

Ninety-sixth Session

Rome, 6 - 10 November 1989

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

(Rome, 12 - 16 June 1989)

CONTENTS

	<u>Paragraphs</u>
I. INTRODUCTION	1 - 6
II. REVIEW OF WORLD COMMODITY SITUATION AND OUTLOOK	7 - 21
III. REVIEW OF ACTIVITIES OF THE INTERGOVERNMENTAL COMMODITY GROUPS	22 - 39
IV. REVIEW OF THE WORK OF THE CONSULTATIVE SUB-COMMITTEE ON SURPLUS DISPOSAL (CSD)	40 - 43
V. SELECTED COMMODITY AND TRADE ISSUES:	
(a) TRENDS IN AND PROSPECTS FOR TRADE IN TROPICAL HORTICULTURAL PRODUCTS	44 - 52
(b) ECONOMIC SIGNIFICANCE OF TOBACCO	53 - 64
VI. FOLLOW-UP ACTION TO CONFERENCE RESOLUTION 2/79 ON COMMODITY TRADE, PROTECTIONISM AND AGRICULTURAL ADJUSTMENT	
(a) PROTECTIONISM IN AGRICULTURE	65 - 74
(b) SELECTED ISSUES IN AGRICULTURAL POLICY REFORM	75 - 87
VII. INTERNATIONAL ACTION RELATING TO AGRICULTURAL COMMODITIES: DEVELOPMENTS IN OTHER ORGANIZATIONS	88 - 96
VIII. ARRANGEMENTS FOR THE FIFTY-EIGHTH SESSION	97
IX. OTHER BUSINESS	98 - 99

CONTENTS (cont.)

- Appendix A - list of Delegates and Observers
- Appendix B - Statement of the Director-General
- Appendix C - Agenda
- Appendix D - List of Documents
- Appendix E - Membership of the Committee on Commodity Problems 1988-89
(as at 15 June 1989)

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 21).
2. Its review of the activities of the Intergovernmental Commodity Groups (paras. 22 to 39).
3. Its review of recent developments in protectionism in agricultural trade and of selected issues in agricultural policy reform as follow-up to Conference Resolution 2/79 (paras. 65 to 87).
4. Its review of selected commodity and trade issues: (a) trends in and prospects for trade in tropical horticultural products and (b) the economic significance of tobacco (paras. 44 to 64).
5. Its review of international action relating to agricultural commodities in other organizations (paras. 88 to 96).

I. INTRODUCTION

1. The Committee on Commodity Problems held its Fifty-seventh Session from 12 - 16 June 1989 at FAO Headquarters, Rome. Of the 81 member countries of the Committee for the biennium 1988-89, 65 were represented at the Session. The list of participants, including observers, is given in Appendix A.

2. The Session was opened by Mr B.P. Dutia, Assistant Director-General, Economic and Social Policy Department, in the absence of the outgoing Chairman, Mr A. Daniel Weygandt (United States of America). The Committee thanked Mr Weygandt and the two outgoing Vice-Chairmen for their services to the Committee and expressed its appreciation of the contribution which they had made to its work.

3. The Committee elected Mr H. Carandang (Philippines) as Chairman, Mr P. Baron (Federal Republic of Germany) as First Vice-Chairman, and Mr D.J. Bisika (Malawi) as Second Vice-Chairman.

4. The statement of the Director-General, Mr Edouard Saouma, was delivered on his behalf by the Assistant Director-General, Economic and Social Policy Department, Mr B.P. Dutia. The Director-General's statement is reproduced in Appendix B.

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 Kenya, Senegal, Argentina, Panama, Bangladesh, Malaysia, Tunisia, Australia, Belgium, Sweden, the United Kingdom and the United States of America, under the Chairmanship of Mr B. Munip (Malaysia).

II. REVIEW OF THE WORLD COMMODITY SITUATION AND OUTLOOK

7. The Committee reviewed the world commodity situation and outlook on the basis of information contained in documents CCP:89/13 and CCP:89/21. The Committee generally agreed with the assessment presented in these documents. This information supplemented and up-dated the detailed review contained in the FAO Commodity Review and Outlook 1988-89.

8. Some delegates noted that certain figures for the production of grains given in FAO documents were not identical with those of the International Wheat Council (IWC). The Secretariat stated that there was close collaboration between the two Secretariats. The differences, which were small in magnitude, were due to the occasional use of different data sources and, in the case of sorghum and maize in the Southern Hemisphere, to production being attributed to different years.

9. During the discussion, some delegates suggested that fluctuations in currency exchange rates should be given more importance in commodity trade analysis, for example, by using a basket of currencies such as Special Drawing Rights (SDR) in addition to the US dollar. The Committee agreed that the effect of currency fluctuations was a continuing difficulty in trade analysis. It noted that the Intergovernmental Group on Tea had asked the Secretariat to undertake a study of the influence of currency fluctuations on the tea market and considered that the results might also have broader applications.

10. The Committee noted that the world economy in 1987 had maintained its momentum with output growing at 3.2 percent, the same rate as in 1986. Expansion in 1988 had been larger with global output estimated to have increased by 4.1 percent. During this three-year period the economies of developing countries had expanded more rapidly than those of developed countries, mainly reflecting the continuing strong performance of some Asian developing countries. However, a number of other Asian countries had not participated in this expansion and in other regions, particularly in Africa and in Latin America and the Caribbean, economic growth of developing countries continued to be very disappointing. Hence, many parts of the world remained outside the mainstream of economic development.

11. The Committee considered that an encouraging feature in 1987 had been the further acceleration in the rate of growth of the volume of world merchandise trade which, at 5 percent, was nearly double that of 1985 and exceeded world output growth by 2 percentage points. The imports of the industrialized countries accounted for about 70 percent of world trade and the growth in their demand remained the principal motor for growth. The latest GATT estimate for world merchandise trade in 1988 was for at least an 8 percent increase in volume.

12. The Committee welcomed the strong recovery which had occurred in the volume of trade in agricultural, fishery and forestry products. It noted that the rise of 6 percent in 1987 was the largest annual increase in the agricultural export volume since 1980. However, the recovery had been concentrated in the developed countries whose agricultural exports grew 11 percent. The Committee expressed concern that the developing countries' export volume had actually fallen by 4 percent. In current dollar terms, the value of world trade in agricultural, forestry and fishery products had reached US \$351 billion in 1987, an increase of 14 percent. The developed countries, whose exports rose by US \$40 billion or 18 percent, had accounted for most of the increase. By contrast, the growth in the value of the developing countries' exports had been only US \$3 billion, or 4 percent and, excluding fishery and forestry products, the value of their agricultural exports had even declined by one percent.

13. The Committee noted that the rise in agricultural trade in 1987 also reflected a small rise in the overall index of export price unit values. In contrast with 1986, when the index of developing countries' agricultural export prices had risen faster than that of the developed countries, mainly reflecting the brief boom in coffee prices, in 1987 the position had been reversed. Export prices for agricultural products exported mainly by developed countries had risen by 12 percent, while those of the developing countries had declined by nearly 3 percent. In 1987, the strengthening of developed countries' agricultural export prices had mainly reflected a firming of dairy and meat prices as actions taken to control production started to have an effect. Cereal and oilseed prices, however, had remained depressed as large stocks overhung world markets. Among major products exported by both developed and developing countries, agricultural raw materials had continued to experience higher prices, with prices for textile fibres rising almost one third, reflecting the strong economic growth of the industrialized countries. Among those commodities principally exported by the developing countries, however, prices for beverage crops had fallen sharply, by 35 percent in aggregate, as markets remained heavily in surplus.

14. The Committee noted with concern that the value of agricultural exports in real terms in 1987 had been much less favourable. When deflated by the index of unit export prices of manufacturers, the rise in the value of world trade had been less than 1 percent; while it had been nearly 5 percent for developed countries, it had actually fallen by nearly 7 percent for the developing countries. These movements had been reflected in the terms of trade of agricultural exports which, for developing countries, had fallen by 11 percent, while remaining unchanged for developed countries.

15. The Committee also noted with concern that the significant improvement in the agricultural trade balances of developing countries as a group, which had taken place in 1986, had been reversed in 1987, falling from over US \$18 billion to just under US \$15 billion, while preliminary estimates suggested that a further fall was likely in 1988.

16. Regarding 1988, the Committee noted that the global volume of agricultural trade was expected to rise less than in 1987, increasing by about 4 percent. It was likely, on the basis of existing information, that the value of agricultural trade in 1988 would increase considerably. However, as in 1987, the major share of increased earnings was expected to be realized by developed countries. The Committee welcomed the 20 percent rise in the FAO overall price index for agricultural exports (1980=100), from 78 in 1987 to 92 in 1988 but drew attention to the fact that, even in current terms, prices were lower than in 1980. While export price indices for both food and raw-material product groups showed strong increases in 1988, the Committee expressed concern that for the beverage crops, following a sharp downward plunge in prices in 1987, there had been only a marginal improvement in 1988.

17. The Committee noted that, during the first months of 1989, export prices for agricultural products had followed the pattern of late 1988. Cereal, oilseed and oil prices had remained strong while prices of beverages had continued to decline. Recent price trends suggested that, at least for the first half of 1989, the overall index of agricultural prices would be near the level of the last quarter of 1988.

18. The Committee noted that, following a further decline in world cereal production in 1988, global consumption of cereals in 1988/89 would exceed output for the second consecutive year causing a further sharp draw-down in carryover stocks, and resulting in a substantial rise in international prices. The Committee agreed that there was a need for a sufficient increase in the production of cereals so as to ensure that global supplies in 1989/90 would be adequate to meet demand. However, the Committee, recalling the conclusions of the Intergovernmental Group on Grains and the Intergovernmental Group on Rice, recognized that the required expansion in output in 1989/90 should be undertaken with caution and be finely balanced so that, on the one hand, the risk of supply shortages was averted and, on the other hand, a return to a situation of surpluses and depressed markets was avoided. Some delegates stressed that the prospects for the world cereal economy were better balanced than for some years and that there was no cause for alarm. Other delegates, however, noted that there were still great uncertainties regarding production prospects in 1989 and that world food security depended mainly on developments in weather conditions during the current year.

