly than world agricultural trade. However, this growth had been concentrated in a relatively few commodities and in a relatively small number of countries. The expansion of this trade was mainly associated with an expansion of inter-regional trade rather than intra-regional trade. The Committee also noted that the further expansion of this trade was hindered by inadequate growth in export supplies relative to the rise in demand, trade barriers in importing developing countries which restricted access to markets, use of export aids by developed countries, and the inadequacies of infrastructure necessary for expanding trade flows among developing countries.

57. The Committee agreed that ECDC in agricultural trade was of considerable importance to developing countries as the growth in their mutual trade could expand market outlets and thus contribute to their economic development. The Committee agreed with the identification of the difficulties in the expansion of this trade and the suggested strategies to resolve them as presented in the document (document CCP: 87/15).

58. A number of delegates informed the Committee of developments in regard to promotion of agricultural trade among developing countries. They stated that the recently established South Commission aimed at promoting self-reliance among developing countries including, inter alia, through the expansion of their mutual trade. Further, the Sixth Meeting of the Intergovernmental Follow-up and Coordination Committee on ECDC held recently in Havana had approved the creation of an action committee on primary products and had recommended that the Group of 77 in Rome should reactivate the Group of 16 to pursue efforts for the promotion of agricultural trade among developing countries. A regional conference on commodities held in Guatemala in early 1987 had identified obstacles to the expansion of trade among developing countries and these were similar to those highlighted in the FAO document. This conference had also adopted a plan of action on primary commodities for

promoting trade. Again at the regional level, the Andean Pact and ALADI were playing a useful role in the promotion of agricultural trade among neighbouring countries.

59. The Committee recognized that there was a considerable potential in expanding trade among developing countries in agricultural commodities but that it had not been fully utilized so far. In order to overcome the obstacles which impeded progress, determined efforts by all developing countries were needed. The Committee was of the view that in order to promote such trade, a flexible approach in economic cooperation would be required. This could include progressive removal of tariff and non-tariff barriers affecting such trade, as well as direct trade promoting measures such as bilateral agreements, long-term contracts, joint ventures and multi-sectoral arrangements. Also, supportive measures such as dissemination of trade information, improvement in the quality and competitiveness of export products, as well as transport and communications and finance would be crucial elements of efforts to facilitate the expansion of this trade.

60. Several delegates underlined the importance of the Global System of Trade Preferences (GSTP) which was currently under negotiation among developing countries as its successful conclusion would provide a multilateral framework for reducing tariff and non-tariff barriers. Because of its broader scale and the accompanying possibilities of finding complementarities for trade cooperation, GSTP would be conducive in a substantial expansion of developing country intra-trade.

61. The Committee agreed that the expansion of agricultural trade among developing countries should complement and not displace the trade between developed and developing countries. Indeed, in view of the urgency to increase the foreign exchange earnings, the developing countries would need not only to retain but also to expand their trade with developed countries. In this connection, the Committee stressed the importance for all countries to participate in an active and positive way in the Uruguay Round of Multilateral Trade Negotiations.

62. The Committee, while recognizing that the responsibility for promoting mutual trade was primarily of the developing countries themselves, agreed that the developing countries needed to be supported and assisted by developed countries in these efforts. In this connection, delegates of some developed countries stated that they would continue to assist both multilaterally and bilaterally to promote cooperation among developing countries to increase trade among themselves. It was pointed out that in the context of the Lomé Convention a number of measures had been taken to assist and promote regional agricultural trade of ACP countries including support to improve availability of trade finance, and to triangular food-aid transactions.

63. Delegates from developing countries stated that the subsidized and concessional exports had greatly impaired their ability to expand their mutual trade. They urged the developed countries that engaged in such practices, to minimize their use and thus help developing countries in their efforts to expand trade among themselves.

