UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

PREPARATORY COMMITTEE
of the
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT.

Verbatim Report
of the
FOURTH MEETING
of
COMMITTEE IV
held in
Hoare Memorial Hall
Church House, Westminster, S.W.I.
on
Thursday, October 24th, 1946.
at 3.30 p.m.

CHAIRMAN: MR. J. R. C. HELMORE, C.M.G. (U.K.)

(From the Shorthand Notes of
L. E. GURNEY, SONS & FUNNELL,
58, Victoria Street,
Westminster, S.W.1.)

1.
THE CHAIRMAN: Gentlemen, before we come to the first item on the agenda I think perhaps I ought now to express my apologies to the Committee for something that arises from the fact that the United Kingdom delegation is playing this complicated international game on its home ground, and I am sure I have the sympathy of everyone here, or at least of those who are Civil Servants, when I say that I have been particularly asked by my Minister to be present with him at 4 o'clock, and therefore I shall ask our Vice-Chairman - who I know expressed the hope that he would never be called upon to function - to take over from me at ten minutes to four, and I shall come back and relieve him from that task which he never wished to fulfil just as soon as I can.

Now perhaps I might say a word about the amplified agenda which was arranged by the sub-committee to which you delegated this task. It has been circulated as the 4th document before this Committee. You will see that the note at the top in brackets suggests that we should start at Item 2; that is, the general provisions which might be applied to all intergovernmental commodity arrangements.

Item 1 refers to special difficulties relating to primary commodities. Now those your sub-committee felt had been very substantially covered in the general debate which took place, and they therefore felt that it was not necessary for us to spend more time on debating them. Of course, any delegation which wishes to refer to special difficulties in the field of primary commodities when discussing any of the other points is perfectly free to do so, though we did hope that we should not see developing a burdensome world surplus of difficulties relating to primary commodities, and perhaps at the end of our work on
the remaining items of the agenda — we can see — that we should then do with the general subject of special difficulties. It might be that we should feel ourselves ready at that stage to entrust to a drafting committee the task of assembling them in the form of a draft for consideration.

So your sub-committee feel that it would be right that we should start right away with general heading 2 on the agenda and should take each of the points in turn. I think I ought also to say that it was very definitely the opinion of your sub-committee that several of these points had already been touched on in general terms, and the principle which we wish to discover and agree upon could be very quickly agreed. So if we could turn to point 2(a), I think that we might start straight away with that.

MR. GUERRA (Cuba): Mr. Chairman, will there be any particular opportunity to introduce amendments?

THE CHAIRMAN: I ought to have added that when we have gone through this list of points, any delegation feels there is a particular point which has not been discussed or has not been sufficiently discussed, we shall certainly offer an opportunity then for those to be suggested and, I think it would be the view of the Committee, discussed, and, we hope, disposed of.

MR. GUERRA (Cuba): I mean, we have certain points before the meeting. Now amendments that delegations have should be introduced 24 hours before the discussion is scheduled to take place; or how shall we proceed?

THE CHAIRMAN: I am not quite clear whether you are referring to amendments to a text or amendments to this agenda?

MR. GUERRA (Cuba): To the text. I was referring to the discussion.
THE CHAIRMAN: This agenda does not relate itself to any particular text, though it does happen that in the margin there are references to the United States text. I should have thought it would have met the convenience of the Committee generally if we considered the question of text when we have dealt with all these points in principle.

MR. GUERRA (Cuba): Pardon me, but I made the statement the other day that we agreed on the agenda, but that if we had any point to be included in the discussion it would be a good thing and would facilitate the work of the Committee to have a text on which to work. It would be much easier as a method of work and a help for the Secretariat. If we worked to a certain text we could find out if there were any points of agreement or disagreement, and we are prepared to move that the suggested Charter be adopted as a basis for discussion.

THE CHAIRMAN: I am in the hands of the Committee on this.

MR. BROADLEY (United Kingdom): Would it not be best if at our discussion today we built up a text, as it were, which later we shall have before us in complete detail? What I had in mind was that on this first item, 2(a), for instance, we might suggest that that is very well expressed in the text of Article 46(1) of the American document, and I was going to suggest that in due course. It might be, however, that in the case of 2(f) we might suggest a different text. So that the text would be built up as a result of our discussion this afternoon. As the discussion proceeds amendments or changes can be suggested and ultimately we should have before the Committee a full text covering all the points, and then detailed amendments could be taken, but to try and amend now a text which we may not have in front of us might be a waste of time.
Mr. Guerra (Cuba): I really do not have any objection in principle, but I think that would be more difficult and less orderly. As I understand it, that does not prevent anyone from entirely substituting any text for that in the proposed Charter. However, it is only a question of method of work.

