COMMODITY POLICY

Summary of Statement by United Kingdom Delegate,
Mr. C. W. Sanders on Friday, 3 December 1954

The Havana Charter, whose commercial policy provisions go to make up the substantive provisions of the General Agreement, provided in Chapter VI that questions of international commodity trade should be dealt with by the proposed International Trade Organization; and it has always been our view that this was essentially the right approach.

At recent sessions of the Economic and Social Council it has become clear that a number of countries have come to feel that the vacancy left in the absence of the International Trade Organization could no longer be satisfactorily filled by the temporary expedient of the Interim Co-ordinating Committee for International Commodity Arrangements and new machinery under ECOSOC was, therefore, set up in the shape of a Permanent Advisory Commission on International Commodity Trade.

As the United Kingdom stated at the time when the Commission was established, they believed that the right approach was still on the lines of that embodied in the Havana Charter, and that any framework for international commodity arrangements should be related to that of commercial policy as a whole, particularly since the majority of the important trading nations of the world must consider action on commodity trade in the light of the objectives to which they are committed and the obligations which they have assumed under the General Agreement. In the opinion of the United Kingdom, moreover, effective action about commodity policy requires intergovernmental negotiation such as would best be facilitated by the experience of co-operation and close working together which has been developed by the contracting parties, and which could best be carried out and served by individuals who, either as delegates or as secretariat, are already intimate with other questions affecting international trade. For these reasons, it appeared to the United Kingdom that effective action in the field of international commodity policy on lines likely to secure the support of the major trading nations was more likely to be achieved in a body closely related to the General Agreement than in any other way.
In the resolution by ECOSOC establishing its Permanent Advisory Commission, provision was made for a review of the resolution in the light of the results of the discussion which the CONTRACTING PARTIES to the General Agreement might have at their present session.

These are, in our view, clearly matters affecting trade which are within the field of interest and competence of the CONTRACTING PARTIES. Reference is made in W.9/27 to the two ways in which we might handle them. As already stated, we do not favour the addition to the General Agreement itself of clauses relating to commodity policy. We favour instead the more flexible approach of a Supplementary Agreement which could embrace not only existing contracting parties willing to join it but also interested countries who are not at present contracting parties to the General Agreement.

I would like at this point to make some comment on the remarks of the United States delegate at our last meeting. He spoke in favour of the suggestion that the CONTRACTING PARTIES might review the scope of their activities after the proposed new organization has been set up and has got working, but he expressed doubts about including an enabling clause such as would permit the CONTRACTING PARTIES to sponsor such supplementary agreements as I have suggested and to operate in close association with the organization and be serviced by the same secretariat.

I was troubled by his remarks because they seemed to imply that the CONTRACTING PARTIES could afford to stand still in a changing world. Problems arise and demand attention. There comes a point when they will get that attention in one way or another. The danger of the approach suggested by the United States delegate was that the international machinery set up to deal with such matters might not be the best and most suitable machinery nor the machinery best designed to safeguard the interests of the CONTRACTING PARTIES in these matters. We agreed that the CONTRACTING PARTIES should be cautious in assuming additional burdens. At the same time we think it most important that they should stand ready to assume additional burdens when it is clearly right for them to do so, and that it is also important that it should be clear to the world that they are ready to do so.

As regards our references to an enabling clause to permit the CONTRACTING PARTIES to sponsor such supplementary agreements as we have in mind; we did not, in using these terms, envisage ourselves as creating powers for the CONTRACTING PARTIES which did not already exist. As we see it, the CONTRACTING PARTIES already have it within their competence to deal with matters of trade and commercial policy in all their aspects and equally have it within their power to deal with such matters in whatever way they may from time to time decide. So long as it is recognized that this is, and will continue to be the case, the precise language to be incorporated in the proposed organizational agreement is something we are open to discuss.

It may be helpful if I were now to indicate in broad outline the nature of the supplementary agreement for commodity matters we have in mind and the kind of relationship we envisage between the signatories to this supplementary agreement and the CONTRACTING PARTIES to the General Agreement.
What would be the object of the Agreement?

