SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

VERBATIM REPORT

FIFTH MEETING OF COMMISSION B
HELD ON FRIDAY, 6 JUNE 1947, AT 2.30 P.M., IN THE
PALAIS DES NATIONS, GENEVA

THE HON. L.D. WILGESS (Chairman) (Canada)

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CHAIRMAN: The meeting is called to order.

We are assembled today in Commission B to consider Chapter VII of the Draft Charter dealing with Inter-Governmental Commodity Arrangements.

We shall follow the same procedure as we did in Chapter VI, that is, we will take the New York draft as our basis and consider any amendments that have been submitted to the New York draft by delegations, together with any reservations or other relevant comments given in the New York draft.

Three meetings have been allotted to us for the consideration of Chapter VII, and while we will do our best to adhere to the time allotted to us by the Steering Committee, we shall, if we find it necessary, hold additional meetings in order that there may be a very full and complete discussion on this Chapter.

We shall endeavour to reconcile any differences of use that may be possible to reconcile within the Commission, but if after fairly general discussion it is not found possible, we shall refer the questions to a sub-committee with instructions that they shall do their best to resolve the differences of view. We shall also refer to the sub-committee any questions that are of a purely drafting nature.

Our working paper will be that contained in E/PC/T/W/157.Rev.1. This paper gives an annotated agenda and we will endeavour to follow, so far as practicable, the order of the items given in this paper.

The first question on our agenda is Item 1 under General Comments - Re-arrangement of Chapter. The United Kingdom and Australian delegations have suggested re-arrangement of the articles of the Chapter. Members of the Commission will recall that the London text provided for four sections - Section A,
General Considerations; Section B, Inter-Governmental Commodity Arrangements in General; Section C, Inter-Governmental Commodity Agreements involving the Regulation of Production, Trade and Prices; Section D, Miscellaneous Provisions.

The Drafting Committee in New York reduced Chapter VII to three sections by combining Sections A and B of the London text under the heading of Inter-Governmental Commodity Arrangements in General. The United Kingdom delegation have now submitted a proposal which reverts to somewhat the same sectional arrangements as in the London text. It contains, however, a new Article 47(a) which sets out the order in which action is to be taken to meet commodity differences.

The United Kingdom delegation also raised the question of the transfer of Article 50 to Section D on Miscellaneous Provisions.

The Australian delegation propose an arrangement similar to that adopted in New York, but including an additional Section C covering "non-regulatory" agreements.

I would propose that we first of all have a general discussion on the question of the re-arrangement of the Chapter with a view to elucidating whether the sense of the Commission is that it is desirable that there should be re-arrangement of the Chapter or not. Also, we shall endeavour to find some indication as to the feelings of the members of the Commission as to what re-arrangements could best be suitable; but I propose that we leave any final decision as to the working out of the re-arrangement, if such is considered desirable, to a sub-committee.

Also, if we find that the majority of the Commission is in favour of re-arrangement of the Articles of the Chapter, we should, in our discussion of the Articles of the Chapter, still stick to the order in which they are given in the New York draft, and take up any new Articles that may be proposed in the order in which they have been suggested by the delegations proposing the new Articles.
Is that procedure approved? If so, I would now wish to open the discussion on the rearrangement of the Chapter. Are there any members of the Commission who wish to introduce this subject?

Mr. E. McCarthy (Australia): Mr. Chairman, the subject matter of this Chapter has gone through several phases, I think, since it was first discussed amongst the countries interested in bringing about international commodity arrangements and in bringing under some form of general review those agreements which were already in existence; but I think up till the London meetings there was some difficulty in reconciling the views of delegations as to the conditions which should be precedent to entering into certain agreements, and there emerged at the London Conference the idea that there should be two categories.

Where the criteria which should be followed before an agreement was actually made, and the conditions which should be laid down as a preliminary to negotiations were of a rather close and clearly defined character, it was not desired that agreements be made unless there appeared a necessity for them. It further was thought that these criteria or this list of conditions might be hampering if it were attempted to apply them to all agreements that might come under the Chapter, so the draft was altered to provide for what were called regulatory agreements, and what were called arrangements.

It was clear enough, I think, - at least to those who were handling the drafting of the chapter in London - that these two categories had been provided for, but, the draft having been arrived at doubts began to arise as to what really was meant by arrangements and regulatory agreements. It will be noted that Chapter VII was called "Commodity Arrangements." It then provided for regulatory agreements, and by inference, I suggest, it was conveyed that those which were not regulatory were arrangements. The inference perhaps was fairly clear, but still it was an inference,
and the view that we have come to is that we should make a definite statement in the Chapter that there are two distinct classes: those which we now call regulatory agreements, and those which do not come within that category. Therefore our proposition is designed in the first place to make clear what is in the minds of the Preparatory Committee in drawing up the framework of the Chapter. It seems to us therefore that the four sections should be restored, not in the same form they were originally in, but in a form somewhat different from that in both the London report and the New York report. And our objective — it will be a matter for discussion whether we have achieved it — is in the first place to say that the Chapter deals with inter-governmental commodity arrangements: that phrase stands — and then to devote some Articles to the objectives of these arrangements, the preliminaries of calling conferences where preliminaries are necessary, and the steps that should be taken to negotiate an agreement after conferences have been called.

Now that is set out in one section, and that section concludes by saying that those arrangements which we visualised shall be divided into two categories. We would call those categories — I am not so sure that even "regulatory agreement" is a good word, but, using that for the time being, we would call them (a) regulatory agreements, and (b) non-regulatory agreements. It may be that it would convey our meaning better if we said regulatory agreements (a): (b) all other agreements which come within the arrangement. So there you have what to us is clear: the whole Chapter is called "Arrangements", but there are no actual arrangements, no concrete arrangements. They are divided into two classes of agreements, those which we call regulatory and those which are not regulatory.

The second point which arises, and which is relevant to this question of arrangements is the distinction between the regulatory and the non-regulatory agreements. We find that the regulatory...
agreements are clear: we know what we are aiming at, and, subject to what to us will be minor alterations, they stand without very much question; but when we look to what will be in the non-regulatory agreements we find some doubt. In fact, in looking for concrete cases we discover that it is very difficult to visualise an agreement which has not some form of regulation of prices, production or trade. It is not difficult, of course, to picture agreements without the regulation of prices: it is not difficult to picture those without the regulation of production, but I have found difficulty in thinking out an agreement on any product in which we are concerned where you would not have some degree of regulation of trade. But that degree might be very minor, so minor that it would be perhaps wrong or difficult or hampering to apply the criteria which are allowed for regulatory agreements.