19. The Committee expressed concern that recent years had been particularly discouraging for exporters of beverage crops as prices of these crops had remained depressed and significant increases were not

expected over the short term. It noted that these sectors held large stocks and tended to maintain output above levels of consumption. Some delegates stressed that there was a risk of over-production of some beverage crops in the longer term. It was stressed that these commodities were of importance to developing countries and, as perennial crops, had a long time-scale for the supply adjustment process. The importance of maintaining and raising quality standards was also emphasized. The Committee regretted the difficulties confronting the International Agreements for Coffee and Cocoa. Delegates from importing countries stressed that the concept of international commodity stabilization agreements was to lessen the impact of cyclical fluctuations by stabilizing prices around trend, and pointed out a number of imperfections in the operations of these agreements.

20. The Committee recognized the great importance of agriculture in the economies of developing countries in terms of employment, output, and foreign exchange earnings. Delegates of developing countries emphasized that the growth of their economies was being held back by the protectionism being practised by some developed countries. This limited their export earnings, an increasing proportion of which had to be spent servicing foreign debt at high rates of interest. They required a higher level of export earnings in order to improve their balance of payments, control inflation, and raise investment in agricultural development.

21. The Committee stressed its particular concern that, since its last session, markets for many commodities of importance to developing countries remained seriously depressed. It noted that for several commodities a better balance had been achieved between export availabilities and import demand, resulting in at least partial recovery in prices. For some commodities, these developments primarily reflected weather conditions while for some others production policy changes were important causes. The Committee felt that while policy changes had begun to be introduced in a number of countries covering several commodities, it was essential to continue and intensify the reform process in the interests of improving conditions of world agricultural trade. In this connection, the Committee stressed that the Uruguay Round of Multilateral Trade Negotiations under the GATT continued to be of critical importance in achieving this objective.

III. REVIEW OF ACTIVITIES OF THE INTERGOVERNMENTAL GROUPS

22. The Committee reviewed the activities of the Intergovernmental Groups, progress made and difficulties encountered by them on the basis of the reports of the Groups which had met since its last session and of a short note prepared by the Secretariat (CCP 89/14) to provide an overview of their activities.

23. The Committee approved the following reports of its Intergovernmental Groups:

- Jute, Kenaf and Allied Fibres: Twenty-third Session, December 1987 (CCP: 89/2); Twenty-fourth Session, November 1988 (CCP: 89/7).
- Rice: Thirty-first Session, March 1988 (CCP: 89/3); Thirty-second Session, February-March 1989 (CCP: 89/9).

- Oilseeds, Oils and Fats: Twenty-first Session, March 1988 (CCP: 89/4); Twenty-second Session, March 1989 (CCP: 89/11).
- Hard Fibres: Twenty-second Session, October 1988 (CCP: 89/5).
- Bananas: Tenth Session, October 1988 (CCP: 89/6).
- Grains: Twenty-third Session, October 1988 (CCP: 89/8).
- Meat: Thirteenth Session, March 1989 (CCP: 89/10), including its Sub-Group on Hides and Skins: Second Session, March 1989, (CCP: 89/10 Supp. 1)
- Tea: Seventh Session, May 1989 (CCP: 89/12).

24. The Committee endorsed and expressed its appreciation for the work of the Intergovernmental Groups. It supported the recommendations made in the reports of the Groups. The Committee stressed the efficiency and cost-effectiveness of the Groups, noting that financial constraints had caused some contraction in their activities. The Committee appreciated the flexibility with which the Groups operated in order to reflect changes in priorities of member governments and the usefulness of the Groups in identifying problems and in seeking suitable remedial measures.

25. The Committee noted that, at their most recent sessions, seven of the Groups had considered their possible role regarding the Second Account of the Common Fund for Commodities. With regard to the Common Fund, the Committee was informed that the Fund was likely to enter into force on 19 June 1989 and that the first meeting of the Governing Council was scheduled for 10-21 July 1989. The Committee recalled that the FAO Conference had urged that FAO should develop cooperative arrangements between the Intergovernmental Groups and the Common Fund and assist in preparing projects for financing from the Fund. The Committee also recalled that, at Preparatory Meetings held under UNCTAD's Integrated Programme for Commodities, governments had agreed that the Intergovernmental Groups on Meat and on Oilseeds, Oils and Fats would be appropriate for sponsoring Second Account projects, if it proved possible to have them designated by the Common Fund as eligible International Commodity Bodies. In addition, several Intergovernmental Groups had been involved in the preparation of project proposals suitable for Second Account financing. The Committee noted the unanimous decisions taken by the Groups on Hard Fibres, Bananas, Rice, Oilseeds, Oils and Fats, Meat, Tea and the Sub-Group on Hides and Skins to encourage the Director-General to approach the Common Fund for Commodities when it became operational, requesting the Common Fund to designate the Intergovernmental Groups as eligible International Commodity Bodies for sponsoring and following up projects which might be financed under the Second Account. The Committee considered that such a request would give concrete expression to the recommendation of the FAO Conference and endorsed the requests of the Groups to encourage the Director-General to approach the Common Fund at an appropriate time with a view to seeking designation of the Intergovernmental Groups as International Commodity Bodies. Delegates emphasized the need to avoid duplication of initiatives which might be taken in other multilateral fora.

26. Regarding the Intergovernmental Group on Jute, Kenaf and Allied Fibres, the Committee noted that it had continued to seek to improve conditions under which the fibres were marketed and had established indicative prices for jute and kenaf under the informal arrangements. The Committee considered that the Group continued to play a useful role in improving market transparency and in helping to develop remedial policies to improve conditions in the world jute and kenaf economy. The jute information network operated under the auspices of the Group continued to provide a comprehensive basis for evaluating market developments, and the

activities of the Group in the economic field were considered to be useful and complementary to the project work being undertaken by the International Jute Organization. The Committee further noted the future programme of work proposed by the Group and agreed that the Group should continue to undertake studies on the economics of production and demand and, in particular, on competition with synthetics.

27. Regarding the Intergovernmental Group on Rice, the Committee expressed general support for the set of guidelines for national and international action which had been established by the Group and noted with interest that it was undertaking a review of its Guidelines for National and International Action to determine whether any revision was needed. The Committee noted that the Group had received proposals for revision. Some delegates considered that the guidelines should be revised to give more weight to the liberalization of rice markets. Other delegates, however, stressed that, for the effective operation of the Guidelines, adherence to them would be more important than any further revisions. Several delegates reiterated their support for the five specific recommendations made by the Group at its Thirty-second Session, covering assistance to production in developing countries, food aid and imports of low-income food-deficit countries, intensified use of triangular transactions, assistance to developing countries for rebuilding and increasing stocks and storage facilities, as well as the expansion of trade in rice between developing countries.

28. Regarding the Intergovernmental Group on Oilseeds, Oils and Fats, most of the delegates who spoke reiterated the concern and apprehension expressed at the Group's Twenty-second Session (March 1989) about the EEC's stance in the GATT aimed at overcoming "disharmonies" in some policies which gave rise to different levels of protection in the various sectors covered by the Common Agricultural Policy. This process might result in less protection for the grains sector but more protection in the oilseeds, oils and oilmeals sector (the so-called "rebalancing" process). These delegates noted that, according to recent press reports, the idea of the "rebalancing" process seemed to be one of the elements of the EEC position to be negotiated in the GATT Uruguay Round of MTNs. They recalled that the idea of "rebalancing" dated back to 1985, and noted that opposition to it had already been voiced at the Nineteenth and Twentieth Sessions of the Intergovernmental Group on Oilseeds, Oils and Fats (respectively in 1985 and 1987). These delegates expressed their opposition to the "rebalancing" process suggested by the EEC Commission as this would translate into increased protection for EEC producers of oilseeds and vegetable oils, and was thus in direct contradiction with FAO Conference Resolution 2/79 and with the agreement reached in April 1989 under the Uruguay Round of MTNs; in addition, it would contravene GATT bindings without any trade-offs for all those countries which did not export cereals, including many developing countries.

29. In reply, the observer from the EEC Commission reiterated the EEC position that the GATT Contracting Parties would undertake to carry out, in a second stage, a significant concerted reduction in support, coupled with a readjustment of their external protection in order to achieve a reduction of the distortions which are a source of, or contribute to, the present world market disequilibria. Such two-fold action would lead to an elimination of imbalances in internal production. He stated that it was not the intention that rebalancing should substitute for but that it should be complementary to adjustments in support levels. He furthermore emphasized the global nature of its proposal on rebalancing. He also

stated that at the mid-term review in April 1989 the Contracting Parties had agreed that the issue of rebalancing, together with the issues of tariffication and decoupling were subjects for further discussion and negotiation in the Multilateral Trade Negotiations. The European Community would specify in more detail its views on all these issues, at the appropriate time and in the appropriate forum.

30. Many delegates considered that the reply of the observer of the EEC Commission was not satisfactory in view of the deep concern expressed by them. They pointed out that, as the EEC considered that the phrase "other ways to adapt support and protection" used in the agreed text of the Mid-Term Review covered the concept of rebalancing, this matter needed to be closely monitored and reported on by the Secretariat. They reiterated their opposition to the rebalancing concept and called on the EEC Commission and EEC Member States to withdraw the idea. It was suggested that the delegates of the EEC Member States and the observer of the Commission should convey to their governments and to the Commission the sense of deep concern and opposition which had been voiced in the Committee.

31. Regarding the Intergovernmental Group on Hard Fibres and its Sub-Group of Sisal and Henequen Producing Countries, the Committee commended these two bodies on their success in strengthening the markets of sisal, abaca and coir in the face of severe competition from synthetic substitutes. Appropriate policy recommendations, especially within the informal arrangements for sisal and abaca, had proved to be effective mechanisms for reviving and stabilizing the market for these fibres. Some delegates noted with appreciation that the price recommendations formulated for sisal and for the major end-product manufactured from this fibre had been adhered to by the participating producing and consuming countries, lifting prices of fibres to the indicative level and stabilizing the prices for sisal harvest twine at the agreed levels. The Committee considered that the informal talks between trade and industry representatives from producing and consuming countries within the Sub-Group of Sisal Producing Countries, had been instrumental and useful in preparing realistic price recommendations. Similarly, it recognized that the Secretariat's introduction of intersessional information notes on market developments of sisal fibre, sisal end-products and competing synthetics, had proved useful in monitoring the performance of the informal arrangement and in assisting countries to adhere to its provisions.