The Chairman: Is that agreeable to the United Kingdom?

Mr. Broadley (United Kingdom): I think so.

Mr. Wormser (France) (Interpretation): Mr. Chairman, if I have understood the explanation given a moment ago by the United Kingdom delegate, we shall take step by step and examine the several sub-paragraphs of the agenda and we shall also study the corresponding articles of the proposed Charter. I believe this method has great advantages. It will, among other things, allow us to examine in a concrete fashion an idea which is indicated in an abstract fashion in the agenda. From the point of view of the French delegation I should like to see it made clear that even if the Committee is in agreement with the substance of the idea expressed in any such paragraph of the proposed Charter, it will always be possible for the different delegations to later present amendments touching the form and wording of these Articles.

The Chairman: I think the French delegate has put for us exactly the best way in which to conduct this discussion. Perhaps we might informally take that as our directive for the way we proceed with our business now. Then shall we turn to point 2(a), on which there is, I think it would be right for me to say, a text suggested in the United States Charter, Article 46(1).

Mr. Broadley (United Kingdom): That I was going to suggest we might adopt as covering this particular point, Mr. Chairman.
THE CHAIRMAN: The suggestion from the United Kingdom is that we might agree that point 2(a) is adequately covered by the words of the United States Charter, which read as follows:

"Such agreements shall be open initially to participation by any member on terms no less favourable than those accorded to any other country party thereto, and thereafter upon such terms as may be approved by the Organization."

MR. E. de VRIES (Netherlands): Mr. Chairman, the Netherlands delegation can quite well agree with the general idea that is expressed in this Article, but I should like to ask the United States delegation what they mean by several things in it. It is said that it shall be open to any member of the I.T.O. Now it is very important that small countries can enter into such an agreement, and it is one of the essentials for success that such an agreement should cover all the nations which have an interest in exports and imports, the production and consumption of a special commodity. On the one hand, we must avoid having a rule that small countries cannot easily enter into such an agreement. On the other hand, we must keep in mind that these agreements are meant to apply to a special commodity, and it would not be a good thing that all the United Nations should enter into all the commodity agreements that exist. So that there are words used in this draft Charter such as "Substantially interested", "principally interested", "largely interested" in a commodity. If all countries interested in a commodity become members that is a very good thing, but countries who are not interested in a commodity should not be in, and it is mentioned previously that non-members can join a study group. It is not said in this Article that non-members can enter at the beginning of an agreement, but I think it is essential that not only members, but also
non-members who are interested in a special commodity can come into the agreement at the moment it starts.

A further point is this. It is said that after an agreement has come into being other nations may enter on such terms as may be approved by the Organization. The question is, are such terms general terms — a set of rules of the game to be given by the Organization? If that is the case we can agree to that, but if such terms mean special terms, such as the amount of the export quota given to a country which previously was an outsider, then I believe it is not a usual thing to leave such specific terms in the hands of the Organization. That could be left in the hands of the Council, but general terms can be put in the hands of the Organization.

Again, there is this question: can the Organization force some members to become members of an agreement? The Netherlands delegation believes it is not desirable that some member should be forced to enter an agreement, but that it should be open to a member to come into it if it wishes.

There is another point: if some country does not want to participate in an agreement, what are the members who are entering into the agreement going to do? In the Chapter, dealing with Tariff Barriers, there is something like the idea of a low tariff club. We know from experience that an agreement can be spoiled by outsiders, who grow up like
mushrooms, protected by the efforts and measures of an agreement, but do not take the burdens of that agreement, and we might suggest the idea of an obligation on members not to import more from outsiders than they did in the previous period.