64. The Committee agreed that FAO, through its analytical and technical activities, should continue to support the efforts of developing countries to promote ECDC in trade in agricultural products. In particular, FAO should help by disseminating information on intra-trade opportunities in agriculture among developing countries including information on regional and sub-regional commodity and market opportunities. The Committee also encouraged its

Intergovernmental Groups to continue examination of the scope for and ways of promoting trade among the developing countries in the commodities concerned, in line with FAO Conference Resolution 2/79. The Committee stressed the importance of practical in-depth assessment of the issues involved in enhancing ECDC in trade in agricultural products which offer particular scope for trade expansion in the context of viable export diversification programmes. In this connection, it noted that FAO had just completed a study on Economic Cooperation among Developing Countries in Agricultural Trade.

VI. INTERNATIONAL ACTION RELATING TO AGRICULTURAL COMMODITIES - DEVELOPMENTS IN UNCTAD, GATT AND OTHER ORGANIZATIONS

65. The Committee reviewed recent developments in international action relating to agricultural commodities on the basis of documents CCP: 87/16 and CCP: 87/Inf.5 and of further information provided by the representatives of UNCTAD, the International Trade Centre UNCTAD/GATT (ITC) and the International Federation of Agricultural Producers (IFAP).

66. The representative of UNCTAD informed the Committee that UNCTAD VII adopted by consensus a Final Act which had been characterized by the Secretary General of the UN as "perhaps the most comprehensive statement of the issues facing the world economy and of the policies and measures required to address them that has been agreed upon at the international level in the past few years". The Final Act contained an agreed assessment of the global economic situation and a number of policy approaches and measures (more detail of which were given in the document CCP: 87/Inf.5) in respect of the four areas, namely, resources for development (including the question of debt); commodities; international trade; and problems of the least developed countries. At UNCTAD VII, encouraging progress had also been made in the process of ratification of the Common Fund for Commodities. UNCTAD hoped that the Common Fund would become operational with minimum delay and that the Second Account of the Fund, for which US\$ 256 million in voluntary contributions had been pledged, would soon be available as a source of financing for developmental programmes for individual commodities. On behalf of the Secretary-General of UNCTAD, the representative of UNCTAD welcomed the assurance given by the Director-General of FAO that FAO continued to stand ready to cooperate as fully as in the past in UNCTAD's efforts regarding the objectives of the Integrated Programme for Commodities, and reaffirmed the desire and willingness of the UNCTAD Secretariat to continue to work closely with FAO in relation to the IPC.

67. The representative of the ITC stressed the close cooperation of his organization with FAO, UNCTAD and GATT, emphasizing that there was no duplication. He informed the Committee that ITC had recently issued a "Cocoa Traders Guide" and that a similar publication was planned on vegetable oils.

68. The representative of IFAP stated that his organization had held four commodity meetings (on grains, dairy products, meat and sugar) since the last CCP. He informed the Committee of the recent informal consultation between IFAP and the FAO Secretariat on commodities and food security, which had been very fruitful. He appreciated the active participation by FAO in the recent IFAP meeting on sugar, but regretted that FAO was often unable to participate in more IFAP meetings owing to resource constraints. Regarding the GATT Uruguay Round, he stressed that farmers could not wait for the completion of its results and that, in the meantime, there was a critical need for short-term coordinated efforts, in line with GATT principles, to restore balance in international markets and to avoid trade conflicts.

69. The Committee considered that the understandings reached on economic issues at UNCTAD VII, pointed toward an improvement in international relations in these areas. In particular, it welcomed the recognition by UNCTAD VII of the need for a better functioning of commodity markets and the desirability of achieving stable and more predictable conditions in commodity trade. It noted the agreement to convene or resume under the Integrated Programme for Commodities the process of producer-consumer consultations and preparatory meetings on individual commodities, where feasible. The Committee expressed the hope that the consensus reached on this and other issues would give an impetus to furthering multilateral cooperation on commodity problems.

70. The Committee felt that the recent ratifications of the Agreement Establishing the Common Fund had greatly enhanced the possibility of the Fund becoming operational. It noted that while the required minimum level of 66.66 percent of the directly contributed capital of the Fund had still not been reached, the shortfall was small and ratifications by a few more governments could bring the Common Fund Agreement into force at an early date.