32. The Committee emphasized that the use of hard fibres and, more generally, of all natural fibres and raw materials, should be preferred as they did not result in environmental pollution, in contrast to the use of synthetic products.

33. Regarding the Intergovernmental Group on Bananas, the Committee endorsed the Group's conclusion that the world banana market had achieved a delicate balance in recent years and that the declining trend in world banana imports had been revised. It noted, however, that the balance was fragile and that caution should be exercised to avoid a feeling of false security which might lead to expanding production beyond realistic demand expectations. The Committee endorsed the Group's proposed programme of work which gave high priority to increased market transparency through an expansion of the Secretariat's information network flow with the increased participation and cooperation of governments and trade, and to drawing up and finalizing research and development projects for bananas. It also

supported efforts within the Group to explore equitable solutions to emerging questions regarding movements towards regional integration which would be likely to have an impact on international trade in bananas.

34. Regarding the Intergovernmental Group on Grains the Committee shared the Group's concern about the sharp reduction in world stocks at the end of 1988/89 seasons. It noted that there was a need for an adequate increase in production of grains in 1989 but that the required expansion in output should be undertaken with caution and be finely balanced so as to avert any supply shortage but also to avoid any return to surpluses and depressed markets. Some delegates informed the Committee on measures they were taking to increase production of wheat and coarse grains in 1989 and 1990. The Committee appreciated the Group's assessment of the supply and demand of selected traditional grains as basic staple foods in many developing countries. It also noted with interest the work undertaken on the utilization of grain as animal feed. The Committee encouraged the Group to continue its analytical work on traditional grains and on feedstuffs, including the linkages between the feed and livestock sectors.

35. Regarding the Sub-Group on Hides and Skins, the Committee was informed that its Second Session in March 1989 had reviewed a number of economic, statistical and technical issues. It had emphasized the need for a comprehensive review of protectionist measures and their economic impact on the market and for supporting the promotion of ECDC in trade in the leather sector, possibly by a scheme providing marketing information and technical advisory services. The Committee noted that the Sub-Group had supported the strengthening of the Secretariat's statistical intelligence efforts and the more frequent publication of its statistical compendium which provided the only comprehensive source of information on the sector. It also noted that the Sub-Group had considered problems related to treatment, recovery and quality improvement of hides and skins and made recommendations on the use of chemicals which could have a damaging effect on the environment.

36. Regarding the Intergovernmental Group on Meat, the Committee noted that in its review of follow-up action to the Guidelines for International Cooperation in the Livestock and Meat Sector the need for more progress in achieving the objectives of the guidelines had been stressed. The Committee also took note of the Group's conclusion that, over the medium term, some improvement was likely in the conditions of international meat trade, and that measures to reduce protectionism were underway in a number of countries. Regarding future activities of the Group on Meat and its Sub-Group on Hides and Skins, some delegates requested that increased attention should be paid to problems of pastoralist communities as well as to aspects of animal health and training with a view to improving performance and quality in both the meat and hides and skins sectors.

37. Regarding the Intergovernmental Group on Tea, the Committee noted the Group's concern that import demand appeared to be stagnant despite low prices. In particular it supported the efforts already made to raise quality by the removal of sub-standard teas from the market and recommended that these efforts be intensified. It acknowledged the potential offered by generic promotion and gave particular support to the Group's initiative in setting up at its last session an informal ad-hoc working group on tea promotion which had enabled the Group to agree upon a framework for future action on generic promotion. The Committee approved the emphasis given to a continuation of the Group's assessment of the longer-term outlook, and endorsed the Group's request to the Secretariat to undertake a study of the

impact of currency fluctuations on the tea market. Finally, the Committee endorsed the Group's recommendation that the USSR be invited to participate in its next session.

38. Regarding Intergovernmental Groups which had not met since its last session, the Committee noted that the Intergovernmental Group on Citrus Fruit, would hold its Eighth Session in Montevideo, Uruguay, in September 1989. The main items on the Agenda included an analysis of short- and longer-term market prospects for citrus fruit and consideration of possible measures to enhance citrus cultivation and trade. The Group would also consider its possible role regarding the identification, sponsoring and following-up of projects for financing by the Second Account of the Common Fund for Commodities. The Committee further noted that since the last session of the Group the Secretariat had intensified its activities on citrus fruit and had commenced to issue annual outlook reports. The Committee noted that due to financial constraints the scheduled session of the Intergovernmental Group on Wine and Vine Products had been cancelled, but the Secretariat had continued to monitor developments in the wine situation, although on a less intensive scale. The Committee further noted that close contact had been maintained and indeed strengthened with the International Vine and Wine Office, particularly in the area of harmonization of viticultural statistics and in the undertaking of joint outlook studies.

39. In reply to a question regarding the status of the FAO Intergovernmental Group on Cocoa, the Committee was informed that the Group had been in recess since its main functions had been assumed by the International Cocoa Organization. However, it was still a Statutory Body which could be reactivated should the need arise and should the Committee so request.

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

40. The Committee commended the Chairman of the CSD, Mrs Jennifer Lester (Jamaica), for her concise and clear summary of the Thirty-second Report of the CSD and complimented the Subcommittee on its informative Report and on its valuable work in overseeing the principles of surplus disposal and their application.

41. Some delegates expressed concern with the decline in food-aid notifications in 1988 and early 1989 and urged the Subcommittee to encourage donor countries to maintain their food-aid deliveries at previous levels so that countries in need would not suffer from a lack of assistance in this critical period. One major donor pointed out that, despite the decline in food stocks and higher prices for wheat and other commodities, it was able to maintain its food-aid deliveries at levels that were above the previous year and encouraged others to follow this example.

42. The Committee noted that the CSD had discussed the issue of the danger of a proliferation of commodities that were not used as food aid, such as wood, which was included in a concessional transaction notified to the CSD in the period under review. The Subcommittee had agreed that many such commodities, such as non-edible tallow, cotton and feed grains, were of interest to members and that the CSD would continue to maintain its flexibility by dealing with these unusual transactions on a case-by case basis to preserve as much transparency as possible in its deliberations.

43. The Committee appreciated the important function of the CSD in monitoring transactions involving the disposal of surplus commodities and its invaluable role in ensuring, through continuing review of bilateral and multilateral assistance, that normal commercial trade was not displaced nor local production discouraged.

V. SELECTED COMMODITY AND TRADE ISSUES

(a) Trends in and Prospects for Trade in Tropical Horticultural Products

44. The Committee reviewed trends in and prospects for trade in tropical horticultural products with the assistance of document CCP: 89/16 which analysed recent developments in international trade of selected tropical and off-season horticultural products, including floricultural products and future prospects. It noted that the document took into account the conclusions reached at two seminars on tropical horticultural products organized by FAO within the framework of its activities to promote economic cooperation among developing countries, which were held in Nairobi, Kenya in 1985 and Bogota, Colombia in 1987. The Committee welcomed the initiative taken by FAO to examine the trade prospects for these non-traditional products and expressed appreciation for the document.

45. Delegates from developing exporting countries emphasized the role of trade in tropical horticultural products in stimulating employment, enhancing rural development and raising export earnings. They stressed that these non-traditional but high-value items provided opportunities for developing countries to diversify their foreign exchange earning capacity. They agreed that the strongest advantages for developing countries were in those commodities for which they had the greatest comparative advantage.

46. Delegates from importing countries emphasized the opportunities for increased trade in these non-traditional items. They stressed that growing awareness of the nutritional value of natural products, a desire for increased variety and more sophisticated tastes were all factors leading to increased demand. But they emphasized that products had to meet the requirements which consumers in importing countries demanded.

47. Many delegates from exporting countries highlighted the problems which they had encountered in attempting to develop a viable export sector in tropical horticulture. Specific mention was made of fragility and perishability of products, specialized knowledge on when to harvest, how to harvest, select, grade, package and handle the produce before and during transportation, as well as market information on consumer preferences and their seasonality in the countries of final destination. Transportation bottlenecks, especially cargo space in aircraft, continued to be a major problem. Attention was also drawn by some delegates to the restricted market outlets for tropical horticultural products due to barriers applied by importing countries, both tariff and non-tariff measures.

48. With reference to trade barriers, several developed importing countries referred to measures currently being taken to improve access for tropical horticultural products. They also referred to progress in the Uruguay Round to reduce trade barriers, to convert non-tariff barriers to their tariff equivalents with a view to gradually phasing them out and to harmonize health and sanitary measures in line with appropriate international standards.

49. Some delegates from importing countries pointed out that their application of phytosanitary regulations was legitimate in order to protect their own domestic produce from possible contamination from unhealthy imported produce and that such measures were taken in pursuance of the International Plant Protection Convention.

50. The Committee emphasized the importance of quality control and the emphasis on improvement of marketing technology, product presentation and packaging in order to enable an attractive final product to be presented to consumers. It also stressed the need for assistance to developing countries so that they could benefit from the value added by producing final rather than intermediate products. It was suggested that FAO, together with the International Trade Centre UNCTAD/GATT and other international organizations and regional bodies working in specific aspects of horticulture should provide support for this purpose. In this connection the Committee was informed of the planned consultations on fruit and vegetable processing by the United Nations Industrial Development Organisation (UNIDO), to be held in Tbilisi, USSR in September 1989. Reference was also made to the work of the FAO/WHO Codex Alimentarius Committee on Tropical Fresh Fruits and Vegetables and to the technologies on tropical products developed by Empresa Brasileira de Pesquisa Agropecuária (EMBRAPA).

51. The observer from COLEACP (the inter-professional committee for the promotion of tropical fruits, off-season fruits and vegetables, flowers and ornamental plants) gave a resumé illustrated with slides of the activities of his committee in the area of technical assistance, trade promotion and training.