Then a little further, one can also see agreements which are perhaps an initial step in the making of a complete agreement. You might have an agreement with a limited number of countries subscribing to it with the clear understanding that it is a first step and that later, as more people educate themselves and those they have got to educate to get agreement, or to get subscription to the agreement, that agreement will develop and then will be undoubtedly a regulatory agreement. I have thought of two or three examples to make the point clear. One form of agreement might bring in perhaps the United States, Canada, Australia, New Zealand, the Argentine, and perhaps Belgium or France, and would relate to fresh fruit. Let us make it fresh apples and pears. There might be certain conditions laid down in that agreement which are non-regulatory, but there might be just one which says "Canada and the United States shall not ship apples to Europe after 30 April and Australia and New Zealand and the Argentine may not ship apples to Europe after 31 July." Now, that would be a very sensible agreement. (Anyway we might assume it
would: we do not want to have a discussion on that; it is purely an example). But the only regulation would be that probably the last two or three weeks of July in the Southern hemisphere and the last two or three weeks of April in the northern hemisphere the apples should not be shipped, and the only regulation that you might ask of the importing countries is "Do not take those apples after a certain date" (They are not so good at that date anyhow, but do not take them). But it is a regulation of trade and therefore it goes into the category of regulatory agreements.
The same thing might be said of certain regional arrangements where it is laid down for a period of time that certain countries shall take the whole of the produce of some other country. We could have an agreement on wheat at the present time, which has none of the provisions which we are actually contemplating, but which would lay down, perhaps, that India should get its wheat from Australia, and anything north should get their wheat from Canada. It is a small agreement, perhaps, but it involves the regulation of trade, so we propose that the Committee or Commission, possibly a Sub-Committee, give some attention to that question whether they ought not to go into the other agreements rather than those of a regulatory character.

It further seemed to us, in looking through the Amendments submitted by the other countries, that this second category of agreements is non-regulatory, and which might be expanded to include other forms of agreement, such as America seems to have in mind with the conservation problem they have mentioned.

I can quite see there that if you do have a Section C dealing with all other forms of agreement other than regulatory, that that would provide for anything in the shape of an international agreement on commodities which it was desired to bring under the ITO. Therefore, we think there is some importance in our suggestion that we endeavour to define more clearly what are the agreements other than those provided for in the Articles dealing with regulatory agreements.

There is very little more I wish to say on it. I note in going through the Amendments again that the United Kingdom had ideas of re-arranging in mind, also another proposed new Article, 47 (a). They do state there that there should be two forms of agreement. Well, the principle is really the same as that put forward by us. We think we have gone a bit further and
that ours is a little better, but we are quite prepared to
take the good parts of ours and the good parts of the United
Kingdom and put them together with the idea of getting something
better than either of us, perhaps, individually.

That, I think, covers our ideas that prompted us in putting
forward this suggestion for re-arrangements, but we would be
very interested to hear what other Delegations have got to say
about it. We are not wedded to any of the wording; we are not
sure that we completely covered what we wanted to cover, but we
did feel there was a lack and we felt we should like to make
some suggestion; but we realise that those suggestions might be
modified to quite a degree when we hear what other Delegations
have got to say.

We did, as I say, feel that there was something of a lack
there, and we are only anxious to fill it in some way or other.
CHAIRMAN: Are there any other speakers? The Delegate of the United Kingdom.

Mr. J.R.C. HELMORE (United Kingdom): Mr. Chairman, if I might comment briefly on the remarks made by Mr. McCarthy and explain the principle underlying our suggested re-arrangement of this Chapter, I would say that practically all our amendments which appear on the paper are not of substance but of detail or of drafting.

The point that we had in mind is one Mr. McCarthy also referred to, that this Chapter does appear to those who were not present at the birth to be somewhat ugly. Of course, the midwives themselves remain convinced in their determination that it is the most beautiful infant ever born. However, we have to recognize that the infant must go out into the world, and possibly the general public will not share our view as to the beauty. Therefore, we thought it wise to propose a measure of plastic surgery which would perhaps make the beauty of the infant more recognizable by those who were not present when it was born.

The main piece of plastic surgery is in our proposed new Article 47A, which attempts to explain at an early stage in the Chapter the difference between the conditions and procedures surrounding a non-regulatory arrangement and a regulatory agreement. Delegates will see that we have endeavoured to work into the second paragraph of that amendment some words which I will not say define arrangements and agreements, but attempt to perform the functions of definitions of those two words. In that way, we think that the distinction between the two parts of the Chapter can be made readily intelligible and much more easy to follow.

Now, I gather that Mr. McCarthy does not think that there is
really much point in having in this Chapter anything about non-regulatory arrangements at all. That, I think, is a logical position which one can easily defend: the point of having a rather strict set of conditions which must be fulfilled before Members enter into a regulatory agreement is that when they enter into a regulatory agreement they do, in effect, receive a discharge so far as is necessary from the obligations of Chapter V in respect of that commodity; so one might easily say that if no discharge from the obligations of Chapter V is needed in respect of a non-regulatory arrangement, then why bother to mention them in the Charter at all?

If one were to pursue that line of thought, it would mean, first of all, a somewhat radical re-arrangement of the Chapter, removing a great many Articles from it and making it shorter. Well, there might be an advantage in that. On the other hand, it would be necessary to look a great deal more closely at the Article —that is, Article 52— which describes the conditions under which it is permissible to set up a regulatory agreement.
I think we might be engaging there on a rather dangerous project. Article 52 was a hard fought Article in London and it is, at the moment, fairly nicely balanced, but if we were to look at it again in the light of an omission of arrangements altogether in this Chapter, then the new situation might be much more difficult to deal with. But there are many more fundamental reasons, it seems to us, why we should preserve arrangements in this Chapter. It seems to us that arrangements of a non-regulatory character may be extremely useful, and I will produce an example in a moment. What we have in this Chapter in respect of arrangements is really a laid down procedure for arriving at the well-known procedure of study groups at conferences, and we also have certain basic rules about who is entitled to represent them and what measures of their representation should be. That is a valuable thing to have in the Chapter if we think the arrangement may be valuable. If governments agree to the document in which this procedure is set forth, it is more likely to produce arrangements than if we have no such procedure, and indeed if we were to cut it out after it has been produced to the world everybody would assume that we thought there was nothing in the business of arrangements.

Now, Mr. McCarthy said that he was unable to think of a non-regulatory arrangement. He then proceeded to think of one and from his description of it I detected in it, not in an extremely sinister form, but at any rate in a recognisable form, most of the worst features of a producer's regulatory agreement which is not allowed in the Chapter at all. The valuable non-regulatory arrangement is one which is directed to expansionist measures - one which does not involve regulation in the way of limitation of trade at all. It may be necessary to have agreements on those things because governments may say: "We do not wish to push these expansionist
ideas. "We want expansions within previously agreed limits."
There is no regulation of trade involved in that, but there is an agreed limitation of the degree of action which governments will take. It seems to us that there might be a great deal in those arrangements though I have never heard of one yet. It may be that it is always because the producers think of these things in the other way. At any rate, we would be disposed to say that, to give up the basic distinction between arrangements and regulatory agreements, the right attack on difficulties in connection with this Chapter is by making quite clear what we mean, and that is the object of the rearrangement of the Chapter as suggested.
Mr. J.A. GUERRA (Cuba): Mr. Chairman, although I was present at the New York Meeting and to that extent I am responsible for having accepted the change in the arrangement of the Chapter, I think now, looking at the United Kingdom and Australian suggestions for the change, I do not feel very guilty for having taken part in the change made at New York, because, to my mind, the question is a little too much exaggerated regarding the importance of the change made.

