GENERAL AGREEMENT ON TARIFFS AND TRADE

COMMODITY PROBLEMS

Consideration of the Draft Agreement on Commodity Problems at the Tenth Session of the CONTRACTING PARTIES

Upon the instruction of the CONTRACTING PARTIES the following summary has been prepared in order to acquaint interested governments and intergovernmental organizations with the results of the consideration by the CONTRACTING PARTIES at their Tenth Session of the draft Agreement on Commodity Problems, prepared by the Working Party that was appointed at the Ninth Session.

Background

At their Ninth Session the CONTRACTING PARTIES established a Working Party on Commodity Problems to consider, inter alia, "specific proposals for principles and objectives to govern international action... in the field of international trade in primary commodities." The Working Party, acting at its own suggestion as a body of experts, submitted an Interim Report to the CONTRACTING PARTIES during the Ninth Session, including a draft Agreement, and suggested that this draft be submitted to governments for comments so that the Working Party would have available at a session later in 1955 the views not only of the contracting parties but of other interested governments and intergovernmental organizations. The Working Party met again during the month of September 1955 and submitted a final report to the CONTRACTING PARTIES together with a revised draft Agreement. This report was made available to intergovernmental organizations and member governments of the United Nations through the Secretary-General of that body.

At their Tenth Session, the CONTRACTING PARTIES considered the report of the Working Party both early in the Session and again near its close. After the general discussion that took place at the first of these meetings, intensive private discussions were conducted among delegations to determine whether the principal issues on which disagreement had developed could be resolved. Through these discussions many differences were removed, and the Chairman of the Working Party, Mr. Peter of France, submitted for consideration by the CONTRACTING PARTIES a series of proposed amendments which it was hoped would form the basis for agreement. These amendments are reproduced in the Annex.

In the final discussion concerning the draft Agreement on these amendments a majority of the CONTRACTING PARTIES indicated their belief that the draft, as amended, represented substantial progress toward an
acceptable Agreement and formed a reasonable basis for further consideration by governments and for the preparation of a final draft. The debate brought out the fact, however, that disagreement existed on one or two important issues and a few minor points. It also made clear the positions of four contracting parties who reserved the position of their governments on the Agreement as a whole. These positions are described in greater detail below.

The Decisions of the Contracting Parties

As a result of this consideration, the CONTRACTING PARTIES decided:

1. that the result of their deliberations should be summarized and that the Secretary-General of the United Nations should be notified of these results for the benefit of United Nations member governments who are not contracting parties to the General Agreement;

2. that inter-governmental discussions should continue between the delegations most concerned with the outstanding differences and that the Executive Secretary should help if necessary in organizing any informal meetings that might be required;

3. that the Intersessional Committee should be authorized in the light of these discussions to establish a Drafting Committee which would take into consideration the results of these further discussions and any comments of governments, whether or not contracting parties, and which would prepare a final draft for action at the Eleventh Session.

Outstanding Issues

The amendments proposed by the Chairman of the Working Party were designed to effect an acceptable compromise on all important points outstanding but failed to obtain the desired agreement on some points. It was understood that the final position of all governments was reserved until they had received the final draft but a fairly full discussion of the important issues took place. Perhaps the most difficult remaining point of disagreement concerned:

Economic Integration

The proposed amendment to Article II:1(c) was suggested as a means of meeting the desire of the six member nations of the European Coal and Steel Community not only to exclude from the application of the Agreement the Treaty creating that Community but also to exclude any commodity arrangement affecting other commodities that might be established in connection with the efforts to achieve Western European integration.
Although sub-paragraph (4) of the amended Article exempts treaties or agreements of this kind, the six member States objected to the final proviso which would require that any commodity arrangements concluded in pursuance of such treaties or agreements should be subject to approval of the Assembly under the procedures of Article VI:2.

Other Points of Difference

In addition, the following provisions gave rise to specific objections by delegations other than those referred to below under "General Reservations".

The amendment to Article X:1(a) was proposed as a means of meeting the position of the governments who are members of the International Tea Agreement and who considered that existing commodity arrangements should be exempted from the provisions of the draft Agreement. Those governments found that the amendment would still require that an existing arrangement conforming to the principles approved by the Economic and Social Council, must at the time it is renewed be brought within the provisions of the Agreement.

The amendment to paragraph 3 of Article XXIII removed the objections of a number of delegations to the earlier draft in that it permitted study groups and negotiating conferences themselves to decide in each case whether a dependent or autonomous territory might, at the request of the responsible metropolitan government, be given separate representation. One delegation, however, felt that this provision should be so drafted as to prevent study groups and negotiating conferences from deciding the case of each territory separately on political grounds. Two other delegations wished to devote further study to the question.