52. The Committee strongly endorsed the need for continued FAO activity in the tropical horticultural sector and the desirability of extending coverage to other non-traditional items such as rambutan and durian and to aromatic and medicinal plants. It also suggested that consideration be given to undertaking a study on pyrethrum, particularly in view of the rising concern over the effects of many synthetic insecticides on the environment. The Committee supported the suggested future areas of work referred to in para. 37 of the document and agreed that the following activities should be undertaken to the extent practicable within available resources:

- (i) regular monitoring of the markets of tropical and speciality horticultural products by FAO, extending this activity to other promising commodities, e.g. aromatic herbs and medicinal plants;
- (ii) the organization of further regional and sub-regional seminars and workshops for examining the prospects of specialized export trade of non-traditional commodities from various developing countries and areas;
- (iii) the development and strengthening of information networks among developing countries;
- (iv) other relevant activities which could assist developing countries in their endeavour to diversify into new export commodities, such as technical advice and assistance in establishing crop research and development priorities, commercial production and marketing practices, market intelligence and market outlook appraisal, and trade promotion.

(b) The economic significance of tobacco

53. The Committee discussed Agenda Item 6(b) on the basis of document CCP:89/17. The Committee expressed its appreciation of the document and considered that the analyses of the economic significance of tobacco and the socio-economic consequences of smoking were well balanced.

54. The representative of the WHO reported that worldwide, more than two million premature deaths per year were due to tobacco-smoking. He provided details concerning mortality and disease rates attributed to smoking in developed countries and indicated that the disease pattern in developing countries was rapidly approaching that of the industrialized countries. However, he pointed out that the effectiveness of national tobacco control programmes had been documented by major declines in lung cancer mortality rates in Finland and the United Kingdom, where such programmes were first initiated. He stressed that in the long term, tobacco consumption was not only a major health hazard but also an economic burden to national economies, due to associated health and social costs. Some economic cost analyses had shown that the sum of the direct medical care costs and the indirect costs of lost income due to premature death were greater than the retail income from cigarette sales. He further stated that economic analyses should not be the sole basis for determining government policy with respect to tobacco. The large numbers of premature deaths due to tobacco indicated that there were also important health and moral issues that needed to be addressed.

55. The Committee recognized that notwithstanding the health concerns of smoking, tobacco was of great socio-economic importance, especially in developing countries. In this connection, it was stated that a large number of people worldwide depended on tobacco cultivation for their livelihood. Aside from being an important employment generator, tobacco was also a significant source of export earnings. Moreover, the crop was one of the few major agricultural products which ensured relative stability in export earnings. The contribution of tobacco to government finances through tax revenues was stressed by several delegates.

56. Some delegates indicated that tobacco was often grown in areas not suitable for other cash crops and covered a relatively small proportion of arable land. Hence it did not compete with, and could even enhance, food production and food security. They also felt that improved infrastructure built by and/or for the tobacco sector had beneficial spill-over effects on other sectors. Moreover, since tobacco was relatively profitable, it was possible for governments in some countries to settle growers of this crop in very remote areas, and certain governments were encouraging the production of tobacco by small farmers.

57. Some developing producing countries emphasized the need for FAO to provide technical assistance to improve tobacco cultivation. As regards the use of wood by the tobacco industry and the possible adverse effects on environment, some delegates referred to recent country surveys which indicated that relatively small quantities of wood were used by the tobacco industry and measures were being adopted to increase wood output and/or conserve energy used in curing tobacco.

58. The observer from the EEC referred to measures taken under the CAP to stabilize production and orient this away from those varieties which present a greater health hazard.

59. Several delegates from developing countries informed the Committee that although they were aware of the health hazards of smoking and the possible socio-economic costs involved, they were of the view that malnutrition and infectious diseases were more pressing health problems and causes of mortality in their countries. They also pointed out that serious economic and health costs could be associated with loss of revenue resulting from any reductions in tobacco cultivation. In this connection, some delegates indicated that efforts to curtail tobacco usage should focus on informing consumers of the hazards of smoking rather than seeking to limit production.

60. It was also pointed out that scientific studies revealing a significant association between tobacco smoking and several diseases had been carried out over a very long period. In view of the complexities of the issues involved, the Committee considered that there was an urgent need to strengthen the collection of relevant information with a view to carrying out a comprehensive and objective cost/benefit analysis of the tobacco industry. It was also suggested that the tobacco industry should cooperate with FAO and that FAO should take a lead in this work, cooperating with other concerned agencies, particularly WHO.

61. The Committee noted that the WHO Plan of Action on Tobacco or Health adopted in May 1989 called upon the Director-General of WHO to approach FAO concerning the possibility of developing viable tobacco substitution programmes. In this connection, the delegates of several producing countries indicated that they had explored the possibilities of diversifying into other crops. However, because of both technical and economic constraints, it had not so far been possible to implement viable diversification projects. Therefore, they considered that continued cooperation between FAO and WHO was required in order to ensure that realistic programmes were devised which took account of actual economic conditions in individual countries. In this connection, they also stressed the need for appropriate technical and financial assistance for the subsequent implementation of viable diversification programmes. The Committee took note of the FAO Secretariat's readiness to assist interested countries in investigating diversification possibilities, subject to the availability of resources.

62. Several delegates suggested that FAO should continue to monitor developments in the world tobacco economy and provide information to producing countries on a regular basis. It was also suggested that in its future work on tobacco, the FAO Secretariat should include in-depth analyses of the reasons for different rates of growth in output of different varieties of tobacco, and capital intensive and labour absorbing aspects of tobacco manufacture.

63. The Committee agreed that the cultivation and manufacture of tobacco was likely to continue to be of considerable economic importance in the longer term for several countries in both developed and developing regions. However, concern was expressed by some delegates about the possible adverse effects on growers' income caused by declining or stagnant consumption of tobacco in developed countries, and on foreign exchange earnings in developing countries due to possible reduction in exports because of the increased usage of domestically produced tobacco in these countries. The

Committee recognized the usefulness of carrying out analyses of long-term world market prospects for tobacco so as to provide indications which could assist developing countries in their development planning, and it suggested that the full studies on "The Economic Significance of Tobacco" and "Tobacco: Supply, Demand and Trade Projections, 1995 and 2000", be published as soon as practicable. The Committee also suggested that the Secretariat should examine the possibility of developing appropriate guidelines to assist governments in formulating and pursuing integrated policies regarding the tobacco sector.

64. Several delegates supported the International Tobacco Growers Association's application for formal relations with FAO. The Committee was informed of the procedural requirements for such relations, and that the informal cooperation between FAO and the Association could continue.

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

(a) Protectionism in agriculture

65. 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 89/18. The Committee agreed in general with the analysis and conclusions of the document and considered that the document presented a balanced overview of developments in agricultural protectionism since the last session of the Committee. However, a few delegates did not agree with some of the conclusions reached in the document.

66. A number of delegates provided information on recent developments in their agricultural policies aimed at reducing protection and support in agriculture.

67. The Committee noted, on the basis of the estimates of the OECD Secretariat, that the total costs of agricultural policies of the OECD member countries, which had almost doubled in the first half of the 1980s, had increased to a new peak in 1987. It noted that seventy percent of these costs arose as a result of price and other market support policies which distorted international trade and greatly impaired market access for major traded agricultural commodities.

68. The observer from the OECD informed the Committee of its work on protection and in particular of the major study published by his Organization on 31 May 1989 entitled Agricultural Policies, Markets and Trade - Monitoring and Outlook, 1989. He referred to the recent OECD Ministerial Meeting (31 May - 1 June 1989) which noted that reduced production had contributed to the reduction in support to agriculture in 1988 as evaluated by Producer Subsidy Equivalents (PSEs) and that the cost of this support to the taxpayer and the consumer had declined but was nonetheless still approximately \$270 billion in the OECD area. Moreover, the Ministers had recognized that market signals still played only an insufficient role in the orientation of agricultural production and that international trade tensions remained acute. The Ministers therefore reaffirmed the necessity to pursue vigorously the process of agricultural reform along the lines of the principles defined by them in 1987 and 1988, which would lead to a market-oriented trading system through progressive and substantial reductions in agricultural support and protection, and strengthened GATT rules and disciplines.

69. The assessment of delegates differed as regards progress made in lowering the levels of agricultural protection, in expanding market access and in reducing or eliminating trade distorting policies.

70. Some delegates pointed out that recent actions by their governments had the effect of reducing subsidies on production, curbing production and limiting growth of agricultural support expenditure, and improving market access. These delegates stressed the importance of recognizing the positive direction which these changes were taking and the importance of continuing the reform process now underway. In some cases serious social and economic problems had been caused by these changes to the rural population which underlined the need for gradual change. They pointed out that reductions in support levels in the developed countries could increase international prices and consequently the costs of food imports, thus adversely affecting food-deficit low-income countries.

71. Other delegates considered that very little progress had been achieved to date toward the objective of a fair and market-oriented agricultural trading system. They stressed that when perceived from the viewpoint of opening markets to international competition, progress had been minimal. They also emphasized the need for distinguishing policy changes which could lead to a lowering of levels and costs of support provided to a commodity from those which have a real impact on market liberalization. They further pointed out that the overall level of subsidization could be lowered but that at the same time market access may diminish. Some of these delegates expressed concern over the "rebalancing" of protection levels, as advocated by the EEC, particularly with regard to potential increases in protection of the oilseed sector in the Community. Some of these delegates also stressed the damage to their export trade caused by the export subsidies and similar practices of certain developed countries.

72. The Committee agreed that the efforts to achieve a fair and market-oriented agricultural trading system should be intensified. In this connection, it welcomed the agreements reached by the Trade Negotiations Committee (TNC) in April 1989 which enabled the Uruguay Round negotiations to be resumed. It noted with satisfaction that the approach agreed on agriculture included both long-term elements for the reform of agricultural policies and short-term elements as well as arrangements on sanitary and phytosanitary regulations. The Committee stressed the need for early progress on the agreed agenda for the remaining period of the Uruguay Round in the key area of agriculture in order to provide for substantial and progressive reductions in support and protection, resulting in correcting and preventing restrictions and distortions in world agricultural markets.