The amendment or the re-arrangement proposed by the United Kingdom Delegation amounts to dividing the first few Articles of the Chapter, from 46 to 51, into two parts, instead of having only one part, as in the New York Draft. In fact, the addition to Section A, in the sense of separating the general considerations of inter-governmental commodity arrangements in general, is only a question of form and I would be inclined to agree with Mr. Halsbury's remark about the beauty of the thing. I would not agree with the comment of the United Kingdom paper, that this change involves a change in substance, because if we agree with the United Kingdom proposal to separate these Articles into two sections, even in that case the first section and the second section will, in fact, amount to the same thing; general considerations of principle will apply to all kinds of arrangements contemplated in the Chapter.

As I understand the Australian proposal, it gives me more ground for thinking that the changes are very important, because, after all, in the proposed new Article 56A the thing is left in blank; in fact, we say that Members agree that in relation to non-regulatory agreements action shall be taken in accordance with the provisions of the Chapter, except the provisions
contained in Section B above." That amounts in practice to what we already have in the New York text, in the sense that we have only two divisions - the general provisions and considerations of inter-governmental commodity arrangements, applicable to all kinds of agreements, and then the provisions applicable to regulatory agreements.

From that point of view, I say this involves again only a question of form - of beauty, if I may say so - and I think in the second case I would prefer to have the two kinds of principles on provisions stated in the Chapter as it is now rather than to add a new division that in fact does not amount to anything but to recognise that the provisions of a general character will apply in cases in which you are not dealing with regulatory agreements.

When the Delegate of the United Kingdom was speaking, I was under the impression that he was experiencing very special difficulties in finding the kind of agreement or non-regulatory arrangement that will not be regulatory, that will in any sense involve regulation of trade, prices or production.

I think I agree entirely with Mr. McCarthy's suggestion, and I think that the point which the Australian Delegation tried to meet by inserting a new Section C may perhaps be an improvement in form; in fact, it is, because any kind of agreement, whether we can visualise it or not, will be covered under the provisions of the Charter regarding the development of commodity arrangements in general.

Therefore, if the Commission feel that it is an improvement in form, we would be inclined to retain the text or the arrangement of the London Draft set our in Section A as general considerations and Section B as commodity arrangements in general. But before accepting that I want to make a last point in this connection; that is, that the United Kingdom
amendment seems to be based mainly on the fact that we are mentioning commodity arrangements in a rather premature way, before we speak of inter-governmental action in general, but when we read the proposed Article 47A we find that we skip the question of the arrangements in the title of the Article. But immediately the United Kingdom Delegation goes into what kind of action or what form that action will take, we come right up against the two kinds of action – general arrangements and regulatory. Therefore I think the question involved is not a question of substance at all, it is only a question of form, and if we judge the two arrangements we would feel inclined – if the Commission feels it is necessary to go back to the form of the previous arrangement – to favour the segregation of these Articles in the form proposed by the United Kingdom Delegation, but even from that point of view I think the insertion of Section C proposed by the Australian Delegation will not be an improvement, in the sense that it will not add anything to the Chapter; in practice, it would amount to a declaration of an empty space there that we want to fill in a very general way, and I think that general way is already covered in the present arrangement of the Chapter.
CHAIRMAN: The delegate of Canada

Mr. J.J. DEUTSCH (Canada): Mr. Chairman, I am inclined to agree with the speakers who maintained that some sort of surgery is desirable, for two reasons:

Firstly, I think the present text is lacking in clarity, particularly with respect to the procedures which are to be followed in the development of the commodity agreement. It is extremely complex at the moment. It is not very clear for the ordinary reader. And in that respect I think that the United Kingdom amendment would be an improvement.

Secondly, and this is perhaps a more fundamental point, I have a great deal of sympathy with Mr. McCarthy's main point. I am very doubtful whether the attempt at distinction which is made between non-regulatory agreements and regulatory agreements is realistic. Ever since the production of this Chapter in London I have tried to think of how the non-regulatory agreements would be applied and to what kind of situations they would be applied, and frankly I cannot think of any conditions or situations that would not fall within the present definition of a regulatory agreement. Regulatory agreements are defined now as agreements pertaining to the regulation of production, trade and prices. Now the word "trade" of course is an extremely wide word and so is the word "production", and I do not see any situation which does not fall within that definition. Mr. Helmore gave an example of an agreement to promote the expansion of production. I assume he has in mind something of the nature to regulate expansion of production. That is all it could do. And I cannot see as a practical matter, even in that case, where producers would agree to expand in a certain way, unless it does involve some such regulation, say, that they agree to go no further than a certain point and, having reached such
a point, certain things shall happen.

Again, within the field of regulation, I do not see at present in this wide definition of a non-regulatory agreement where there is any place whatever for the so-called arrangement. I think it is just so much verbiage at the moment in the Chapter.

I think we should consider that question of principle. If it is decided on this question of principle that there is no useful distinction except an optical one - I agree that there is some kind of psychological value; perhaps in suggesting there is something mild first and afterwards you reach something more drastic, there is a certain psychological value, but beyond that I do not see it has any value, - if that principle is decided one way or another, and if it is decided that it is not useful to retain this distinction, then there would be a considerable rearrangement required of the Chapter, I would say a considerable simplification, and it should be possible to add much more clarity to the whole thing.

In this way we try to maintain an unreal distinction, and, as long as we do that, we are going to be in trouble from the point of clarity. We are not trying to distinguish between two real situations. My own feeling is that the distinction as at present drawn is not a real one and not a useful one and if that opinion prevails then I think there is considerable value in the rearrangement and, as I say, from my own standpoint I do not see that the present distinction is useful.
DR. E. de VRIES (Netherlands): Mr. Chairman, when we are now discussing this Chapter, I may say that it is the third reading after London and New York, we have the benefit of half a year's experience in this field, and many of the governments represented here had that experience at different places. I may recall, first of all, the long conference in Washington of the Preparatory Commission of FAO, and I recall at least six commodities that have been discussed in the last half year on the basis of this Chapter - tin, rubber, wheat, rice, sugar and timber. So, we must use all that experience of the half year here in Geneva in order to achieve a better Chapter than we had before.