71. The Committee noted the successful conclusion of new international commodity agreements on cocoa, natural rubber and sugar, and the entry into operation of the International Tropical Timber Organization, and the decision of the International Coffee Council to reactivate export quotas under the International Coffee Agreement. Concern was expressed on the lack of progress on negotiations on some other international commodity agreements.

72. The Committee noted that the Multifibre Arrangement (MFA IV) had once again been extended for a further five-year period, and that the management of international trade in textiles remained outside the basic principles and rules of the GATT. Caution was expressed against the danger that a similar situation could develop in the agricultural trade if a specific sectoral trade regime for agriculture was established through a set of rules determining "acceptable" quantities of imports and exports.

73. The Committee noted with concern that the official development assistance had either diminished or stagnated, growth in official commitments to agriculture had slowed in real terms and the net financial transfer of resources from developing countries to creditors continued to grow. The Committee stressed that an improved trading system would strengthen the capacity of developing countries to meet their debt obligations.

74. The Committee stressed the importance of accelerating the pace of cooperation among developing countries (ECDC) in the area of trade and welcomed recent moves by developing countries for the promotion of such cooperation at the regional and sub-regional level. In this connection, the Committee noted the successful conclusion of the recent ECDC Seminar on Tropical Horticultural Products in the Latin America and the Caribbean region held by FAO in Bogota. The Committee expressed the hope that follow-up action on its recommendations would be initiated soon, including measures aimed at controlling and eradicating the Mediterranean fruit-fly.

75. The Committee stressed the role of FAO in providing technical assistance to consultations and meetings on agricultural commodities. The Committee attached importance to FAO participation in meetings which discussed agricultural trade issues and encouraged the Secretariat to continue this aspect of its work, within available resources.

VII. FAO COMMODITIES PROGRAMME OF WORK 1988-89

76. The Committee reviewed the proposed commodity work programme and related meetings for the 1988-89 biennium on the basis of the document CCP: 87/17. The document provided information concerning the planned schedule of FAO intergovernmental meetings on commodities; support to commodity activities in other intergovernmental organizations, and to ECDC in trade; technical assistance in commodity policies at country level and the Organization's work on commodity intelligence, as well as situation and outlook analysis.

77. The Committee fully supported the broad lines of the proposed programme of work for 1988-89. The Committee gave strong support to FAO's global commodity intelligence activities, the main outputs of which were situation and outlook reports prepared for the Global Information and Early Warning System (GIEWS) and the Intergovernmental Groups. It also placed high priority on analytical reports such as the Commodity Review and Outlook and special commodity studies. In this regard, the recent major report on the World Banana Economy 1970-1984 was particularly appreciated. The Committee supported the Secretariat's plans to undertake studies in 1988-89 on economic aspects of tobacco and on ramie. It was suggested that the Secretariat should consider the possibility of holding a consultation on tobacco. It was also proposed that FAO should provide technical assistance to developing countries in the production of this crop. It was also suggested that the appropriate units of FAO should undertake work to find alternative crops and farming systems for areas producing coca leaf.

78. The Committee considered that its Intergovernmental Groups provided valuable fora for producing and consuming countries to consult together on the situation, prospects and issues facing the commodities concerned and to identify and consider remedial measures to improve conditions of trade. Many delegates expressed regret that the number of IGG meetings had tended to diminish in recent years due to budgetary difficulties and hoped that the resource constraints would not cause the planned meetings on commodities to be cancelled or postponed.