The last question which I should like to put before the United States delegation is about the exact meaning of "members" in this Article? As a general rule "members" have to be members of the United Nations, but in certain commodity agreements which exist at this moment some independent countries are members of such agreements, and there may be an idea something like Article 33 in Chapter III of this draft Charter, that a special customs territory can be treated like a member in the sense of the Charter, and in order to avoid confusion in the rules of existing agreements maybe such a thing could be kept in mind here. I put it as a question, as to what has been the meaning of the United States delegation on this point. Thank you.
MR WILCOX (US.): Mr Chairman, I am not sure that we can give a straight answer to the question as to what might be agreed, but in terms of what we were thinking in the article in this particular paragraph I believe the first point made by Professor de Vries concerned the participation by members not interested in the agreement, suggesting that it might be better, I understand, if such members did not participate. Now in the drafting we have thought in terms of the kind of agreement in which the voice of a participant is measured by some objective criterion of his interest in the commodity to which the agreement applies; so that while perhaps some particular member was not interested, where another member thought that he was interested he could participate without having a disproportionate influence on the discussions on the agreement because of the fact that his voice would be a very small voice in proportion to the participation of that member in international trade, production and consumption of a commodity. Therefore, for that reason we felt that it would be best to leave it open to all members interested and not have to draw any line as to the degree of interest. The second question was whether we had contemplated that non-members might participate. I think the answer is that we have. The point is expressed clearly as concerns consideration of an agreement in paragraph 1 of Article 45J, the last sentence: "The Organization may invite the participation of non-Member countries having a similar interest." It may be that it has inadvertently fallen by the wayside in Article 46, but the same idea was in mind there, and the point that is expressed here explicitly was intended to guarantee the right of non-Members to participate. The third point I believe was concerning the kind of term that was understood under this and the question of whether it was desirable to leave the determination of those terms in the hands of the Organization. I do not know whether I can give an entirely full answer upon that; but it was our thought that the terms would not be arbitrarily decided upon but would have a relation to the agreement and to the wishes of the
members who were also participating at the time, that the members thus far not participating wanted to come in and that the organization really represents there the Commodity Commission based upon the existing agreement. Perhaps that would have to be worked out - the exact way in which the terms could be determined - if that were desirable. The fourth point concerns the forcing of members to enter the organization. It was our thought that no member would be forced to enter a commodity agreement. I believe that there were two other points, but I do not have them quite clearly in mind, even from my notes. I think perhaps they are points that would merit some discussion. One of them was whether the agreement could provide for importing from countries not participating in the agreement on the basis of their previous imports. Was that correct?

MR DE VRIES (Netherlands): No; if some producer countries stayed outside and could not be forced to come in and under the terms of the agreement to expand their exports in an abnormal way, that importing countries would find themselves obliged to check that by giving a quota to such a country not to import more than they did in the period before the agreement existed. In that way you would prevent mushroom growths by outsiders.

MR WILCOX (USA): Do you think that in this as a principle it needs to be specified for an agreement?

MR DE VRIES (Netherlands): I was just asking what was the idea of the United States delegation on that.

MR WILCOX (USA): I think we need to discuss that a little further.

MR GUERRA (Cuba): We want to get some clarification or interpretation of this first paragraph of Article 46 to see if it is correct. As we understand it, the distinction as between members and non-members refers only to the question of granting members the right of taking part in any agreement on terms not less favourable than those accorded to any other country. Then we say that that is the only distinction. It is a question of giving more favourable terms, which is I suppose a consequence of being a member of an organization in which the question of the agreement is
contemplated as a part of the whole. The second thing is the question of approval by the organization for the member who may enter an agreement thereafter. In this connection we think that considering the character of the agreement, after all it will be made on the Charter and that will involve probably the allocation of quotas of production and of export quotas by their own nationals. This will have to be decided in each particular agreement, therefore, with the approval of the organization or the members who are parties to the agreement, because otherwise it cannot be accepted. Then if there is any possibility of the organization granting equal terms or such terms if those terms are different from these other particular things or regulations they will be different from one country to another, so that the statement will be open and such terms will necessarily have to refer to the general conditions. Here I point out again that the agreements have been contemplated as a part of the fixing of the whole set-up of international trade, or so I suppose; and, of course, it may be possible to make some amendment to make this absolutely clear, that the approval by the organization will have to refer to some general conditions, that members entering into the agreement may have to accept all the other obligations under the general Charter which we in this Preparatory Committee are trying to draft, and things like that. But in any case it will be possible to construe this paragraph in relation to approval by the organization as relating to any particular participation of any member in any particular agreement.

MR ADARKAR (India): Mr Chairman, in regard to the suggestion made by the Netherlands delegate, that imports from non-member countries may be restricted to actual imports in a previous representative period, the Indian delegation would like to suggest that the question of inserting a provision of this kind may be considered for each agreement separately. I have in mind, Sir, the concrete instance of wheat and of other commodities, which are at present in short supply. So long as the present world shortage of wheat continues it is rather hard on importing countries to be 11.
asked to restrict their purchases from non-member countries to actual imports in a previous representative period. The only obligation which can reasonably be imposed on importing countries is to see that their purchases from non-member countries conform to an agreed price range if such price range forms part of the agreement, and the obligation not to increase imports over the previous representative period could properly be enforced when the shortage is over. This is only an instance to illustrate the point that a provision of this kind could properly be considered for each agreement separately.

