The Australian Delegation finds Chapter VI in its present form unacceptable as a set of principles to govern international commodity agreements.

In considering whether a new approach to the problem of commodities might be more satisfactory we have started from two points of reference:

1. the success of national commodity schemes and the extent to which GATT makes the operation of such schemes possible;

2. how far should GATT limit international arrangements governing commodities or define them by reference to criteria not otherwise provided for in GATT.

Most governments operate national marketing or production schemes of one kind or another, generally with the object of stabilizing prices to producers by regulating the flow of their product on to the national and/or the world market.

Not only does GATT not prohibit such schemes, but it makes due provision to enable them to operate effectively. Therefore an international document on commodity arrangements should not suggest that any use in the international field of systems of market regulation which have been successful in the national field should of itself be regarded as suspect.

The commodity problems which governments seek to remedy by national schemes are often the projection of international commodity problems. The efforts of governments to solve them nationally could probably be greatly assisted or even rendered unnecessary if the international problems were solved.

If governments have been successful in finding national solutions is there not a prima facie case for attempting to apply similar principles to marketing in the international field. Where such attempts have been made there has been a measure of success (e.g. in wheat, sugar, wool).
Governments acting individually on their own commodity problems have achieved success only because they had freedom to operate in the most appropriate manner. Sometimes they have erred. That scope for trial and error must not be denied to governments interested in exploring the possibility of international commodity schemes.

Hence there should be a minimum of restriction upon governments in their choice of instruments with which to solve international commodity problems.

Secondly, governments in their national schemes, have been able to deal with the problems of each commodity on the circumstances applying to it, largely unimpeded by any predetermined rules. They tailored their schemes to meet objectives. In the international field they must be able to mould schemes to a form which will achieve the objectives in each particular case. Attempts to lay down in advance rules as to how those objectives may be attained can only hamper governments in the attainment of the objectives.

Thus there should be a maximum freedom available to governments in the framing of individual agreements.

Also they should not be hamstrung by procedures in their efforts to find solutions to commodity problems.

In the Charter, Commodity Control Agreements particularly were regarded as a kind of last resort to be used only where a really serious situation had developed. We are encouraged by the recognition implicit in the United Kingdom paper that this was altogether too rigid a concept and that a strong case exists for commodity control agreements in circumstances other than those contemplated in the Charter.

Commodity control agreements, as envisaged in the Charter, were those which involved quantitative restrictions on imports or exports of a primary commodity, the regulation of production, or the regulation of prices.

GATT recognizes the use of quantitative restrictions to make effective national marketing schemes. There seems no reason why international schemes should be more onerously treated.

Again, GATT lays down no rules against restrictions on production of any commodity. Governments do not restrict production for the love of it but usually to meet an international problem which can best be solved by international means.

Nor does GATT impose specific prohibitions on the regulation of prices. Indeed, it recognizes that, as with private exporters, state enterprises may charge differential prices to meet conditions of supply and demand in export markets provided such differential prices are charged for commercial reasons. We see no reason why this principle should not be extended to the marketing of primary products under international arrangements. The operations of international cartels are not limited by GATT. We do not advocate cartels for
primary products; but neither do we believe that GATT or a commodity convention framed under its aegis should apply to commodity arrangements which contemplate some price regulation a taint which it is not prepared to give to cartels.

To summarize our view: we do not see any reason for a distinction between a commodity control agreement and any other form of commodity agreement provided that it is appropriate to the circumstances of the commodity problem which it seeks to solve.

It is a fact that a number of international bodies are concerned with problems of commodities in one form or another. Some, like FAO, CICT and ICCICA have a general interest; others are concerned with individual commodities. From their deliberations may come solutions to international commodity problems which governments would gladly accept and should be able to implement by international action with a minimum of difficulty.

Only GATT however is concerned with the overall commercial aspects and, when solutions with important commercial implications emerge from these other bodies, GATT itself or GATT's Commodity Convention should be the body to which the proposal is referred.