79. The Committee reviewed the proposed schedule of meetings of its subsidiary bodies in 1988-89, noting that the schedule was flexible and would be adapted to meet changing circumstances. Regarding the meetings on Tea, some delegates felt that the full Group should meet much sooner than currently planned and preferably immediately after the February 1988 session of the Sub-Group of Exporters. Some other delegates were, however, of the view that before convening the meeting of the full Group, the Sub-Group of Exporters should make adequate progress in its current work. The Committee requested the Secretariat to consult with interested Governments on the appropriate timing for the Seventh Session of the Intergovernmental Group on Tea. Regarding the Group on Oilseeds, Oils and Fats, the Committee felt that the annual sessions should be re-scheduled for the February-March period as had been suggested by the Group itself and requested the Secretariat to make all efforts to do so. Some delegates felt that, in view of the establishment of the International Jute Organisation (IJO), it should be possible to curtail the frequency and length of sessions of the Group on Jute, Kenaf and Allied Fibres. However, the Committee was informed that this matter had been considered very carefully by the Group itself at its last two sessions and that it had concluded that, as the IJO itself was not yet in a position to undertake more economic and statistical intelligence work, the Group should continue with its ongoing programme of work and hold annual sessions but of a shorter duration.

80. Following a query about the frequency of the meetings of the Sub-Committee on Surplus Disposal (CSD) and the rationale for its location in Washington rather than in Rome, the Committee agreed to refer these matters to the CSD for its consideration.

81. The Committee commended the Secretariat's collaboration with other international organizations concerned with commodity and trade problems, such as UNCTAD, GATT, ITC, OECD and the International Commodity Councils, and noted that it was planned to continue this cooperation. It noted with satisfaction that FAO would provide technical support to the GATT in respect to the multilateral trade negotiations on agricultural products under the Uruguay Round, as required. The Committee supported the priority attached to the collaboration with UNCTAD. It welcomed the informal consultation on grains and livestock held this year between the FAO Secretariat and the International Federation of Agricultural Producers (IFAP) and expressed the hope that such cooperation would continue. The Committee also stressed the importance of continued cooperation with regional and sub-regional organizations in the commodity trade area.

82. The Committee supported the priority given to the furtherance of economic cooperation among developing countries in the work programme proposed for 1988-89. It noted that the main activity in this respect in the next biennium envisaged the convening of three workshops, one in each of the developing regions, to consider in depth the prospects and constraints for promoting economic cooperation among developing countries in selected agricultural commodities, with a view to expanding trade and strengthening food security.

83. The Committee also supported the provision made to continue to provide technical assistance to interested countries in strengthening and implementing national commodity policies. It considered that this activity was a useful complement to the other work on commodities and trade of the Organization.

VIII. ARRANGEMENTS FOR THE FIFTY-SEVENTH SESSION

84. The Committee noted that the Fifty-Seventh Session of the Committee was planned to be held in Rome in June/July 1989. It requested the Director-General to fix a precise date of the Session in consultation with the Chairman, taking into consideration the schedule of other meetings.

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DEPARTMENT OF CHEMISTRY
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TO: [Name]
FROM: [Name]
SUBJECT: [Subject]

[Detailed text of the letter, including a description of the work and any findings.]

[Additional text or notes related to the letter.]

[Text block containing specific details or dates.]

[Text block containing specific details or dates.]

[Text block containing specific details or dates.]

[Text block containing specific details or dates.]

[Text block containing specific details or dates.]

APPENDIX A
ANNEXE A
APENDICE A

LIST OF DELEGATES AND OBSERVERS
LISTE DES DELEGUES ET OBSERVATEURS
LISTA DE DELEGADOS Y OBSERVADORES

Chairman/Président/Presidentente:

A. Daniel Weygandt
(United States of America)

First Vice-Chairman/Premier Vice-Président/
Primer Vicepresidente:

Mazlan bin Jusoh (Malaysia)

Second Vice-Chairman/Deuxième Vice-Président/
Segundo Vicepresidente:

Humberto Carrión (Nicaragua)

MEMBERS OF THE COMMITTEE
MEMBRES DU COMITE
MIEMBROS DEL COMITE

ARGENTINA - ARGENTINE

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 Counsellor (Agriculture)

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 ERNST ZIMMERZ
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BANGLADESH