THE CHAIRMAN: I would like to suggest to the Committee that we are in great danger of trying to deal with the whole of our Agenda on item 2 (a). I applaud the eagerness of the Committee to get on with the business, but I think that we ought to try to confine ourselves, as far as we can, to item 2 (a), which as I understand it relates to the question of who is allowed to participate in a commodity agreement, and the suggestion on which we were basing our discussion, following the proposals of the Cuban delegate at the beginning of our meeting, was that any commodity agreement may be joined at the start of the commodity agreement - and here I paraphrase the United States draft Charter rather freely - that it can be joined by any member of the organization on equal terms with any other member, and thereafter any member can join the agreement on terms approved by the ITO. I think that it is to this specific proposition that we should address ourselves on this particular item of the Agenda. I think perhaps we might ask the delegate from the Netherlands whether he would re-phrase his question which started this discussion, very shortly and directly, in relation to these two specific points.

MR DE VRIES (Netherlands): About these two special points, Mr Chairman, one question is this - and may be it cannot be put into any law, but it must come into the discussion, and in my country's view this is important, too - that any member interested in a special commodity should be entitled to enter it on equal terms, but that he should keep in mind that these are
commodity agreements to work in the economic field and not become political bodies, so that members not interested should refrain from entering that commodity agreement even if they had a right to enter it; and the second thing about it is that if it gives the specific terms of entering is it necessary to leave approval in the hands of the organisation? Could not it be left in the hands of the Commission? The third point is this: Is there any reason to interpret the term "member" here as it has been done in Article 33 of the draft Charter?

THE CHAIRMAN: I do not know whether the United States delegate would like to have another shot at answering those three specific questions?

MR WILCOX (USA): The first question related to the exercise of restraint by members; and I take it that it is not suggested that that right should be removed. The next question was whether the term "member" might be taken to mean "member" in the sense of Article 33, which would extend it to cover a customs territory. That was a matter that had not entered into our calculations. I see no difficulty with such an interpretation of the term. As to the distinction of terms of adherence, such terms might be established by the Commission rather than by the Organisation, and it would be my understanding that the terms would be general terms applicable to all new adherents and not specifically different terms for different candidates for adherence.

THE CHAIRMAN: Perhaps we could take that last answer first, and say whether that is agreeable to the Committee - whether the terms for new adherents to a commodity agreement are to be decided by the Commodity Council or Commission, or at any rate that they should be the same for all new adherents. Would we agree to that? I take it we would. I am still not quite sure whether the Netherlands are satisfied on the third question, which is: How do we interpret the term "member" in this particular sub-paragraph?

MR DE VRIES (Netherlands): I apologize for taking up so much of the time of this Committee. In my opinion the answer of the United States delegate answers my question fully; but would not it be more suitable that this matter should come before the Committee at a later time, and perhaps a
small sub-committee made up of the delegations of some countries could examine the position and decide whether this draft Charter covers the subject or whether there should be some alterations, and leave that to the form suggested by the French delegation.

THE CHAIRMAN: I think it would be a perfectly businesslike procedure for the Committee as a whole to leave it at that, unless there are any more observations.

MR GUERRA (Cuba): May I ask one question? I am absolutely satisfied with the clarification made by Mr Wilcox, but I want to know whether the question of putting this interpretation into written form would be dealt with now or whether we should refer that to a small drafting committee afterwards when we have decided the final points.

THE CHAIRMAN: If I might make a suggestion to the Committee, I think it is clear that a small drafting committee is more likely to introduce clarity into a draft than a large Committee, and we can certainly contemplate that maybe at the end of the main paragraph 2 we would appoint a Committee to draft something on the basis of the discussion we have had on those points (a) to (i). But, obviously, the report of that drafting committee would come back before the main Committee, so that the last chance of speaking on these points would not be gone.

MR R.L. HALL (UK): That is generally agreeable to us; but on the specific point, whether the interpretation of "member" in Chapter VI shall be the same as the interpretation in Article 33, there are some difficulties for the United Kingdom, and we would like to have an opportunity of discussing those when the Drafting Committee gets to work. We do not feel that we could accept at once the view that that should apply equally to Chapter VI.