73. Some delegates referred to the usefulness of PSEs as an instrument for measuring the level of support to agriculture. They considered that this was the best feasible tool so far established for this purpose and noted that PSEs could also serve as a basis for the negotiations on commitments in the GATT in relation to agricultural policy reform. They suggested that to achieve a more global picture of agricultural protectionism, the Secretariat should in future provide information on developments regarding PSEs for a greater number of commodities and countries, including developing countries where the relevant data were available, bearing in mind that the tool had originally been developed by FAO.

74. A few delegates, however, felt that the PSE remained an imperfect tool and that such estimates of the levels of protectionism should be interpreted with caution because, when they were compared with other factors, the interpretation of them differed.

(b) Selected Issues in Agricultural Policy Reform

75. The Committee welcomed and reviewed document CCP 89/19, "Selected Issues in Agricultural Policy Reform". It noted that this subject was on the agenda at the Committee's request at its Fifty-sixth Session in 1987. It also noted that, since then, the subjects of strengthening the market orientation of agricultural policies and direct support to farmers had come to the forefront of the agricultural policy debate. In this connection, the Committee recalled the agreement reached in the Trade Negotiations Committee in April 1989, which set the long-term objective of the multilateral negotiations on agriculture as the establishment "of a fair and market-oriented trading system" and that participants in these negotiations were invited to submit by December 1989 proposals for the achievement of the long-run objective. Document CCP 89/19 deals with tariffication, decoupled income support and other ways to adapt support and protection.

76. A number of delegates stressed that making markets more responsive to short-term signals, or "recoupling", could be facilitated by a number of measures such as tariffication i.e. a move from non-tariff barriers towards tariffs, by changes in domestic policies or by appropriate storage policies. Some delegates, however, considered that undue emphasis placed on the contribution of tariffication could tend to orient agriculture to market requirements.

77. Some delegates stressed that while there was merit in making markets responsive to price signals, short-run price signals in some cases could well be misleading for producers. In this connection, they emphasized the difficulties over the quality of the price signal, citing problems of heterogeneous products with many different grades and varieties traded, as well as of variations in exchange rates. In their view, world agriculture would always fluctuate widely because of technical factors such as the effect of weather on output, the low price elasticity of demand for these commodities, and the lags of one or more years necessary for agricultural production.

78. Other delegates, however, emphasized the importance of domestic producers receiving market signals of the right direction through closer linkage with world price movements. They emphasized that a fair and market-oriented trading environment would require all countries to recouple their policies with regard to both border measures and internal support. In their view this could be facilitated by tariffication. In addition, they stated that with agricultural trade liberalization and integrated markets, world price fluctuations would not be as pronounced as at present. Furthermore they stated that as domestic markets become less insulated from world market fluctuations, the agricultural trading system would benefit from more price stability and improved food security.

79. Some delegates acknowledged that there may be a role for "supporting policy measures" which could encourage diversification into alternative land uses and bring environmental benefits. Such measures however should be considered as subordinate to the overriding need for sustained reductions in support levels.

80. Some delegates noted that one of the important policy objectives in a number of countries, both developing and developed, was to stabilize domestic supply and prices, and by making markets and prices more responsive to movements in world market prices, internal prices would become more variable and could affect food supplies. Some delegates from developed countries questioned the assumption in the secretariat document that in developed countries somewhat larger variability in domestic prices should not cause major problems.

81. Some delegates noted that making markets more responsive to long-term developments by reducing protection would take time and would have implications for domestic policy objectives.

82. The Committee also noted the decisions inter alia taken by the Trade Negotiations Committee in April 1989 that "special and differential treatment to developing countries is an integral element of the negotiations" and that "ways should be developed to take into account the possible negative effects of the reform process on net food importing developing countries". It requested the Secretariat to consider undertaking further research on the design and implementation of policies, at both domestic and international levels, which could assist developing countries in averting or limiting the adverse effects of possible increases in food prices, especially on the poor, as a result of increasing market orientation to long-term developments.

83. Several delegates stressed that greater market orientation of agricultural sectors in the developing countries would be beneficial for all sectors of the economy. In their view, in the case of developing countries the implementation of policy changes might need to be spread over a longer time span but the goal of eventual market orientation should be the same for all countries.

84. The Committee recognized that in the developed countries there were a number of objectives of agricultural policies, including the protection of farm income, the achievement of an income for farmers comparable to that in other sectors, the stability of supplies and prices, food security, regional balance and the environment. It noted that price support was the most widely used instrument for achieving these objectives. However, some delegates believed price support tended to be untargeted and could make only a limited contribution to achieving some of these objectives.

85. Many delegates stressed that an important alternative to the use of price supports in maintaining farm incomes, particularly in developed countries, was direct income support or "decoupling". The Committee appreciated the analysis of direct income support in document CCP 89/19. It noted the distinction drawn between "pure" direct income support, where support payments were not related to any performance criteria and "pragmatic" approaches, which took into account the constraints to implementing "pure" direct income-support schemes. The Committee noted that the design of "pure" direct income-support schemes involved deciding on eligibility and the duration of direct payments, and on the principles to be used in allocating payments - the "needs principle" and the "compensation principle". In this connection, some delegates expressed their support for the "needs principle", on the grounds that direct payments need not be linked to the historical status of a recipient as an agricultural producer. Some delegates felt that direct income support would always have an effect on the level of production. The Committee

recognized that there were a number of issues involved in implementing such policies and agreed that more pragmatic approaches such as income insurance, tax relief, payments to curb input costs and measures to promote labour mobility could be of interest to countries which consider the use of direct income-support measures. Some delegates stressed, however, that the abolition of market support combined with the introduction of direct income support was socially, politically and financially very difficult for many countries.

86. There was a strong consensus that agricultural policies should be more responsive to market signals and that support and protection should be progressively reduced and provided in a less trade-distorting manner. In order to enhance understanding of the issues involved, the Committee considered that further analysis and research were needed in the following areas:

- a) the relationship between price fluctuations, government policies and private and public stocks;
- b) the relative contributions which consumption and production in different groups of countries have made and could make to reducing instability on world markets;
- c) the extent of linkages between price variability in international trade and price fluctuations on domestic markets in developing countries;
- d) the appropriate design and implementation of policies, at both domestic and international levels, which would allow food-importing developing countries to avert or limit the adverse effects of possible increases in food prices.
- e) the design and implementation of direct income-support instruments, including comparative studies of different approaches already pursued in various countries, including how to determine eligibility of recipients, allocation of payments, consequences for income distribution within agriculture, and effects on public expenditure.

87. The Committee recognized that these studies could be undertaken by other international organizations, universities, research centres or by FAO. It urged that such research efforts should be undertaken in a coordinated manner.

VII. INTERNATIONAL ACTION RELATING TO AGRICULTURAL COMMODITIES: DEVELOPMENTS IN OTHER ORGANIZATIONS

88. The Committee reviewed recent developments in international action relating to agricultural commodities especially in UNCTAD and GATT as well as the related role of FAO. It based its discussion on document CCP 89/20, and on further information provided by the representative of UNCTAD.

89. The representative of UNCTAD informed the Committee that the first session of the Governing Council of the Common Fund, scheduled for 10-21 July 1989 in Geneva, was expected to elect 28 Executive Directors and their alternates who would constitute the Executive Board, appoint the Managing Director of the Fund and decide upon the location of its headquarters. The Fund was most likely to become fully operational in the second half of 1990.

90. With regard to the question of UNCTAD work on individual commodities, he recalled that pursuant to the decision at UNCTAD VII in the Final Act, comprehensive consultations on a number of agricultural commodities were taking place with producers and consumers. The Committee on Commodities, in December 1988, had decided that work on individual commodities should continue and that the outcome of the consultation process on agricultural and mineral commodities should be considered by the Committee at its next session. Concerning compensatory financing, the UNCTAD Intergovernmental Group of Experts held its resumed session in April 1989, and its conclusions and recommendations would be considered by a special session of the Trade and Development Board. The Group had recognized the value of existing compensatory financing schemes, but recommended that there was scope for further international action in this area and that shortfalls in the commodity export earnings of developing countries should be kept under continuous review in UNCTAD. In conclusion, the UNCTAD representative recalled the establishment of an Expert Group on African Commodity Problems which was being serviced by UNCTAD. The Group had held its first session in April 1989 and would meet again in July 1989. He expressed UNCTAD's appreciation to the FAO Secretariat for its full support and cooperation in the servicing of this Group.

91. The Committee agreed that to prevent duplication of efforts and to minimize costs, full use should be made of the technical expertise of FAO and of its Intergovernmental Groups (IGGs) in the operations of the Second Account of the Common Fund. In this connection, it reiterated its conclusions regarding the designation of IGGs as International Commodity Bodies (ICBs) for sponsoring and following up projects which may be financed from the Second Account of the Fund.

92. Some delegates reiterated the difficulties faced by the international agreements on cocoa and coffee and expressed the view that it would be extremely difficult to envisage a new cocoa agreement with economic provisions. On the Common Fund they considered that, in order to reflect the altered economic environment of the 1990s, its operations would focus predominantly on Second Account financing in the area of commodity research and development rather than on First Account financing. However, they also cautioned against over-estimating the potential of the Second Account because of its limited resources. The need was expressed for the Fund to adopt a balanced approach in allocating the limited Second Account resources with respect to commodities and regions.

93. The Committee, welcoming the agreement reached in the mid-term review of the Uruguay Round of multilateral trade negotiations, particularly on the future directions for the negotiations on agriculture and tropical products, noted the technical support of FAO to the GATT Secretariat in relation to the Uruguay Round and for the assistance provided to interested developing countries, to facilitate their participation in the Round. It also considered that FAO's work concerning sanitary and phytosanitary regulations, particularly in relation to the Codex Alimentarius Commission and the International Plant Protection Convention, was of particular importance. The Committee considered that FAO support to the GATT Negotiating Groups on Agriculture, Tropical Products and Natural Resource-Based Products should continue and, where necessary, be intensified.