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 AMILCAR SPENCER LOPES
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ZAIRE

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Représentant permanent adjoint auprès
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OBSERVATEURS D'ETATS MEMBRES NE SIEGEANT PAS AU COMITE
OBSERVADORES DE LOS ESTADOS MIEMBROS QUE NO SON MIEMBROS DEL COMITE**

IRAQ

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OBSERVATEUR PERMANENT DU SAINT-SIEGE
OBSERVADOR PERMANENTE DE LA SANTA SEDE**

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Permanent Observer of the Holy See to FAO

VINCENZO BUONOMO Holy See
Permanent Mission of the Holy See to FAO

LELIO BERNARDI Holy See
Agricultural Advisor

GIAMPIERO LEMBO Holy See
Representative

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**ITC UNCTAD/GATT - CCI CNUCED/GATT
- CCI UNCTAD/GATT**

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Chief, Market Development Section
for Agro-based Products

UNCTAD - CNUCED

KELVIN SCOTT Geneva
Chief, ICA Commodities Branch
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WFP - PAM - PMA

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Packaging Officer, Resources and
Transport Division

D.C. COUTTS Rome
Programme Officer
Operations Division

O. OWUSU Rome
Policy Analyst, Office of
Evaluation and Policy

WORLD BANK

RONALD C. DUNCAN Washington
Chief, International Commodity
Markets Division
International Economics Department

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Conseiller au Secrétariat général

J.J. RATEAU Brussels
Administrateur principal à la
Direction générale de l'agriculture

D. RENAIRS Brussels

W. KORTER Brussels

**OBSERVERS FROM INTERGOVERNMENTAL ORGANIZATIONS
OBSERVATEURS DES ORGANISATIONS INTERGOUVERNEMENTALES
OBSERVADORES DE LAS ORGANIZACIONES INTERGUBERNAMENTALES**

COMMONWEALTH SECRETARIAT

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Economic Affairs Division

OECD - OCDE

KEVIN PARRIS Paris
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Agriculture Directorate

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Director, Directorate for Food,
Agriculture and Fisheries

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Rome
Ms M. LOSEBY
Representative of IAAE to FAO

IPAP-FIPA

Paris
DAVID KING
Deputy Secretary-General

IFMA

Bruxelles
ALFRED FRIEDEBERG

WFTU - FSM

Rome
ANNA LAURA CASADEI
Representante permanente auprès
de la FAO

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APPENDIX BDIRECTOR-GENERAL'S STATEMENT TO THE 56TH SESSION
OF THE COMMITTEE ON COMMODITY PROBLEMS

7th October 1987

Mr Chairman,
Distinguished Delegates and Observers,
Ladies and Gentlemen,

I have great pleasure in welcoming you all to the Fifty-Sixth Session of the Committee on Commodity Problems.

An overview

Over the last few years, the news from the world's agricultural and trade scene has been almost uniformly bad. This time, we have at least some positive developments to report. In particular, the launching of the GATT Uruguay Round marks the start of a major new effort to liberalize international trade, including trade in agriculture and tropical products, and to give it a certain predictability through multilateral discipline. Again, some of the agreements reached in principle at UNCTAD VII suggest that the prospects for international action in support of developing countries may be slightly brighter than they appeared two years ago when this Committee last met. Still on the positive side, the prices of some important export commodities have begun to recover from disastrously low levels, at least in terms of US dollars.

However, the bad news remains abundant and disturbing. Agriculture has been deeply scarred in the past two years by a surge of beggar-thy-neighbour trade measures, particularly export subsidies, on a scale not seen for over half a century. And in a broader setting, the external debt problems of developing countries have markedly worsened. At the same time, the flow of external resources to developing countries has declined significantly, resulting in a net capital transfer from developing countries.