I quite agree with the delegates who have spoken before, that something can be done to make the Chapter more readable for the general reader and for governments just coming into this matter, because some of the delegates here have been working on this Chapter for a long time, and I think the first thing they have to do is to feel how other people read this. I must confess that many of the amendments brought before us here really have a better meaning on the whole thing than we achieved in London and at Lake Success.

I think that this question of re-arrangement, which we are now discussing, gives us an opportunity to have a general review of the whole thing as has been suggested by Mr. McCarthy first and other speakers after him, and here, in the words "regulatory and non-regulatory agreements" that were born in London, we see the power of words. As regulatory agreement, it first, at least in my mind, implied something like quota or price range or something like that. By taking the words affecting production and export
and import, the implication of the words then made the field very much broader than the original thing, where quota and price range were in force there. Still, I could see a whole field of intergovernmental action and co-operation still within the rather narrow bounds left for a non-regulatory agreement. That is what is now popularly called a permanent Study Group. They involve study and regular consultation, and they prepare for some future action on regulation, but do not evolve regulation itself.

This permanent Study Group is a very valuable thing, as has been proved in the last year for more than one commodity, so I think this, at least, is involved in non-regulatory agreements.

Now, there are some other types which do not explicitly give a quota or a price range, but which, in the wording, when you come to it, probably without prejudice, are regulatory. Some of them we have been reminded of here already by other speakers. One of them is an arrangement providing for expansion - either expansion that in future may be regulated itself, but which, in the first place, is just expansion of production.
This type I think we all agree, as Mr. Helmore said, is one which we ought to deal with among general arrangements. We cannot say that they are in a period of burdensome surplus or anything like that. On the contrary, they are more at a time of burdensome shortage. But then you get the type that I should like to call the "sleeping regulation" - that means making an arrangement which involves regulation on specific terms. That may be one, again, where a surplus is forthcoming. The type of that which has been working very well was the wheat agreement during the war. They said that regulation would be followed by the operation of that wheat arrangement under specific conditions of surplus when that would come again after the war. At that time it was not yet. But there was a condition that under certain conditions we will give a regulation.

I think it would be a good thing to make it clear that in that stage it is not yet regulatory, and that you can do that easily, because it is a good thing to have in mind difficulties which are not yet at the moment. We do not expect them, but they may come about, and if they do not come about we have no regulation.

Then we have the conservation agreements which have been mentioned by the U.S. Delegation. That is a thing I am wondering a little about. Mr. McCarthy said such conservation arrangements do not regulate. The U.S. Delegation said such conservation agreements must regulate. May be they do not regulate in this sense of limitation of production, but they may regulate in the sense of limitation of consumption.

Well, I leave that to the United States Delegation and the Australian Delegation as to under what type of arrangement or agreement they fall; but I think it is a very good thing, Mr. Chairman, that we have a general review of these and try to make it clear in this Commission which types of arrangements there are and which we can conceive, and where we will place them.
CHAIRMAN: Any other speaker?  The Delegate of New Zealand.

Mr. G.D.L. WHITE (New Zealand): Mr. Chairman, we have not any very strong views on the arrangement of this Chapter. We have examined both the United Kingdom and the Australian re-drafts and we find that each of them has considerable merits, and I therefore think would be very appropriately sent along to a sub-Committee to produce a new and better draft. But one question which is not quite clear is whether the Australian new draft of Article 51A, which makes a definition of regulatory and non-regulatory agreements, is merely a change in the arrangement of the Chapter, or whether it is a change of substance. I refer, of course, to those words "to a substantial degree". I think that that is a change of substance, and it is one with which we find ourselves in complete agreement; but I do not think that is the sort of thing which can be referred to a sub-Committee without an exchange of views in this Commission on that particular point. For our part, we found considerable difficulty—as other Delegates seem to have done also—in finding out exactly what is a non-regulatory agreement, and we are prepared to support the new type of definition which is suggested in that Australian text of Article 51A.

CHAIRMAN: The Delegate of the United States.

Mr. R.B. SCHWENGER (United States): Mr. Chairman, I would just like to make two points which express the view of my Delegation on the matter before us. In the first place, we have found, as others have, some difficulty with the present text in making clear at a first reading the exact plan of regulatory and non-regulatory agreements and arrangements respectively, and we think it would be quite useful to attempt
an improvement in the Chapter which would at least partly remove that difficulty, and we feel that the two suggestions for such redrafting contain a promising method of doing that.

The second point, however, is that we do not share the same degree of doubt that has been expressed by other Delegations as to the soundness of the essential substance that was incorporated in the London and the New York Drafts. We feel that in spite of all the difficulties of explanation, the child is essentially a sound and healthy infant, and it is merely a matter of getting the rest of the world to see that this is so, as it develops in use. But we would not wish to put that forward as a dogmatic position. Doubtless there are cases that must be considered which are marginal, and we would like to see an effort made to clarify the distinction in that respect also, if it is necessary. We doubt very much that the words suggested for that purpose in the amendments before us succeed in doing so. We fear that they go a little too far towards breaking down the distinction, which, as I say, we feel is a basically useful one, and a sound one in the light of the rest of the Chapter. We would like to see that discussed in connection with the problem of re-arrangement, and I think probably we ought to say that we will do that without, of course, prejudice in any way to the right of the Members of the Conference to enjoy the excellent American apples that are on the Geneva markets at this season of the year.

CHAIRMAN: Do any other Members of the Commission wish to speak on this subject? The Delegate of South Africa.

Mr. S.J. de SWART (South Africa): Mr. Chairman, I have been listening very closely to find a good argument why there should be this differentiation between an agreement and an arrangement and a non-regulatory agreement and a regulatory one.
there seems to be quite a bit of support for the idea that there should be a difference, but I have not heard a good argument as to why there should be a differentiation; and when this matter goes to the Committee on the present basis, it seems to me that the Committee will have to tackle it from that point of view — that there should be a differentiation.

For my part, I can only see a difference in degree between the various kinds of arrangements or agreements and not really one of substance. This difficulty has been expressed by other Delegates, but in spite of that we have not had much argument to really show that it is of such importance as to be necessary to deal with it under quite separate headings, and the way I see it, it would not be justified to deal with the matter under separate headings. The difference is only one of degree.

You have a study group to study a real problem, and something will be done only if there is a real problem about something which is to be done. I cannot see any arrangement or agreement being entered into unless there are going to be obligations undertaken by more than one side, by producers on one hand and consumers or distributors on the other hand; and where we already have a burdensome surplus everybody is agreed we should have a regulatory agreement, so it is really only where there is a shortage that one could visualise something which is now termed an "arrangement". But I cannot conceive a condition where producers or producing countries would enter into an arrangement where there is not some stipulation that if something is going to happen at some time—if you pass beyond a certain point—that some obligation is going to evolve on the other side. That is why the more I hear about it, the clearer it seems to me that it would just be something on paper. I feel we should be clear as to whether there is really good reason for making all this differentiation.
CHAIRMAN: We have now had eight speakers on this subject and there appears to be a general agreement that the Sub-Committee should study the question of the rearrangement of the Chapter, with a view to improving the appearance of the Chapter, and making it more intelligible to the reader who is not taking part in these discussions. There is, however, still a difference of opinion as to the degree of distinction which should be drawn between non-regulatory and regulatory agreements. I think it would be useful for the guidance of the Sub-Committee if there should be some further discussion on this particular subject, and therefore I would like to suggest that speakers now confine themselves to this main point.