General Reservations

In addition to the specific issues referred to above and a small number of reservations by individual delegations on minor drafting points, four delegations expressed general disagreement with or reservation on the Agreement as drafted. The positions of these delegations, very briefly summarized, were:

Australia: The representative of Australia expressed disappointment that the amendments proposed during the Tenth Session had not substantially improved the draft from his Government's point of view. Australia would find unacceptable an agreement that attempted to provide rules and criteria to govern all cases of commodity arrangements. An agreement that would be acceptable to Australia would be limited to the establishment of broad principles and the creation of a mechanism for facilitating commodity arrangements. The provisions of such an agreement should not deprive a contracting party to the General Agreement on Tariffs and Trade from recourse to the provisions of paragraph 1(h) of Article XX of that Agreement.
Brazil:— The representative of Brazil considered that the effort to reach an acceptable compromise had failed. Brazil particularly objected to: the requirement that regional commodity arrangements receive the prior approval of the Assembly, the possibility of separate representation of dependent territories in negotiating conferences and commodity arrangements, the exemption which was provided for the European Coal and Steel Community and for future agreements of the same kind, and the omission of any clause which would permit a country in balance-of-payment difficulties to take emergency action contrary to its obligations under a commodity arrangement. Brazil considered that the CONTRACTING PARTIES should cease to concern themselves with the matter and should so inform the Secretary-General of the United Nations so that any further action could be pursued in that body.

Czechoslovakia:— The representative of Czechoslovakia recorded a general reservation with respect to the draft Agreement, based on the view of his Government that the subject could more appropriately be dealt with by the Economic and Social Council of the United Nations.

United States of America:— The representative of the United States repeated the views expressed by his Government at the Ninth Session, that commodity arrangements for the control of prices and trade were not the best solution to the problem of commodity surpluses and that existing international machinery is adequate for the creation of any such additional arrangements as may be needed.

COMMODITY PROBLEMS

Draft Agreement on Commodity Arrangements – Amendments proposed by Mr. G. Peter

The following amendments to the draft Agreement are proposed by the Chairman of the Working Party after extensive informal meetings with interested delegations in the belief that they will bring about a substantial measure of agreement:

Article X:1(a)

After the words "to existing study groups" insert "or commodity arrangements" and delete the words "operation or".

Add the following interpretative note:

"The re-negotiation of quotas or prices, or provisions affecting them, such as 'basing points' or terms of delivery, would not be considered so fundamental a change in the provisions of an arrangement as to prevent it from being considered a renewal of the previous arrangement. But an arrangement renegotiated in other respects would be considered to be a new arrangement and would be subject to the provisions of this Agreement."

Article X:1(c)

The present text should be replaced by the following:

"The provisions of this Agreement shall not apply:

(1) to the Treaty creating the European Coal and Steel Community;
(2) to international agreements instituting an atomic energy organization as regards trade in fissionable minerals and materials between participating countries;
(3) to customs unions and free trade areas or interim agreements established in conformity with the provisions of Article XXIV of the General Agreement on Tariffs and Trade; or
(4) to treaties or international agreements designed to increase freedom of commerce and develop a closer integration of the economies of countries which participate therein, and which conform to the objectives referred to in paragraph 4 of Article XXIV of the General Agreement on Tariffs and Trade, provided that so far as contracting parties to the General Agreement on Tariffs and Trade are concerned the CONTRACTING
PARTIES to that Agreement determine that such treaties and agreements conform to the General Agreement on Tariffs and Trade, and provided that any commodity arrangement concluded in pursuance of such treaties or agreements shall be subject to approval under the procedure laid down in Article VI, paragraph 2.

If any signatories who are not contracting parties to the General Agreement on Tariffs and Trade establish between them customs unions or free trade areas or conclude between them treaties or agreements of the type described in the preceding paragraph the Assembly will decide whether such customs unions or free trade areas conform to the provisions of sub-paragraph (3) above or to the objectives described in sub-paragraph (4) above."

**NEW ARTICLE**

**Regional Commodity Arrangements**

Subject to the procedures of paragraph 2 of Article VI, nothing in this Agreement shall be held to prevent regional commodity arrangements.

**Article XXIII**

Replace paragraph 3 by the following text:

"Study groups and negotiating conferences may in each case decide, at the request of the responsible government, whether or not a Signatory, whether to permit separate representation for dependent autonomous territories for whose international relations Signatories or non-signatories of this Agreement are responsible. There may also be separate representation for such dependent and autonomous territories, at the request of the responsible government whether or not a Signatory, on a commodity council if provisions governing such representation have been included in the arrangement establishing such council."

**Escape Clause**

In order to meet the desire of some delegations for a provision relating to escape clauses in commodity arrangements for underdeveloped countries in balance-of-payments difficulties, include the following in the Summary Record:

"The CONTRACTING PARTIES wish to record that in their view there is nothing in the Agreement which would prevent a negotiating conference from including in a commodity arrangement any escape clause that may be appropriate in the circumstances."