Crisis in agricultural trade

The volume of world agricultural trade has been virtually stagnant for five years and for some important commodities in trade, such as cereals, only a small increase is in prospect in the current season. Recent increases in world market prices of commodities like rice, cotton, hides and skins, rubber and some livestock products have helped the exporters concerned and have led to a rise in the overall value of agricultural trade. But export prices as a whole still fall considerably short of the level reached at the beginning of the decade, and agriculture's terms of trade against manufactured goods are nearly thirty percent below the level of 1980. In this light, world agricultural commodity trade remains in a state of profound crisis.

The world wheat market amply illustrates this state of affairs. Export earnings from this commodity stood at nearly 20 billion dollars in the early 1980s and even as recently as 1985 wheat remained the largest single export earner in agricultural commodity trade. But by last year wheat trade had plunged to under 13 billion dollars. The basic causes of this decline are well known: supplies, as with many other commodities, have been stimulated by domestic policies which failed to take sufficient account of market requirements, and unbridled competition for trade outlets, with the help of massive export subsidies, has added to the depressed state of world market prices. Indeed, over a wide range of agricultural commodities, the impact of protectionist forces and consequent distortions of trade have seldom been stronger, posing a serious threat to the international trade framework so assiduously built up since the Second World War.

New thrusts toward return of protectionist policies

Agricultural protection and the national policies underpinning it constitute one of the most important items on your agenda. As the documentation before you points out, many measures have combined to insulate domestic markets from world market forces, particularly in industrialized countries, and to curb market access for low-cost producing countries. They have also led to huge government expenditures and even larger costs in terms of consequent distortions of trade and costs to consumers. Yet, the irony is that since the bulk of these expenditures comprise price subsidies, storage payments on unwanted surpluses and disruptive export aids, they not only fail to tackle the income problems of small farmers but also to deal with the root causes of the present surpluses, namely the excessive use of national resources in the agricultural sector of high-cost producing countries.

Fortunately, there does now appear to be a ground-swell of opinion and of official proposals aimed at remedying this situation. I refer to the forward-looking Ministerial Declaration of Punta del Este on agriculture, and the proposals made on principles to guide agricultural policy reform, such as those of the Cairns Group, the Group of 77, the OECD Ministerial communiqué of May 1987, the outcome of the Venice summit, as well as the proposals made in the context of the GATT negotiations by a number of individual countries. It is to be hoped that the ground has now been prepared for consensus to be reached in the near future on the implementation of the badly needed reforms.

It seems to me that a key factor underlying the various proposals is the twin objective to improve market access and to reduce and eliminate those subsidies and other measures which distort agricultural trade. This implies that ways must be found of providing support to producers who need it but minimizing, to the greatest extent possible, their adverse impact on international markets and trade. And, let us face it, there are millions of farmers in both developed and developing countries whose disadvantaged position calls for some measure of support. The documentation before you sets out possible ways in which your Committee could help in this search for more appropriate measures, as well as ways in which you might lend positive support to the broad policy debate on protectionist agricultural policies, particularly in the context of the Uruguay Round.

In connection with the Uruguay Round, I take this opportunity to extend my appreciation to the Contracting Parties of the GATT for their invitation to FAO to participate in the Negotiating Groups on both agriculture and tropical products. I trust that all advantage will be taken of this to draw upon FAO's expertise in these areas, in line with the wishes expressed by our Council at its 91st Session in June. I hardly need to add that our collaboration with the GATT secretariat is also proceeding apace in such areas as the supply of information, as an input to the new round of negotiations.

Many hopes for improving the framework for trade in agriculture are thus pinned to the success of the Uruguay Round. But inevitably time will elapse before a successful outcome is ensured and resulting agreements implemented. In the meantime, however, there is a pressing urgency for immediate measures to prevent further damage to the world agricultural trading system. I therefore appeal for an effective application to agriculture of the standstill and roll-back commitments made in the Declaration of Punta del Este. It is also necessary for countries which pursue protectionist policies to contain and absorb themselves the consequences of these policies, and not transfer them to world markets to the detriment of others.