94. The Committee noted with satisfaction that the Secretariat document reported on international action regarding women in commodity and trade development. It stressed the importance of FAO continuing to concentrate on the enhancement of women's marketing skills and particularly on the

facilitation of appropriate credit schemes for women and the formation of women's groups with the appropriate extension and training systems in the area of commodities. The Committee noted that FAO's activities in the area of commodity policy advice at the country level (CPCL) also took into account the issues concerning women in commodity development and recommended that coverage of these issues should continue to be included in future CPCL activities and should be intensified where necessary. It also stressed the need to continue to cooperate with other concerned international organizations in relation to gender issues in the field of commodity and trade development.

95. Several delegates stated that the debt situation of many developing countries was critical and generally high debt-service payments and a steady decline in new lending had continued to result in a negative transfer of resources from developing countries to their creditors, with consequent adverse effects on their foreign exchange position and their economic and social development. While noting the increased lending by the IMF and the World Bank, and recent initiatives on debt restructuring and reduction, they considered that the adjustment policies, which the developing countries were called upon to implement as conditions for this assistance, had highly adverse consequences for their agricultural development.

96. The Committee stressed the importance of expanding economic cooperation among developing countries (ECDC) in the area of trade and noted several recent initiatives by developing countries for the promotion of such cooperation at the regional or sub-regional level. Some delegates, while recognizing the importance of ECDC in trade for the growth of developing countries, stressed that South-South trade should be pursued as a complement to efforts to expand world trade.

VIII. ARRANGEMENTS FOR THE FIFTY-EIGHTH SESSION

97. The Committee noted that the Fifth-eighth Session was tentatively scheduled to be held in Rome in June/July 1991 and requested the Director-General to set a precise date for the Session in consultation with the Chairman, taking into consideration the schedule of other meetings.

IX. OTHER BUSINESS

98. Some delegates suggested that it might be appropriate to change the name of the Committee from the Committee on Commodity Problems to the Committee on Commodity Issues since this was a more adequate reflection of the Committee's functions. However, it was pointed out that this would involve a Constitutional change.

99. It was also suggested that it might be beneficial for the deliberations of the Committee if a higher proportion of senior commodity officials from capitals attended future sessions.

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

Chairman/Président/Presidentente:

H. CARANDANG
(Philippines)

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

P. BARON
(Fed. Rep. Germany)

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

D.J. BISIKA
(Malawi)

**MEMBERS OF THE COMMITTEE
MEMBRES DU COMITE
MIEMBROS DEL COMITE**

ANGOLA

Délégué
M. DOMINGOS NOGUEIRA
Représentant permanent suppléant
auprès de la FAO Rome

ARGENTINA - ARGENTINE

Delegado
V.E. MACHINEA
Representante alterno ante
la FAO Roma

Sra. M. E. DEREGIBUS
Representante Alterno
ante la FAO Roma

J. JAGER
Asesor
Ministerio de Agricultura,
Ganadería y Pesca Roma

AUSTRALIA - AUSTRALIE

Delegate
P.G. FRANKLIN
Counsellor (Agriculture)
Alternate Permanent Representative
to FAO Rome

AUSTRIA - AUTRICHE

Delegate
E. ZIMMERL
Permanent Representative to FAO Rome

Alternate
B.D. HAUSER
Ministry of Agriculture Vienna

BANGLADESH

Delegate
A.K.M. FAZLEY RABBI
Alternate Permanent Representative to
FAO Rome

BELGIUM - BELGIQUE - BELGICA

Délégué
A. SAINTRAINT
Ambassadeur
Représentant permanent
auprès de la FAO Rome

Suppléant
J.P. COLEILLE
Ingénieur Agronome
Ministère de l'Agriculture Bruxelles

BRAZIL - BRESIL - BRASIL

Delegate
M.L. DA SILVA VASCONCELOS
Alternate Permanent Representative
to FAO Rome

Alternate
I. KIPMAN
Alternate Permanent Representative
to FAO Rome

BULGARIA - BULGARIE

Delegate
Y. MINCHEV
Permanent Representative to FAO Rome

Alternate
S. JIVKOV
Alternate Permanent Representative
to FAO Rome

CAMEROON - CAMEROUN - CAMERUN

Délégué
T. YANGA
Représentant permanent suppléant
auprès de la FAO Rome

CANADA

Delegate
E. WEYBRECHT
Permanent Representative
to FAO Rome

Alternate
R. LALANDE
Alternate Permanent Representative
to FAO Rome

CAPE VERDE - CAP-VERT - CABO VERDE

Délégué
A. PIRES
Ambassadeur auprès de la FAO Rome
Suppléant
Mme. Maria de Lourdes DUARTE
Attaché Agricole Rome

CHILE - CHILI

Delegado
C. FERREIRA
Representante permanente ante
la FAO Roma

Suplente A. GARRIDO ACUÑA Representante alterno ante la FAO	Roma	EL SALVADOR Delegado Sra. E. JIMENEZ Representante permanente adjunto ante la FAO	Roma
COLOMBIA - COLOMBIE Delegado G. BULA HOYOS Embajador ante la FAO	Rome	ETHIOPIA - ETHIOPIE - ETIOPIA Delegate A. YILALA Alternate Permanent Representative to FAO	
Alterno Sra. M. HURTADO Tercer secretario	Roma	FINLAND - FINLANDE - FINLANDIA Delegate Ms. G. KURTEN Counsellor Deputy Permanent Representative to FAO	Rome
Adjunto Sra. O. C. FERNANDEZ Representante alterno ante la FAO	Roma	FRANCE - FRANCIA Délégué B. CHAUVIN Ministère de l'Agriculture	Paris
COSTA RICA Delegado Sra. Y. GAGO Representante alterno ante la FAO	Roma	F. WALTER Directoire des Relations Economiques Extérieures Ministère Economie et Finances	Paris
CUBA Delegado J. NUIRY Embajador ante la FAO	Roma	J-M COLOMBANI Ministère des Affaires Etrangères	Paris
Alterno Sra. A.M. NAVARRO Representante adjunto ante la FAO	Roma	GERMANY, F.R. - ALLEMAGNE, R.F. - ALEMANIA, R.F. Delegate P. BARON Counsellor Ministry of Food, Agriculture and Forestry	Bonn
CZECHOSLOVAKIA - TCHECOSLOVAQUIE - CHECOSLOVAQUIA Delegate Ms. RUTH SURGOVA Foreign Trade Organization "KOOSPOL"	Prague	Alternate A. BAIER Deputy Permanent Representative to FAO	Rome
DENMARK - DANEMARK - DINAMARCA Delegate S. SONDERGAARD Alternate Permanent Representative to FAO	Rome	GHANA Delegate J.R. TURKSON Alternate Permanent Representative to FAO	Rome
ECUADOR - EQUATEUR Delegados R. PONCE Representante Permanente Adjunto ante la FAO	Roma	GREECE - GRECE - GRECIA Delegate C.A. IACOVOU Deputy Permanent Representative to FAO	Rome
A. ANDRETTA Representante Alterno ante la FAO	Roma		

JAPAN/JAPON

Delegate

S. NAKAZAWA
Permanent Representative
to FAO

Rome

Alternate

M. KOMATSU
Alternate Permanent
Representative to FAO

Rome

K. NARITA
Alternate Permanent
Representative to FAO

Rome

KENYA

Delegate

S.M. GUANTAI
Counsellor (Agriculture)
Alternate Permanent Representative
to FAO

Rome

Alternate

Mrs. R. SOLITEI
Alternate Permanent
Representative to FAO

Rome

**KOREA, REPUBLIC OF -
COREE, REPUBLIQUE DE -
COREA, REPUBLICA DE**

Delegate

K-S WON
Permanent Representative to FAO

Rome

Alternate

J-B YOUN
Alternate Permanent Representative
to FAO

Rome

**LIBYAN ARAB JAMAHIRIYA - JAMAHIRIYA
ARABE LIBYENNE - JAMAHIRIYA ARABE
LIBIA**

Delegate

A. RAMADAN
Secretary of Agricultural
Reclamation
and Land Development

Tripoli

Alternate

BASHIR EL MABROUK SAID
Permanent Representative to FAO

Rome

MADAGASCAR

Délégué

R. RABE
Représentant permanent adjoint
auprès de la FAO

Rome

MALAYSIA - MALAISIE - MALASIA

Delegate

B. MUNIP
Alternate Permanent Representative
to FAO

Rome

MALAWI

Delegate

D.J. BISIKA
Acting Chief
Agricultural Officer
Ministry of Agriculture

Lilongwe

Alternate

P.C. CHIMIMBA
Controller of Clinical Services
Ministry of Health

Lilongwe

NETHERLANDS - PAYS-BAS - PAISES BAJOS

Delegate

F.C. PRILLEVITZ
Permanent Representative to FAO

Rome

Alternate

J.A.M. VAN SLUISVELD
Ministry of Agriculture and
Fisheries

The Hague

Adviser

A.S. FRIEDEBERG
UNILEVER

Rotterdam

NICARAGUA

Delegado

Sra. L. CORDUA
Embajador ante la FAO

Roma

NIGER

Délégué

S. ISSAKA
Conseiller

Rome

NIGERIA

Delegate

S.A. INGAWA
Special Adviser to Hon. Minister,
Ministry of Agriculture, Water
Resources and Rural Development

Abuja

CHIEF SOYANNWO

Assistant Director
External Relations
Ministry of Agriculture, Water
Resources and Rural Development