GATT should recognize that solutions to commodity problems may arise from deliberations in these other bodies and that those bodies may indeed be the most appropriate for study of individual or general commodity problems. There should be no monopoly, therefore, for GATT or its Commodity Convention in the study or initiation of studies of commodity problems. Indeed it might well be that, wherever possible, GATT should look to these bodies (and others as may be established in future) for studies on commodity problems appropriate to their functions providing always that they, in their turn, recognize GATT as having responsibility for ensuring that commodity arrangements conform to internationally approved commercial practices.

In this way we would hope to cover the situation which may arise from time to time, where, out of general discussions in an international body, comes not merely a suggestion for a commodity arrangement but, in fact, a commodity arrangement in draft or even agreed form.

Again, we would not wish to rule out the situation where the commodity convention of GATT itself took steps to cause a commodity arrangement to be formulated. This could occur by way of a commodity conference or even by way of a study group and a commodity conference initiated by the Convention. (We say "even" because we would avoid any prejudgment of whether a study group should precede a commodity conference.) We think it quite undesirable to specify such procedures. We would say that, if it was merely a question of calling a commodity conference to frame an agreement with commercial implications, that should usually be a matter for the Commodity Convention and not for one of the international bodies concerned with commodities. The exceptional case would be where a commodity conference was called by the international body concerned with that commodity.
Whatever importance might be attached to these methods of initiating commodity agreements, we would attach at least equal, if not greater, importance to the initiation of agreements by groups of interested countries acting quite independently of any international organization. Were it not for the provisions of Article XXIX of GATT — which we regard as quite out of date because of the unrealistic light in which it places Chapter VI of the Charter — there would be nothing to prevent any group of contracting parties making a commodity agreement which was not inconsistent with GATT. Not only should there be nothing in the Convention to prevent this but the Convention should recognize it and contain provisions approving such agreements in appropriate cases.

On the positive side, the GATT convention should lay down the general criteria which any commodity arrangement must meet before it qualifies under the "General Exceptions" article. It must be recognized that most commodity agreements are likely in one way or another to be technically in breach of GATT. Given this, the existence of criteria as safeguards before the escape of the "General Exceptions" is taken, is essential.

We recognize it as of some importance that convention members claiming an interest in the commodity concerned should have an opportunity to participate in discussions leading to the formulation of a commodity arrangement of interest to them; but we would not wish to see this taken to the point where one country, by standing out, could destroy the arrangement on a technical or legal point. Hence, we would wish to look most carefully at the need to state in the Convention as of necessity the principle of equal rights for producers and consumers. We think that such provisions would be more appropriately covered in the commodity arrangement itself.

Again, it would be only realistic to provide for the active participation of countries not members of the convention.

Such flexibility in the formulation of commodity arrangements as we have suggested may of course result in a great variety of arrangements and perhaps even some unusual provisions.

Such arrangements and provisions present difficulties only if they conflict with GATT and if GATT is regarded as a completely rigid document. But it would be a negation of the objectives of GATT if it was to be so rigid as not to accommodate solutions to problems which impede or may impede international trade or as not to facilitate arrangements for its more orderly conduct.

We have given some thought to the problem of harmonizing a variety of commodity arrangements with GATT. Three possible courses (there may be others) have occurred to us:

(a) by requiring that they conform to a predetermined set of principles;

(b) by adopting the kind of procedure which Article XVIII (7)(a)(iv) provides in regard to economic development;
(c) by requiring that the arrangements are such as are likely to achieve stated objectives.

We would wish to see the convention include a statement which recognized the universal interest in stable commodity markets and the special problems of primary products and which set out the objectives which commodity arrangements should seek to achieve. We would not object if consideration were given to the possibility of agreements on secondary products (e.g., arrangements like the Coal and Steel Community) being treated on a similar basis for the problems which may beset some of them may well be remedied by similar means.

An entirely new approach somewhat along these lines may produce what so many desire, provided it is flexible enough to embrace a great variety of commodity agreements regardless of their origin and whether they relate to individual commodities—which still seems to us to be the most fruitful course—or are general in their terms.