Agricultural trade among the developing countries

Another important item on your agenda concerns the progress, constraints and opportunities in the field of economic cooperation among developing countries in agricultural commodity trade. After a period of rapid growth in agricultural trade among developing countries up to the early 1980s, the worldwide commodity crisis has regrettably hit these trade flows as well. Moreover, despite the earlier growth, major constraints such as the inadequacy of export supplies, restrictions on market access and export subsidies used by competing, developed countries, as well as inadequate infrastructures, have limited the potential for this trade. I therefore look forward to hearing your suggestions on ways of enhancing agricultural trade flows among the developing countries, and in particular on ways in which the benefits could be spread more widely among them.

International action on commodities remains inadequate

Finally, Mr Chairman, I should like to make some observations on the state of international action in the field of commodities and trade, which is a regular feature of your deliberations. As I have already mentioned, I believe that there are some signs of a renewed consensus on the need to confront and tackle the desperate situation in which many developing countries find themselves in their economic development efforts. The replenishments of the IDA and IFAD are two features of this partial improvement. So, too, is the agreement reached in UNCTAD VII to renew the dialogue on aspects of UNCTAD's Integrated Programme for Commodities. There are also enhanced prospects for the Common Fund at last to come into operation. In this connection, I stressed at UNCTAD VII that FAO continues to stand ready to cooperate as fully as in the past in UNCTAD's efforts regarding the objectives of the Integrated Programme.

But the negative side of the balance sheet is still daunting. Instability of commodity markets remains the rule rather than the exception. For instance, it seems unlikely that coffee will remain the single largest agricultural export earner this year in view of the sharp decline in coffee prices. I am pleased to note, however, that a decision has been taken to reactivate export quotas at the recent meeting of the International Coffee Council (ICC) which concluded only two days ago. Hopefully, this decision will help coffee prices to recover. The stabilization mechanism of the International Cocoa Agreement, however, remains in abeyance, despite the call of UNCTAD VII to improve the operation and functioning of existing commodity agreements. Moreover, little progress is being made towards enhancing stabilization and compensatory arrangements for commodities.

It is all the more important therefore that this Committee's subsidiary bodies should continue their technical work aimed at achieving better balance and growth in agricultural commodity trade and at improving international understanding of the problems of both producing and consuming nations. And last, but most important of all, remain the problems of the foreign indebtedness of developing countries and the stagnation in development assistance. Although UNCTAD VII reached a welcome agreement on the strategy for alleviating the burden of foreign debt, action still remains to be taken.

The meeting of this important Committee provides a good opportunity to discuss these agricultural commodity and trade issues. We look to this Committee not only to take stock of the commodity and trade situation but also to help in giving a positive push to the international community's efforts to overcome the all-too-apparent inadequacies of agricultural trade conditions and to establish a reliable framework for international trade in the long-term interests of all concerned. The Committee's traditional expertise in the technical aspects of agricultural commodities stand it in good stead for these tasks. I wish you all success in your endeavours.

APPENDIX CAGENDA

1. Organizational matters
 - (a) Election of Chairman and Vice-Chairmen
 - (b) Adoption of Agenda and Timetable
2. Statement by the Director-General
3. Review of World Commodity Situation and Outlook
4. Review of Activities of the Intergovernmental Commodity Groups:
 - (a) Rice
 - (b) Bananas
 - (c) Tea
 - (d) Hard fibres
 - (e) Citrus fruit
 - (f) Jute
 - (g) Meat (including Hides and Skins)
 - (h) Oilseeds, Oils and Fats
5. Review of the work of the Consultative Sub-Committee on Surplus Disposal (CSD)
6. Report on Recent Follow-up Action to the Conference Resolution 2/79 on Commodity Trade, Protectionism and Agricultural Adjustment
 - (a) Protectionism in Agriculture
 - (b) Economic Cooperation among Developing Countries in Agricultural Commodity Trade
7. International Action Relating to Agricultural Commodities: Developments in UNCTAD, GATT and Other Organizations
8. FAO's Commodities Programme of Work 1988-89
9. Arrangements for the Fifty-Seventh Session
10. Any Other Business
11. Adoption of Report