Abuja

Alternate

F. BATURE
Permanent Representative to FAO

Rome

NORWAY - NORVEGE - NORUEGA			
Delegate		Suplente	
N.R. KAMSVAG		J. GARCIA BDIAS	
Alternate Permanent Representative		Representante permanente adjunto	
to FAO	Rome	ante la FAO	Roma
PAKISTAN		Asesores	
Delegate		Sra. D. GIMENEZ	
M.S. KHAN		Representante del Servicio Nacional	
Alternate Permanent Representative		de Productos Agrarios	Madrid
to FAO	Rome	Sra. M. SOLER	
		Representante Dirección General	
		de Política Alimentaria	Madrid
PANAMA		Observador	
Delegado		J.M. ARVIZA	
H. MALTEZ		Embajada de España	Roma
Representante permanente alternativo			
ante la FAO	Roma		
PERU - PEROU		SUDAN - SOUDAN	
Delegado		Delegate	
J. TANTALEAN		I.E. ELSAYED	
Embajador ante la FAO	Roma	Alternate Permanent Representative	
		to FAO	Rome
Alternos		Alternate	
A. VELASQUEZ		I.E. ABDALLA	
Representante adjunto		Director of Disaster Preparedness	
ante la FAO	Roma	Relief and Rehabilitation	
		Commission	Khartoum
PHILIPPINES - FILIPINAS		SWEDEN - SUEDE - SUECIA	
Delegate		Delegate	
J.M. ZALDARRIAGA		R. AKESSON	
Ambassador to FAO	Rome	Head of Section	
H. CARANDANG		Ministry of Agriculture	Stockholm
Deputy Permanent Representative			
to FAO	Rome	Alternate	
		Ms. A. BERGQUIST	
Alternate		Permanent Representative to FAO	Rome
D. LEPATAN		SWITZERLAND - SUISSE - SUIZA	
Alternate Permanent Representative		Délégué	
to FAO		T. GLASER	
SENEGAL - SÉNÉGAL		Chef	
Délégué		Section questions agricoles	
L. GOMES		internationales	
Représentant permanent adjoint		Office fédéral des affaires	
auprès de la FAO	Rome	économiques extérieures	Berne
SPAIN - ESPAGNE - ESPAÑA		TANZANIA - TANZANIE	
Delegado		Delegate	
A. BARBERO MARTIN		H. MWINYIGOHA	
Representante permanente		Alternate Permanent Representative	
ante la FAO	Roma	to FAO	Rome

THAILAND - THAILANDE - TAILANDIA

Delegate

V. ISARANKURA
Permanent Representative
to FAO

Rome

Alternates

P. KIVANOND
Commercial Technical Officer
Ministry of Commerce

Bangkok

S. SORMKUN GNEIN
Senior Economist
Ministry of Commerce

Bangkok

S. YHOOVICHITR
Commercial Technical Officer
Ministry of Commerce

Bangkok

J. SUWANNIK
Second Secretary

Rome

P. KORSIEPORN
Alternate Permanent
Representative to FAO

Rome

Mrs. C. GIUGNI
First Secretary (Commercial)

Rome

TUNISIA - TUNISIE - TUNEZ

Délégué

M. AMOR BEN ROMDHANE
Ministre Plénipotentiaire
Représentant permanent auprès
de la FAO

Rome

TURKEY - TURQUIE - TURQUIA

Delegate

O. ZEYTINGLU
Minister Plenipotentiary
Permanent Representative to FAO

Rome

UGANDA - OUGANDA

Delegate

M. SIMBWA-BUNNYA
Alternate Permanent
Representative to FAO

Rome

UNITED KINGDOM - ROYAUME-UNI - REINO UNIDO

Delegate

Ms. V. BOWLZER
External Relations Department
Ministry of Agriculture

London

Alternate

D. FRY
Head
Tropical Foods Division
Ministry of Agriculture

London

UNITED STATES OF AMERICA - ETATS-UNIS D'AMERIQUE - ESTADOS UNIDOS DE AMERICA

Delegate

J.E. ROSS

Director

Trade Assistance and Planning Office
Dept. of Agriculture Washington

Alternate

T. JOSEPH
Economic Officer
Office of Food Policy
Dept. of State

Washington

Advisers

S. HILL

Alternate Permanent Representative
to FAO

Rome

Mrs. R. VAN HAEFTEN
Agricultural Attaché
Alternate Permanent Representative
to FAO

Rome

VENEZUELA

Delegado

A. MURILLO

Representante alterno
ante la FAO

Roma

Suplente

Sra. E. MORA
Consejero

Roma

YUGOSLAVIA - YOUGOSLAVIE

Delegate

M. DOMLJANOVIC

Alternate Permanent
Representative to FAO

Rome

ZAIRE

Délégué

SANGO YA TAMBWE

Représentant permanent suppléant
auprès de la FAO

Rome

ZAMBIA

Delegate

T.F.F. MALUZA

Alternate Permanent Representative
to FAO

Rome

**OBSERVERS FROM MEMBER NATIONS NOT MEMBERS OF COMMITTEE
OBSERVATEURS D'ETATS MEMBRES NE SIEGEANT PAS AU COMITE
OBSERVADORES DE LOS ESTADOS MIEMBROS QUE NO SON MIEMBROS DEL COMITE**

AFGHANISTAN

S. NAZIANI
Chargé d'Affaires Rome

Alternate

A. SAID
Second Secretary Rome

GUATEMALA

Delegado
O. PADILLA-VIDAURRE
Embajador ante la FAO Roma

LIBERIA

D.V. BORH
Alternate Permanent Representative
to FAO Rome

URUGUAY

G. SOMMA RIBA
Representante permanente alterno
ante la FAO Roma

YEMEN ARAB REPUBLIC - REPUBLIQUE ARABE**DU YEMEN - REPUBLICA ARABE DEL YEMEN**

ALY ABDULLAH ALAGHBARY
Permanent Representative
to FAO Rome

**OBSERVERS FROM UNITED NATIONS MEMBER STATES
OBSERVATEURS D'ETATS MEMBRES DES NATIONS UNIES
OBSERVADORES DE LOS ESTADOS MIEMBROS DE LAS NACIONES UNIDAS**

U.S.S.R. - U.R.S.S.

A.E. ROUKLIADA
Counsellor
Embassy of U.S.S.R. Rome

N. SKRIPKA
Expert
Foreign Ministry Moscow

A. NIKIFOROV
First Secretary
Embassy of U.S.S.R. Rome

**PERMANENT OBSERVER OF THE HOLY SEE - OBSERVATEUR PERMANENT DU SAINT-SIEGE -
OBSERVADOR PERMANENTE DE LA SANTA SEDE**

V. BUONOMO
Representation to FAO Vatican City

L. BERNARDI
Agricultural Adviser Vatican City

**REPRESENTATIVES OF UNITED NATIONS AND SPECIALIZED AGENCIES
REPRESENTANTS DES NATIONS UNIES ET INSTITUTIONS SPECIALISEES
REPRESENTANTES DE LAS NACIONES UNIDAS Y ORGANISMOS ESPECIALIZADOS**

**WORLD FOOD PROGRAMME - PROGRAMME ALIMENTAIRE
MONDIAL - PROGRAMA MUNDIAL DE ALIMENTOS**

Ms. A.M. PONZI
Senior Food Purchasing Officer
Resources and Transport Division Rome

WHO - OMS

K. E. STANLEY
Scientist
Division of Noncommunicable
Diseases Geneva

UNCTAD - CNUCED

C. GREENHILL
Deputy Director
Commodities Division Geneva

**EUROPEAN ECONOMIC COMMUNITY
COMMUNAUTE ECONOMIQUE EUROPEENNE
COMUNIDAD ECONOMICA EUROPEA**

G. KIELY
Administrateur
Direction générale de l'agriculture Bruxelles

Mme. M.A DE CENDRA
Administrateur Bruxelles

Ms. S. GUALANDI
Membre du Bureau de Représentation des
Communautés Européennes Rome

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

COMMONWEALTH SECRETARIAT

J. KARUNASEKERA
Chief Economics Officer, Commodities
Economic Affairs Division London

IWC

J. TUAARDSTRA
Economist London

OECD - OCDE

Y. CATHELINAUD
Head
Agricultural Trade and Market
Division Paris

**OBSERVERS FROM NON-GOVERNMENTAL ORGANIZATIONS
OBSERVATEURS DES ORGANISATIONS NON GOUVERNEMENTALES
OBSERVADORES DE LAS ORGANIZACIONES NO GUBERNAMENTALES**

COLEACP

L. BOU Paris

G. REYNIER
Conseiller économique et
financier Paris

F. RATTO
Administrateur Paris

IAAE - AIAEA

Mrs. M. LOSEBY
Permanent Representative Rome

IAW - AIF

Mrs. S. PILLAY
Permanent Representative
to FAO Rome

IFAP

Mme. G. PELA
Représentant permanent Rome

IFMA

A. FRIEDEBERG Brussels

WFTU - FSM

Mme. A.L. CASADEI
Représentant permanent auprès
de la FAO Rome

**DIRECTOR-GENERAL'S STATEMENT TO THE FIFTY-SEVENTH SESSION
OF THE COMMITTEE ON COMMODITY PROBLEMS**

12 June 1989

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

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

Overview of the global commodity situation

External indebtedness and world trade issues, particularly agricultural trade problems, remain major concerns on the agenda of international economic affairs. Global economic growth accelerated for the second successive year in 1988, mainly reflecting strong performances by certain developed countries and developing countries in Asia. But the economic situation in many developing countries has remained grim. In Africa, the growth of economic activity in 1988 was outstripped by population growth for the seventh year in this decade. The region's overall terms of trade were estimated to have worsened for the third time in the past four years and debt service rose to 26 percent of the region's earnings from exports of goods and services. In Latin America and the Caribbean, as well, output per head fell in 1988; the terms of trade virtually stagnated, at nearly one-quarter below the level obtained in 1980; and debt service rose to absorb, on average, nearly 43 percent of total export earnings. Moreover, for the third year in succession, developing countries as a whole registered an increasing net outflow of capital.

Many countries with the gravest debt burdens are also highly dependent on agricultural commodity exports for foreign exchange earnings. Yet the value of agricultural, fishery and forestry exports from developing countries has registered only very modest growth. For both Africa and Latin America and the Caribbean, agricultural exports declined even in nominal terms in 1987, while in real terms their position seriously deteriorated.

An encouraging feature of the global agricultural trade situation since the last session of this Committee has been the general strengthening of export prices after several years of depression. The prices of several major export commodities of the developing countries, including sugar, rice and rubber, have increased. However, for some of their other important agricultural exports, notably cocoa, tea and cotton, export prices have declined to very low levels, seriously damaging the prospects for economic recovery in low-income countries.