We envisage that the agreement will be signed by countries recognizing their common interest in the solution of the special difficulties of international commodity trade (which were broadly covered in Article 57 of the Havana Charter), and would be a flexible instrument providing properly designed international machinery for the study of these difficulties and for subsequent action.

Would the Agreement be like Chapter VI of the Havana Charter?

The provisions of the Charter on International Commodity Agreements were based essentially on a commodity-by-commodity approach. At present the United Kingdom still believe that this offers the most promising field for action. They recognise, however, that a number of countries are disappointed at the very limited progress so far achieved, and while they think that the Special Agreement should provide appropriate machinery for the commodity-by-commodity approach, they think it should also provide for the examination and, where appropriate the implementation, of any other types of solution. In so far as such new solutions might conceivably involve action inconsistent with the obligations of contracting parties under the General Agreement, and might therefore require the consent of the CONTRACTING PARTIES to an adjustment of those obligations, they would obviously have to be scrutinised by the CONTRACTING PARTIES; individual commodity agreements concluded on the principles of Chapter VI have already been given clearance by Article XX:(h) of the Agreement. But the United Kingdom feels that it is reasonable that any proposal which offers a prima facie possibility of alleviating commodity problems should be given serious consideration.

Chapter VI of the Havana Charter was also drafted in the expectation that most problems in international commodity trade would arise in conditions of burdensome surplus, or at least conditions which were likely to cause widespread unemployment. The United Kingdom considers that experience since 1945 has shown that the real interests of both producers and consumers can be damaged without such extreme conditions by sharp short term fluctuations in prices and supplies and they would accordingly propose that the agreement should be cast on a broader basis in this respect. Otherwise they consider that Chapter VI offers an obvious starting point for drafting.

What obligations would the signatories undertake?

The United Kingdom suggest that the signatories recognizing their common interest in problems of international commodity trade, should agree to co-operate together and with the CONTRACTING PARTIES to the Agreement to examine what action they could take together to resolve these problems and to set up study groups, or convene negotiating conferences etc., where
appropriate. This co-operation would involve an understanding that (except where the agreement provided otherwise) no signatory would join in any commodity scheme or arrangement except under the auspices of the Special Agreement and that where agreements other than the orthodox commodity agreements were concerned, they should not conflict with any of the provisions of the Agreement unless the CONTRACTING PARTIES agreed.

How would the Agreement be operated?

It seems to the United Kingdom that it would be essential that the agreement should be run in close harness with the General Agreement. We do not believe that it would be essential that every contracting party should become a signatory of the Special Agreement but we consider it vital that a majority of contracting parties should do so if it is to prove an effective instrument in international trade affairs. We envisage that the signatories would submit an annual report to the CONTRACTING PARTIES to the General Agreement and that on occasions when the affairs of the signatories were being discussed by the CONTRACTING PARTIES, the CONTRACTING PARTIES could be reinforced by those signatories who are not members of the Agreement.

We believe that the Special Agreement would be strengthened by securing the services of the GATT secretariat. This would not only make for smooth co-operation between the two organizations, but would provide the signatories with a wealth of experience on which to draw. Suitable financial arrangements would be an obvious consequence.

We consider that the signatories should have powers to discuss the problems before them either at full annual sessions or by the appointment of individual commodity study groups or ad hoc committees of either the signatories or of experts as seem to them to be most suitable. We would suggest that it would make for continuity in action if the signatories also appointed a standing committee to act in intersessional period subject to their subsequent approval.

So much, in broad terms, for the nature of the agreement we have in mind. If these ideas commend themselves generally to the CONTRACTING PARTIES, the quest then arises as to when we should start working them up, with a view to putting them into effect. In our view we should start doing this as soon as possible during the present Session. The Economic and Social Council Commission meets in January and it will be desirable to be able to report to the Commission that the CONTRACTING PARTIES have taken the matter under study. We would therefore wish to propose the establishment by the CONTRACTING PARTIES, as soon as possible during the present session, of a Working Party to formulate proposals for a supplementary agreement on commodity arrangements on the lines I have outlined.