LIST OF DOCUMENTS ISSUED FOR THE FIFTY-SIXTH SESSION OF THE CCP

<u>Number</u>	<u>Title</u>	<u>Agenda Item No.</u>
CCP 87/1	Provisional Agenda	1
CCP 87/2	Report of the Twenty-First Session of the Intergovernmental Group on Jute, Kenaf and Allied Fibres	4
CCP 87/3	Report of the Nineteenth Session of the Intergovernmental Group on Oilseeds, Oils and Fats	4
CCP 87/4	Report of the Twenty-Ninth Session of the Intergovernmental Group on Rice	4
CCP 87/5	Report of the Ninth Session of the Intergovernmental Group on Bananas	4
CCP 87/6	Report of the Twenty-First Session of the Intergovernmental Group on Hard Fibres	4
CCP 87/7	Report of the Seventh Session of the Intergovernmental Group on Citrus Fruit	4
CCP 87/8	Report of the Twenty-Second Session of the Intergovernmental Group on Jute, Kenaf and Allied Fibres	4
CCP 87/9	Report of the Twelfth Session of the Intergovernmental Group on Meat	4
CCP 87/10	Report of the Twentieth Session of the Intergovernmental Group on Oilseeds, Oils and Fats	4
CCP 87/11	Report of the Thirtieth Session of the Intergovernmental Group on Rice	4
CCP 87/12	Review of World Commodity Situation and Outlook	3
CCP 87/13	Consultative Sub-committee on Surplus Disposal, Thirty-First Report to CCP	5
CCP 87/14	Protectionism in Agricultural Trade: Review of Action Taken on Conference Resolution 2/79	6(a)
CCP 87/15	Economic Cooperation among Developing Countries in Agricultural Trade	6(b)
CCP 87/16	International Action Relating to Agricultural Commodities - Developments in UNCTAD, GATT and other Organizations	7
CCP 87/17	FAO Commodities Programme of Work and Meetings Schedule for 1988-89	8
CCP 87/18	Review of World Commodity Situation and Outlook - Updating Statement	3

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APPENDIX EMEMBERSHIP OF THE COMMITTEE ON COMMODITY PROBLEMS (BIENNIUM 1986-87)

(as at 13 October 1987)

ALGERIA	GERMANY, FEDERAL REPUBLIC OF	PERU
ARGENTINA	GHANA	PHILIPPINES
AUSTRALIA	GREECE	PORTUGAL
AUSTRIA	GUATEMALA	ROMANIA
BANGLADESH	HONDURAS	SENEGAL
BELGIUM	HUNGARY	SIERRA LEONE
BENIN	INDIA	SPAIN
BRAZIL	INDONESIA	SRI LANKA
BULGARIA	IRAN, ISLAMIC REPUBLIC OF	SUDAN
BURKINA FASO	IRELAND	SWEDEN
CAMEROON	ISRAEL	SWITZERLAND
CANADA	ITALY	TANZANIA
CAPE VERDE	JAPAN	THAILAND
CHILE	KENYA	TUNISIA
COLOMBIA	KOREA, REPUBLIC OF	TURKEY
CONGO	LEBANON	UGANDA
COSTA RICA	LIBERIA	UNITED KINGDOM
COTE D'IVOIRE	MADAGASCAR	UNITED STATES OF AMERICA
CUBA	MALAWI	VENEZUELA
CYPRUS	MALAYSIA	YUGOSLAVIA
CZECHOSLOVAKIA	MEXICO	ZAIRE
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	MOROCCO	ZAMBIA
DENMARK	NETHERLANDS	
DOMINICA	NEW ZEALAND	
ECUADOR	NICARAGUA	
EGYPT	NIGER	
EL SALVADOR	NIGERIA	
ETHIOPIA	NORWAY	
FINLAND	OMAN	
FRANCE	PAKISTAN	
	PANAMA	

TOTAL: 83