By contrast, the drought in North America in 1988 coupled with supply adjustments has led to sharply higher prices for many foods on world markets, including cereals, oilseeds and dairy products. These increases in food prices have boosted the value of the agricultural exports of developed countries. However, the associated declines in food stocks pose a potentially worrying outlook for food security, in view of the global shortfalls in cereal production in 1987 and 1988. Unfortunately, current forecasts for next

season's harvest suggest that even with normal weather the increase in aggregate cereal output would be substantially below the level necessary to restore global consumption to trend and to replenish stocks to the minimum level to safeguard world food security.

Revitalizing agricultural export performance: the Common Fund

In view of the parlous state of many traditional commodity economies of developing countries, and the continuing large swings in world prices of many agricultural commodities, it is encouraging that the Common Fund for Commodities, negotiated in 1980, now seems certain to enter into force. In particular, this should facilitate the revitalization of the depressed commodity economies of the developing countries through the Second Account activities of the new Fund. I therefore trust that agreement on the operational details of the Fund will be reached without delay.

In the absence of formal intergovernmental commodity arrangements, there is, I believe, a very important role for this Committee on Commodity Problems and its Intergovernmental Commodity Groups to play in the area of commodity policies and trade. Indeed, the common thread running through the work of all the Groups is the identification of problems and issues affecting future development of the sectors concerned and consideration of desirable and feasible remedial measures.

Now, with the likely coming into operation of the Common Fund, a new dimension to the work of the Groups seems possible. FAO's Governing Bodies have long supported the idea that FAO's experience, technical expertise and Intergovernmental Groups should be used in the eventual operations under the Common Fund and the Conference has urged that FAO should develop cooperative arrangements between Intergovernmental Groups and the Common Fund and assist in preparing projects for financing from the Fund. Moreover, a number of the Intergovernmental Groups have unanimously encouraged me to approach the Common Fund for Commodities, when operational, to seek their designation as eligible International Commodity Bodies for identifying, sponsoring and following up research and development and promotion projects which may be financed by the Second Account of the Fund. This Committee may wish to endorse the requests of these Groups.

Stimulating high value exports from developing countries

Among the important items on your agenda, one concerns the prospects for increased trade in tropical horticultural products. These are high-value items for which trade is expanding rapidly. They appear to offer opportunities for hard-pressed developing countries to raise their export revenues and perhaps help to lessen their dependency on traditional export items whose trade prospects are generally discouraging. There are, however, constraints which need to be overcome, one of which unfortunately continues to be the restricted access to the markets of developed countries. Another commodity selected for discussion at this session is tobacco, which has very considerable economic significance for a large number of developing and developed countries, but there is also the question of the socio-economic impact which has to be considered. This topic has been placed on your agenda following requests made in the FAO Council, the Committee on Agriculture, and indeed your own Committee. I am pleased to acknowledge the cooperation of the WHO in the work on this subject.

Enhancing the role of women in commodity and trade development

I wish to refer to the important role of women in development and particularly in the area of commodities and trade. I am happy to inform you that the FAO Council, at its Ninety-fourth Session last November, unanimously approved the Plan of Action for the Integration of Women in Rural Development. At the request of the Council, you will be considering issues and recommendations relating to women in the spheres of concern to this Committee, and I look forward to your conclusions on the role of FAO in this important area.

New thrusts toward improved conditions of agricultural trade

Last, but certainly not least, you will also be examining action on commodities and trade problems in other fora and related FAO support, as well as developments in agricultural protectionism. I refer in particular to the developments in the Uruguay Round of GATT multilateral trade negotiations. Following the impasse which blocked progress in the Montreal mid-term review last December, it is encouraging that agreement was reached on the thrusts for the GATT negotiations on agricultural policy reform in Geneva in April. It is also encouraging that this development has paved the way for renewed progress in other areas of the negotiations, notably tropical products.

The level of support provided to agriculture through the policies of most industrialized countries remains enormous. The costs to consumers and taxpayers in the main OECD countries alone reached an estimated ECU 220 000 million by the mid-1980s. And most of the support is provided in ways which grossly distort trade, to the disadvantage of low-cost producers and exporters. On these scores alone, to say nothing of the need to avert further deterioration in the international trading system, success in reforming agricultural policies is crucial.

In this connection, it is to be stressed that the agreement reached in April refers to the need for agricultural policies to be more responsive to international market signals and for support and protection to be progressively reduced and provided in a less trade-distorting manner. Specifically, also, participants in the GATT negotiations have set for themselves a December 1989 deadline for submission of detailed proposals for the achievement of the long-term objective, namely the establishment of "a fair and market-oriented agricultural trading system". Among the subjects for detailed submissions is "tariffication, decoupled income support, and other ways to adapt support and protection". It is therefore most timely that your agenda includes, at your request, assessments of ways of strengthening market orientation of agricultural policies and the possible role of direct supports which do not distort production and trade patterns. Your conclusions on these subjects will, I trust, yield valuable pointers to take into account in the process of policy reform which lies ahead.

In conclusion I should like to stress that this session provides a good opportunity to bring the Committee's traditional expertise in the technical aspects of agricultural commodities and trade to bear on an important range of agricultural commodity and trade issues. I wish you all success in your endeavours.

AGENDA

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) Grains
 - (b) Rice
 - (c) Meat (including Hides and Skins)
 - (d) Oilseeds, Oils and Fats
 - (e) Bananas
 - (f) Tea
 - (g) Hard Fibres
 - (h) Jute, Kenaf and Allied Fibres
5. Review of the work of the Consultative Sub-Committee on Surplus Disposal (CSD)
6. Selected commodity and trade issues:
 - (a) Trends in and prospects of trade in tropical horticultural products
 - (b) Economic significance of tobacco
7. Follow-up action to Conference Resolution 2/79 on Commodity Trade, Protectionism and Agricultural Adjustment
 - (a) Protectionism in agriculture
 - (b) Selected issues in agricultural policy reform
8. International action relating to agricultural commodities: developments in other organizations
9. Arrangements for the Fifty-eighth Session
10. Any other business
11. Adoption of Report

APPENDIX D**LIST OF DOCUMENTS ISSUED FOR THE FIFTY-SEVENTH SESSION OF THE CCP**

<u>Number</u>	<u>Title</u>	<u>Agenda Item No.</u>
CCP 89/1	Provisional Agenda	1
CCP 89/2	Report of the Twenty-third Session of the Intergovernmental Group on Jute, Kenaf and Allied Fibres	4
CCP 89/3	Report of the Thirty-first Session of the Intergovernmental Group on Rice	4
CCP 89/4	Report of the Twenty-first Session of the Intergovernmental Group on Oilseeds, Oils and Fats	4
CCP 89/5	Report of the Twenty-second Session of the Intergovernmental Group on Hard Fibres	4
CCP 89/6	Report of the Tenth Session of the Intergovernmental Group on Bananas	4
CCP 89/7	Report of the Twenty-fourth Session of the Intergovernmental Group on Jute, Kenaf and Allied Fibres	4
CCP 89/8	Report of the Twenty-third Session of the Intergovernmental Group on Grains	4
CCP 89/9	Report of the Thirty-second Session of the Intergovernmental Group on Rice	4
CCP 89/10	Report of the Thirteenth Session of the Intergovernmental Group on Meat	4
CCP 89/10 Suppl. 1	Report of the Second Session of the Sub-group on Hides and Skins	4
CCP 89/11	Report of the Twenty-second Session of the Intergovernmental Group on Oilseeds, Oils and Fats	4
CCP 89/12	Report of the Seventh Session of the Intergovernmental Group on Tea	4
CCP 89/13	Review of World Commodity Situation and Outlook	3
CCP 89/14	Review of the Work of the Intergovernmental Commodity Groups	4
CCP 89/15	Consultative Sub-committee on Surplus Disposal, Thirty-Second Report to CCP	5

CCP 89/16	Trends in and Prospects of Trade in Tropical Horticultural Products	6(a)
CCP 89/17	Economic Significance of Tobacco	6(b)
CCP 89/18	Protectionism in Agricultural Trade: Review of Action Taken on Conference Resolution 2/79	7(a)
CCP 89/19	Selected Issues in Agricultural Policy Reform: Strengthening Market Orientation of Agricultural Policies and the Possible Role of Direct Support	7(b)
CCP 89/20	International Action Relating to Agricultural Commodities - Developments in other Organizations	8
CCP 89/21	Review of World Commodity Situation and Outlook - Updating Statement	3

**MEMBERSHIP OF THE COMMITTEE ON COMMODITY PROBLEMS
(Biennium 1988-89)**

(as at 16 June 1989)

ALGERIA	GABON	NIGERIA
ANGOLA	GERMANY, FEDERAL	NORWAY
ARGENTINA	REPUBLIC OF	PAKISTAN
AUSTRALIA	GHANA	PANAMA
AUSTRIA	GREECE	PERU
BANGLADESH	GUINEA	PHILIPPINES
BELGIUM	HAITI	POLAND
BELIZE	HONDURAS	SENEGAL
BRAZIL	HUNGARY	SPAIN
BULGARIA	INDIA	SRI LANKA
CAMEROON	INDONESIA	SUDAN
CANADA	IRAQ	SURINAME
CAPE VERDE	IRELAND	SWEDEN
CHILE	ISRAEL	SWITZERLAND
COLOMBIA	ITALY	TANZANIA
COSTA RICA	JAPAN	THAILAND
CUBA	KENYA	TUNISIA
CYPRUS	KOREA, REPUBLIC OF	TURKEY
CZECHOSLOVAKIA	KUWAIT	UGANDA
DEMOCRATIC PEOPLE'S	LIBYA	UNITED KINGDOM
REPUBLIC OF KOREA	MADAGASCAR	UNITED STATES OF
DENMARK	MALAYSIA	AMERICA
DOMINICA	MALAWI	VENEZUELA
ECUADOR	MEXICO	YEMEN, PEOPLE'S DEMO-
EGYPT	MOROCCO	CRATIC REPUBLIC OF
EL SALVADOR	NETHERLANDS	YUGOSLAVIA
ETHIOPIA	NICARAGUA	ZAIRE
FINLAND	NIGER	ZAMBIA
FRANCE		

Total: 81