Mr. McCarthy (Australia): Mr. Chairman, I definitely agree with your definition of the issue, and as far as the rearrangement is concerned we are quite content to leave it in the hands of the Sub-Committee. On this matter of distinction, it does seem to me that the discussion has confirmed the view that there is a problem in it. I think that the first difficulty is to picture what are non-regulatory agreements, those which are not put in the category of regulatory. I have thought of the example that Mr. Helmore gave us, but the point is that any agreement that comes under this Chapter involves some decision by a government, and the government will only enforce its decision by some form of law. And I believe that once you talk about anything in the way of expansion of production it necessarily follows that a government must take power to do something which would bring it within the category of regulation of production.

I do not think there is any doubt about prices. The regulation of prices is an advanced form of intergovernmental regulation. I do not think there is much doubt about quantities, because when you start to decide how much you are going to ship on the one hand and
when you are going to ship it, and on the other hand what you are going to receive and when you are going to receive it, you are involved in the same form of regulation of trade. But so much can be done in the way of minor regulation. I will give you an example which this time, I hope, will not indicate any secret thoughts as to what might happen, but to take probably one of the most sensitive markets - having in mind commodity - the United Kingdom market for butter. Now an advanced degree of regulation of that market would be an agreement which would include some of the north-western European countries and the countries which ship butter to the United Kingdom market. Now, if it were decided that the quantities that are to be sent to England were 400,000 tons a year, plus what the United Kingdom produced itself, and that was to be divided up amongst the shippers, that would be a regulatory agreement in an acute form. I use the word "acute". If, in addition, it was arranged among the countries participating in this agreement that there should be a maximum or a minimum price, that again would be an advanced form of regulation. But if the United Kingdom, after conferring with others, said: "You people are pushing all your butter in here in February and March; you are upsetting the traders; you are depressing prices somewhat, that is the time when we find" - I am not thinking of the particular months - "we cannot get enough butter from you, we cannot get enough in May and June; could you spread it out a little? Have a talk to the shipping companies and see whether you cannot reduce the quantities in January, February and March and increase them a little in May and June," if the United Kingdom said to the Northern Hemisphere countries - Denmark and Holland and the Baltic States - "Give us your butter spread out a little more. You will get better prices if you do; we will take all you can give us, but just spread it out; that is all we want you to do,"
Each of the countries who agreed to do that would have to introduce regulations, but it would be a very trifling form of regulation because all it would say is: "You have to issue some sort of a licence, but we will delay your January butter until February, your February butter until March, and so on", and it would be to the benefit of both shippers and the importing country, countries such as Belgium - and later on Germany - would no doubt come into it, because it would suit them to do it.

We could give other examples, but it seems to me there are three categories: one is where the degree of regulation places the issue beyond doubt; others are minor forms of regulation. Then there is the third category, which we do not seem able to get our hands on and which could range from what might be called the mildest form of inter-governmental regulation, such as an exchange of information or an undertaking to engage in scientific research on certain lines on a certain product, and perhaps to interchange experts, or something of that character. We do not see how you can link that up with the objectives of the Chapter we are talking about; difficulties are likely to arise. The problem is that where you try to reconcile the objectives and the conditions under which any sort of agreement might be introduced you find yourself wondering what sort of agreement there could be which would meet the objectives, which would not be regulatory in some form. That, I suggest, is the problem and that is the issue.

We are not in doubt at all about the really clear regulatory agreements, such agreements as we know - the wheat and sugar agreements and those where there is undoubted regulation of trade, production, and so on. But if we try to apply all the criteria to some of the milder forms of regulation, will we not mean nothing will be done, because we are not ready to engage
in the closer forms of regulation pictured in the Charter. That 
butter example might be the forerunner to much closer agreement 
later on, say, in seven or eight years' time. It might be a 
good thing if there were an agreement involving price, where you 
have a ceiling or a floor and where you would not have the dis-
equilibrium that we talk of in our opening chapters.

Even those who are firm believers in this form of 
regulation know that in order to get the form of regulation you 
ultimately want you must do it in steps. Even though you do 
not see it now, your judgment might tell you that you will not 
get it until people are educated; perhaps nine or ten years' 
time might be a reasonable objective for some of the agreements.

My own view before the war was that it would take three steps 
to get a wheat agreement which would remove the difficulties 
that were so obvious to everybody who had anything to do with 
wheat. The war altered things quite a lot. The agreement which 
was drafted recently was something I had never contemplated 
happening for a very long time. So you might find yourself in 
the position that, because opinion is not ready for a full regu-
laratory agreement, you cannot do anything at all, because it must 
be either regulatory or nothing and the fact that it is nothing 
is because there is a small form of regulation in it which 
precludes you from going on.

I suggest that the discussion resolves itself into this:
Can the non-regulatory agreements be divided into two categories, 
those which have a very minor form of regulation and those which 
can definitely be described within the Charter, as it stands at 
present, as non-regulatory?

If you can get those two distinctions, can we get some idea 
of what a non-regulatory agreement would be? I think that, in 
searching round for a non-regulatory agreement, you would get one
which could be reconciled with your view of the agreements as
set out in the first few articles.

One final point; the question of the difficulty that
enters into the number of participants in an agreement. It will
be found, I think, in practice, that frequently an agreement is
a small one because there are very few engaged in it and it would
appeal to those who are interested in getting a full agreement.
The view that would appeal to them would be to let a few start
off and others will join in as time goes on and the fruits of
the agreement are seen. That happened, I think, in the case of
sugar. The first agreement was limited to a few; there were
quite important sugar consumers and producers left out of it,
but the fact that such an agreement could be established and
maintained became apparent to the others and they came in.

You might have two, or three, or four steps, but can you
lay down that there should be a full regulatory agreement if
there are a limited number of people in it?

Finally, I would like to say that I can see all these little
narrow agreements going into the regulatory agreements if it is
decided that is the best course to follow, and the only reason why
I can see they should not all go in is that I think the criteria
we have laid down will prevent, in some cases, the birth of the
agreements and perhaps prevent the early growing stages which
could be undertaken if the conditions were not too onerous.

The conditions surrounding a full agreement such as we con-
template on wheat, sugar, etc., are onerous, because the degree
of regulation is great and when countries come into it they have
got a record to look at as to the work of such a Council, but
that is not so where we are starting from the beginning, and I
suggest that is an important point.