THE CHAIRMAN: I think perhaps it would be useful, before we part with this, if we at least had an indication, broadly, of the anxiety that the United Kingdom has about this. I do not necessarily suggest we should finish the discussion of it now, but I think we would like to hear shortly the point that the United Kingdom has in mind.
MR HALL (UK): There are territories under the jurisdiction of the United Kingdom at present, a very large number of small units, many of which have their own customs arrangements, and they might, in the case of a specific commodity, each produce some small portion of the commodity in question. That would result in a very cumbersome set-up, if each of those was to have separate representation, irrespective of its relation to the total.

MR McCARTHY (Australia): I think we are trying to put quite a big problem into this one paragraph. It seems to me that No. 1 was intended to relate to adequate I.P.N. principles as far as newcomers were concerned, and then it said, having done that at the beginning, later on the organization will decide what will be the conditions of entry. I think, as we go through it later on, we will automatically cover some of the points that will be raised: there will be such questions as some selectivity in deciding the people who will be in the new commodity agreements, and I think the question will automatically come up under this heading whether people who are not members at all shall come under a commodity agreement. I presume that "member" means a member of the ITO; or it might be decided that the agreement would not be applied if a certain country decided that the ITO were not members of it; and for that reason, for a particular commodity agreement, you might have a non-member. That I think will arise before this is finished. But we are trying, as the Chairman I think suggested, to compress the whole lot into this rather narrow single item.

(At this point the Chairman (Mr Helmore) vacated the Chair, which was taken by the Vice-Chairman (Mr Melander)

THE VICE CHAIRMAN: Well, gentlemen, I certainly agree with the suggestion of the Australian delegate on this point. I think that the basis is first to decide - and I think that seems to me the general opinion - that at the outset all the members of the International Trade Organization shall have the right to join. There may be certain questions of detail as to what territories should be considered as members, but that I suggest...
is a question of detail, and we might leave that aside for the time-being.

MR McCARTHY (Australia): In view of the interpretation that has been placed upon it I would like to make a reservation for a while, that the agreement might not be initially open to everybody. I think that there is a danger in people being members of a new commodity agreement, whose interest in it is so limited that they might tend to hamper it in its work. I think that that is perhaps a point I was going to raise lower down here; but for the moment I do not think that it should be taken for granted that every member of the organization could if he wished be in an individual commodity agreement. I think this is largely covered perhaps in some of those other clauses where you refer to people who have a substantial interest in import and that sort of thing. If you had people who were not substantially interested in the consumption of it, it might be that they should not be members of it. I do not think Australia would wish to be a member of an international agreement on coffee: it grows practically none, it does not consume very much, and for it to vote on coffee against perhaps Brazil or the United States would not be reasonable. That is the point I mean, and if it is included in item No. 1 I would like it to stand for the time being. As for the rest of it, I think it is largely a matter for a drafting committee.

VICE

THE/CHAIRMAN: Would any member like to make any other comments upon this particular problem as to participation in the commodity agreement?

MR BEYLEVELD (South Africa): Mr Chairman, could I ask Mr Wilcox whether, in view of the fact that that same Article 1 makes it optional for members to join in terms of Article 45 (2) which says that members agree not to enter into agreements except after the formulation and adoption by members "of a programme of economic adjustment believed to be adequate" and so on. Now, if a major producing country does not join, then the whole plan would apparently fall through, because it could not in the terms of Article 45 be made effective, and would not that defeat a very large part of the
object or the intentions of this arrangement - if any major country can stand out and at the same time have a sufficient number of markets to sell to, something in the nature of a black market system, which would undermine any agreement.

THE CHAIRMAN: Does the United States delegate wish to comment upon that?

MR WILCOX (USA): That is not envisaged in the plan as outlined, that there would be any compulsion on any country to enter any agreement, either as a producer interest or as a consumer interest. It is assumed that participation would be entirely voluntary.

MR McCARTHY (Australia): I would agree with that view stated by Mr Wilcox. I think the fact might have to be faced also that if one or two major countries in a particular commodity agreement decided to stand out an agreement could not be reached, but we would hope that there would be sufficient people, both importers and exporters in an individual commodity, to make it workable, and even if black marketing did take place it would be on such a small scale as not to impair the effectiveness of the agreement.
THE VICE-CHAIRMAN: Well, in any case, this answers the question which the delegate for South Africa asked. Does any delegate wish to ask any other question about that?

PROFESSOR E. de VRIES (Netherlands): Mr Chairman, I only wish to stress one point: the question whether article 33 could be applied to chapter 6 is not a question of detail, but a very important question. Let me put it very bluntly in this way: if there were a coffee agreement and the Netherlands and her overseas territories were taken as one unit, we could establish the strongest imperial preference you can imagine, because the Netherlands territories are about self-supporting: they could build up their coffee cultivation within the terms of an agreement and establish imperial preference in that way. This is not a question of detail; this is an important question.