If it is decided: "Why not put all these agreements - even
if they have not only a small degree of regulation - into the
regulatory category?", will that not stop something being done
that would otherwise be done?
CHAIRMAN: The Delegate of the United Kingdom.

Mr. HELMORE (United Kingdom): Mr. Chairman, I think the point in front of us has become very much clearer as a result of the further discussion, and particularly as the result of the second speech by the Delegate of Australia.

There are, however, two ways of looking at this problem. One, which I think is favoured by the Delegate of Canada, is by removing the unnecessary Chapter and finishing it like that. Well, that is rather like the old story of the man who had a fish store and was about to paint a sign in front of it which was to read "Fresh Fish Sold Here". A friend came along and said, "You are really wasting your time painting that. Nobody supposes you are going to give it away, so you can leave out the word 'sell';" then he had a further bright idea and said, "Nobody supposes this is going to happen anywhere else - so you may as well leave out the word 'here'". Then he had yet a further bright idea, "Nobody supposes you are going to sell old fish, so you may as well leave out the word "fresh"; and as for the remaining word, "fish" - anybody within a hundred yards of your shop will know what you sell, so you may just as well leave that off too."

It seems to me, before we embark on that line of talk, we want to think very carefully. Even though we cannot think here of an example that convinces everybody of a non-regulatory arrangement that ought to be mentioned, that does not mean that such a one will not arise in the future. As has been said, the Draft Wheat Agreement was really a completely new technique, and there may well be other new techniques discovered, all based on an ingenuity or wisdom which are beyond us at the moment.

The other line of argument, it seems to me, is to look at the
way in which this Chapter fits in with the whole scheme of the
Draft Charter. And the key Article, many people find - certainly
those who went through the discussions in London - is Article 52,
the famous introductory words of which are, "Regulatory agreements
may be employed only when" and so on. Now, as it has been said,
this Chapter is designed to describe the circumstances in which
a departure from the provisions of Chapter V is justified. The
provisions of Chapter V from which it is necessary to depart are
those involving regulation. That argument would seem to us to
mean that there is no need to have anything which does not
involve a departure from the provisions of Chapter V - which is
the distinction between arrangement and regulatory agreement.

None the less, we have all said the departures from
Chapter V are justified both in respect of arrangements and in
respect of agreements. And the problem that is really worrying us
is, what departure from Chapter V can you possibly want if it
does not involve regulation?

Therefore, leave out of the Chapter all those things that
do not involve regulation; in other words, those that only involve
non-regulatory arrangements. I think that is the real basis of
the argument.

Now, at his second attempt the Delegate of Australia produced
an example which frightened me a good deal less. Though even then
I felt a bit worried that we in the United Kingdom would mind
"pushing in" - we would like it very much for a little while;
and it seems to me that if we are going to face this problem we
have got either to re-consider Article 52, which lays down the
circumstances within which a regulatory agreement may be used,
or what is to be considered as a definition of regulatory.

Those are the two things which we must do, if we are going
to preserve the "Arrangements" part of the Chapter.
I would be very much against any attempt to make any substantial alteration in Article 52 as it now stands. That does involve opening the field to regulatory agreements; in other words, to a departure from Chapter V in circumstances that seem to us not serious enough to justify that. On the other hand, if you say regulatory agreements are those affecting the regulation of trade production and prices, whatsoever the exact words are, you have thrown a net when the limited conditions of Article 52 apply which may be very weighted indeed. Therefore, I would say that the clue to solving this problem is to re-consider the definition of a regulatory agreement - not to disturb what we have already mostly agreed upon as to the conditions in which a regulatory agreement may be used, but to consider whether we have not gone a little too far in saying what is a regulatory agreement.

Undoubtedly, in Mr. McCarthy's example, the countries who were involved there would have to use some form of regulation to do it. It would almost certainly involve a form of limitation of exports at the times of the year that were appropriate; but as I understand it, it would not involve a reduction in the amount exported. So it may be that there is a clue there which we can follow, and by looking at the definition of the word "regulatory", discover the right answer to the intellectual problem that is bothering us about why there should be the two parts of this Chapter.

I think it ought to be added that just to say "two parts" may conceal a misunderstanding. What is said is that for arrangements, "certain conditions apply", and for regulatory agreements certain other conditions apply as well. That is rather different from some of the implications of saying that the Chapter is in two parts; and if it were the view of the Commission that the right solution was the definition of "regulatory", I gladly agree that should be done. I think the attempt at doing that in the actual amendment suggested by Australia goes rather far.
It seems to me to be open to a good deal of argument in interpretation in the use of the word "substantial" without any provision for some independent determination of what is substantial in relation to the circumstances.

Mr. E. McCarthy (Australia): The Organization ought to be given some criteria.

Mr. J.R.C. Helmore (United Kingdom): If one could arrange it so that -- as has just been suggested -- the Organization had some small, limited discretion in this matter, we should be very happy to view that sympathetically.
Mr. J.J. DEUTSCH (Canada): Mr. Chairman, after Mr. Helmore's fish story I feel I would like to say a word. I do think that it is misleading to put out a sign of fish for sale when you haven't got any fish to sell, and that seems to me to be the situation in this Chapter. However, Mr. Helmore went on to analyse the problem in a way with which I agreed. He has pointed out earlier that the difficulty was in the present definition of the regulatory agreement and that was the only one. There was nothing left for any other type of agreement, therefore, why make the Chapter more difficult by adding a lot of material to cover the situation as it arises? I agree that, if it is possible to narrow somewhat the definition of regulatory agreement and thereby make it possible to have agreements which fall outside that definition and have agreements that do not, that would be useful. I think have to meet all the conditions of the regulatory agreement, it would be desirable to try and see whether we can get a somewhat less wide definition of the regulatory agreement, to cover the situations that Mr. McCarthy has referred to. If that is done I think the possibility of maintaining a duality here is useful and desirable. I do recall that there was a very difficult time in London to get an agreement on the definition of the regulatory agreement, but I think it is worth trying once more to see whether we can get a definition that is more satisfactory and which allows for a wider range of activities in the commodity field. In that case there would be room for the development of less rigorous conditions for the other types of agreements. But you can't have them both. You can have both the complete definition of regulatory agreement covering all the possible situations and still maintain a section of the Charter which is designed to take care of conditions which may never arise.

M. PETEK (France) (Interpretation): Like the United Kingdom delegate, I am of the opinion that in order to see the position in a clearer way, it is necessary to refer to the purposes of Chapter VII within the general framework of the Charter.
The purpose of Chapter VII is to determine those conditions that are to be fulfilled by countries which desire to conclude regulatory agreements regarding trade. This, therefore, excludes inter-governmental arrangements, as was mentioned by the Delegate of Australia, for instance, on research work; this kind of arrangement does not come within the framework of the Charter and the conditions set forth in Chapter VII are not applicable to them.

The great difficulty is that this Chapter hampers the freedom of initiative and therefore it appears necessary, in our opinion, to limit the conditions under which regulatory agreements can be concluded. The difficulty, as pointed out both by the United Kingdom and the Canadian Delegates, is the difficulty of defining the matter; it is indeed necessary to determine the general regulatory agreements which should be subjected to severe conditions and the more limited particular agreements for which more flexible rules should be contemplated.

I do not think it is possible to subject to severe rules all inter-governmental arrangements and I therefore adhere to the spirit of the United Kingdom and Australian amendments, which draw a distinction between general regulatory agreements and other agreements or arrangements which are of lesser scope and largely more flexible. The latter should therefore form part of an altogether different category, where the regulations to be applied would be less severe than in the former category.

For these reasons, I think it should be the task of the sub-committee to draw a careful distinction in order to allow a certain amount of freedom in the drawing up of inter-governmental arrangements which should not be subjected to strict rules.
The Canadian Delegate made a reference to minor agreements. The French Delegation agrees with that distinction and is of the opinion that all inter-governmental arrangements should not be subjected to the same restrictions. In other words, in certain cases the regulations should be more severe, whilst in other cases they should be more flexible.

CHAIRMAN: The Delegate of Cuba.

Mr. J.A. GUERRA (Cuba): Mr. Chairman, we think the issue before the Commission is clearer now than when we started in London to try to solve this difficult problem of differentiating between the two forms of agreement. Thanks to the Canadian Delegate, who raised the problem, and to the Australian Delegate, who, in my opinion, gave the answer, we have achieved that purpose.

I myself had not been able to see any fish behind the sign, either, up to now. The problem was that the Delegations who, in London and here, referred to these other types of agreement always tried to describe them in terms of objectives — especially expansion of production — but not in terms of mechanism. Thanks to the second speech of the Australian Delegate, I remove my doubts about it and I now see clearly that there are no fish at all.

The question is simply this: that we have two kinds of regulatory agreement — one which involves a greater degree of regulation and another kind which involves a lesser degree, and the problem before the Commission is therefore to decide whether it is desirable to take that into account and try to fit Chapter VII into the framework of the Charter, making the minor regulatory agreements more flexible and making the restrictive ones regulatory.
I think when the Commission decides that, it will entail not only the re-arrangement of the Chapter but also a full amount of changes in the type of difficulties referred to in Article 47 and also in the conditions and the requirements on which those types of arrangements can be established.

I only want to add that it seems to me I cannot commit my Delegation to any view as to whether those changes and that new approach are desirable or not, because we always approached this Chapter VII as an exception to the obligations in the general framework of the Charter, as the United Kingdom Delegate pointed out, and we shall have to look at the question from a new viewpoint and explain our decision at a later stage.

CHAIRMAN: Are there any other speakers?

The Delegate of Czechoslovakia.

H.E. Dr. Z. AUGENTHALER (Czechoslovakia); Mr. Chairman, I would just like to observe that from the discussion on the re-arrangement of the chapter we became involved in a discussion on fish. I would like to go over to another animal. When a friend of mine was once asked to define an elephant, he said: "Well, I cannot define an elephant but if I meet one I shall recognise him."
H.E. Z. AUGENTHALER (Czechoslovakia): Now, I think that may be it would be advisable just to take the different amendments to the Articles and to see what are the foundations and what is the matter of the Articles, so that afterwards we may decide about the re-arrangement, or see if there are some important differences and some new definitions necessary. I thank you, Mr. Chairman.

CHAIRMAN: I think the remarks of the Czechoslovakian delegate are very pertinent to this discussion. I suggest that we should, first of all, have a general discussion on the proposal to re-arrange the Chapter, particularly in relation to distinctions between non-regulatory and regulatory agreements.

I think we have had a very useful discussion, and though we have not completely shown the sub-committee how to solve the problem, we have at least indicated to them what the problem is.

Now, we will be returning to various aspects of this problem as we consider the various Articles of the Charter and the amendments which have been submitted to these Articles. I think the delegate of Czechoslovakia is quite right, and that after we have proceeded with the various amendments, there will be some more guidance given to the sub-committee as to how to deal with this problem.

I would therefore like to propose that we leave this subject now and transfer it to the sub-committee for further study. Is that proposal approved?

Agreed.

The next item on our Agenda is an observation by the French delegation regarding the Functions of Specialized Agencies in relation to Commodity Arrangements.

I would like to suggest, if the French delegate agrees, that
we defer consideration of this particular subject until we come to the consideration of Article 50, which deals with relations with inter-governmental organizations. Is that agreed?

M. PETER (France) (Interpretation): Mr. Chairman, this was not an amendment, but only a wish that we were making and I agree that we defer this until we come to the discussion on Article 50.

CHAIRMAN: Thank you.

The next item is reservations to the whole Chapter by the delegation of Brazil. It will be found in the Report of the Drafting Committee on page 38 that the Brazilian delegation has reserved its position on the whole Chapter insofar as its operation might interfere with the production of primary commodities for home consumption.

The delegate of Brazil.
Mr. MARTINS (Brazil) (Interpretation): Mr. Chairman, the Brazilian Delegation reserves its position on the whole Chapter for reasons that are stated in their Report. It should be borne in mind that these provisions were that the Chapter concerned should be in conformity with article 1 (1) (b). The whole of Chapter VI is likely to create a system of arrangements or agreements of an international character which it is desirable to make the best possible, on the assumption of equal development of all countries, in order to offset the effects of a lack of balance as between consumption and production of commodities; but finally if this were applied, the world situation would be stabilised to the point of reaching a sort of division of work.

However, there are a number of insufficiently developed countries which are nevertheless in a position to contribute to the general situation, both in favour of their own people and in favour of the people of other countries; and this effort on their part should not be rendered difficult by means of agreements or arrangements the effect of which would be to prevent such countries from increasing their production.

This explains the Brazilian reservation. What we want is to introduce in this Chapter the dynamic viewpoint of nations now in the course of development, and we intend to submit an amendment to Article 59 which we hope would be likely to improve the general provisions of the Chapter.

CHAIRMAN: Any Member of the Commission wish to speak on the reservation of the Brazilian Delegation?

The Delegate of Cuba.

Mr. GUERRA (Cuba): I would like to have some clarification from the Brazilian Delegate about the difficulty they had with the Chapter. We had a certain discussion on this point in New York.
and up to now I cannot understand what the reason for the reservation is, because these agreements are voluntary, so that the country is free to join the agreement or not; and to that extent of the regulation of production or trade or prices, in the case of regulatory agreements, they are free not to enter. If a country has a programme for increasing production for domestic consumption, just by joining the agreement does not put it under any obligation under the Chapter. It would have no interference from other countries, so I would like to have some clarification of this point, because, up to now, I have failed to see or understand the reason for the reservation on the Chapter.

Mr. MARTINS (Brazil) (Interpretation): Mr. Chairman, I have already stated that we intend to submit an Amendment to Article 59 explaining our point of view and explaining the reasons for the reservation which we made in New York; but in order to reply to the question asked by the Cuban Delegate, I shall only state now that in practice there is no choice. There are two categories of countries: on the one hand those which are parties to agreements, and on the other hand those who are left outside the agreements and therefore have not the same opportunities of development and expansion as those which are parties to the agreements.

Therefore we are faced in this world with a situation in which the existence of such agreements would oblige countries that are not willing to have such agreements to enter them if they want to take part in the general development. But I repeat that this matter can be better discussed when we come to Article 59, and I shall ask the Cuban Delegate to wait until we get there for further explanations.
Mr. GUERRA (Cuba): Alright, I am willing to wait for that opportunity.

CHAIRMAN: The Delegate of the United States.

Mr. SCHWENGER (United States): Article 59 deals with exceptions to the Chapter, and I too would be willing to wait, but I would like to urge our Brazilian colleague to submit his Amendment at as early a date as possible, so that as we go through the other portions of the Chapter we can have in mind the kind of exception he intends to add to the Exception Article, and it should help us to consider it fully throughout our sessions.
M. L.D. MARTINS (Brazil) (Interpretation): Mr. Chairman, I ask that I may wait until tonight at seven o'clock, because I have promised the Secretariat to submit an amendment to them by that time.

Mr. R.B. SCHWENGER (United States): Yes, that is what I had in mind really.

CHAIRMAN: I was going to point out to the Brazilian Delegate that we had fixed the time limit of May 31st for submission of amendments, but if his amendment could be in the hands of the Secretariat as soon as possible and circulated, that would enable us to take up his amendment when we come to Article 59; otherwise, it would have to be referred directly to the sub-committee, and we would not have the benefit of discussion of the amendment in the full Commission. I am very hopeful that when the amendment is discussed in relation to Article 59, the Brazilian Delegation will then be able to withdraw his reservation, because we do wish to have the Chapter go forward without any reservations of any kind.

M. L.D. MARTINS (Brazil) (Interpretation): This is precisely our position, Mr. Chairman: we are prepared to withdraw our reservation the moment our amendment is adopted by the Committee.

CHAIRMAN: We shall revert to the Brazil reservation after we have discussed Article 59.

Point 4 on our agenda relates to matters in Chapter V arising out of consideration of Chapter VII. The Drafting Committee pointed out that when Article 33 is dealt with, the provisions of Chapter VII which would allow non-members to participate in commodity arrangements will need to be taken into consideration. The attention of Commission A is being drawn to this matter by the
Secretariat and there is no need for us to take any further action at this time.

The United Kingdom Delegation has submitted an amendment to Article 37 ("General Exceptions"). This Article, too, is to be considered in Commission A, but it would seem desirable that this Commission should give some guidance to Commission A when they come to consider the United Kingdom amendment. I therefore suggest that we discuss the United Kingdom amendment at this stage.

The Indian Delegation also proposes the same insertion as the United Kingdom, but with the addition of certain words. The Indian Delegation, however, has now withdrawn this amendment, so it will not be necessary for us to consider the Indian amendment at this time. We will simply consider the Indian amendment along with the United Kingdom amendment.

The Delegate of the United Kingdom.

Mr. J.R.C. HELMORE (United Kingdom): Mr. Chairman, if I might very briefly explain to the Commission the thought that we had in mind, it is this: There is at present an exception in Chapter V which relates to action taken under Chapter VII, but that sub-paragraph finds itself in Article 25 which deals with quantitative regulations, that is to say, the implication is that the only exceptions to Chapter V which would be necessitated by the provisions of any possible commodity arrangement would be the use of quotas. We venture to doubt that and think that it would be wrong for the Charter to express the thought that the only way of dealing with the commodity problem is by a quota scheme. It might arise in many other ways.

There is also the point that one can easily think of exceptions which might be needed under other Articles. I might mention one, and that is Article 31 which is headed "Non-discriminatory administration of state-trading enterprises".
Clearly, if the State were a party to a commodity arrangement and it were also a trader in that commodity, it would be bound to give precedence in its state-trading operations to the provisions of the commodity arrangement into which it has entered, and not so much to the considerations to which its attention is directed by Paragraph 1 of Article 31.

We think, therefore, that it is a good deal tidier and much more in accordance with the thoughts that have been expressed — indeed, here this afternoon — in the debate of the question with which we started — to put the exception into the General Exceptions Article, Article 37. There would, of course, be the consequential amendment of leaving out a sub-paragraph in Article 25 to which I referred.
Mr. J.A. GUERRA (Cuba): Mr. Chairman, I suggest that the proper time to discuss the amendment of the United Kingdom delegation would be after we have found out the result of the discussion today, and after what would finally come out after this differentiation and to what extent the conditions and requirements for different types of agreements are stated, because I think that after we do that we will be able to see more clearly the need for the change in the first place, and also the effects of the change.

CHAIRMAN: Will the delegate for the United Kingdom answer the proposition made by the delegate for Cuba?

Mr. J.R.C. HELMORE (United Kingdom): I do not think it really matters very much whether we deal with it now or later. I am pretty confident that it is more convenient to express the exception to Chapter V as a general exception to Chapter V rather than direct our brains thinking which of the provisions in this Chapter might need to have an exception added to them. But if the delegation of Cuba would sooner discuss the Chapter first and make up their minds finally as to what exception is needed, I do not think it really matters.

Mr. J.A. GUERRA (Cuba): Mr. Chairman; I want to make it clear that I have no particular objection to the principle of the change proposed by the United Kingdom delegate. The only thing is that I think we will be in a better position to judge to what extent the change is justifiable and as to whether the exception of the whole Chapter will be justified after we know what the Chapter will be like. I think that, in the question of procedure and method, the Commission will be in a clearer position to judge the necessity
for that and the effect of the change, after we know how the Chapter will finally be drawn.

CHAIRMAN: I do not think it is really a matter of great importance when we take up this amendment. The only point is, should we consider it before Commission A will begin to consider Article 37, and therefore I think we can agree to the proposal of the Cuban delegate, and defer the consideration of it till after we have gone through the other Articles of the Chapter. But if we find it is coming up before Commission A before we expect, we may have to bring it up earlier.

We have now come to the consideration of the general comments on the procedure to Chapter VII. I propose we adjourn now and at our next meeting we shall consider the amendments to the Articles of the Charter, commencing with the amendment to Article 46. If that is agreed, the next meeting will be held on Monday, at 2.30 p.m.

The meeting rose at 6.10 p.m.