THE VICE-CHAIRMAN: It may be an important question, but in a way it is a side track from the main principle whether the Organisation ought to be open for all the members of the trade from the start. I think the particular problem which you have raised is rather complicated and I suggest it should be considered by a subcommittee at a later stage. I think perhaps we ought to proceed with the general discussion on the different items; then perhaps we will see if other problems of the same category arise, so that they could be included in the work of a subcommittee. Does that meet with your approval? Does any other member want to comment on that? (After a pause:) Then I suggest we start the discussion under heading 2 (b), representation of producing and consuming countries. Are there any proposals as to what should be the basis of that?

Mr BROADLEY (UK): Mr Chairman, does not the American text cover that? I think that would be a very good basis to work on with the drafting committee when it comes to put it together.

THE VICE-CHAIRMAN: Are there any other comments on that point?

The United Kingdom delegate has suggested that the United States
proposal ought to be sufficient basis for discussion of that
subject.

SENER JOSE ANTONIO GUERRA (Cuba): We support it.

Mr McCARTHY (Australia): I would just like to suggest that we
might make it clear that the representation of importing and
consuming countries is in addition to the representation of
exporting countries. It seems to be quite clear what it means, but
I would say the words should be "such agreements shall include
adequate representation", or "shall in addition to exporters' represen-
tation provide for". I think it is just a matter for
the secretariat to note for drafting later.

THE VICE-CHAIRMAN: Yes, we will take note of that in the drafting.

Are there any other remarks on this subject -- 2 (b)?

PROFESSOR DE VRIES (Netherlands): In this article the term
"substantially interested" is used. It ought to be a task for
the drafting committee to put in and to make clear the signifi-
cance of "principally", "substantially" and "largely interested".
Such expressions can be used alternatively. Has it been done
on purpose or by chance? It may be we need not occupy a long
time discussing that here, but it ought to be considered before
we come to the final draft. Another point is that the words
"importation or consumption" are used. Well, it is quite clear
that importation and consumption are quite distinct things. If
they are put here in a general way, I can agree to it, but we
ought to make it clear whether such agreements have relation to
exports and imports, or to production and consumption. Most
agreements that exist now do not mention home production as home
consumption. They mostly relate to export and import; but I can
imagine that there may be some agreements in which production
consumption is very important. These terms are not easily
defined. In regard to consumption, let me take this instance:
the United States are rubber consumers from which they manufacture
tyres. If they are exporting such tyres, who is the consumer:
is it the ultimate consumer of the tyres, or is it the consumer of the rubber? Such things can be important, but I can see that we need not discuss that question in such a large conference as we are here.

THE VICE-CHAIRMAN: Well, if I may say so, I think the points you raise were covered to a certain extent, at least, by the delegate for Australia, when he suggested that it is not only a question of considering the producing and consuming countries but also of considering export and import; is not that correct?

Mr McCarthy (Australia): Well, I think you really have got the three categories: you have the exporters and importers, and then people who may be very small as importers and exporters may have a very large consumption. You might consider it advisable to include such a country because of the contribution they might make to any regulation that might be laid down. You might have a case of a country which was not an important exporter or importer but was nevertheless a very important consumer. It would be very largely a matter of considering each case, I think, on its merits, and I suggest that some of the problems that undoubtedly arise in one's mind in examining general provisions will largely resolve themselves when you get down to the consideration of individual commodity agreements. There you will find that the people who are really interested will be dealt with perhaps on their merits. America is quoted. Well, of course, America is a big consumer of many things. She can be a very important consumer of a commodity without being a big importer or exporter. Wool might be taken as an example. Her import of wool is small relative to her total consumption, but she would be very important to a wool agreement because of her extraordinarily big market. When wool is under consideration one must appreciate the importance of a country like America. I quote America and wool only as an example. Her importance in regard to wool would be such that it would be right to include her. You might have
another country which for some reason has no interest in either of the three categories and the question would arise whether that country ought to be in or not. The difficulties that could be visualised if such a country were in it might not arise at all if that country were not participating. The expressions "substantially", "largely", "primarily", and so on, are examples of a lot of the difficulties that one finds in reading general provisions. You cannot get anything very definite on that point, but you would find those aspects becoming very important when you got to the consideration of your individual agreement.

THE VICE-CHAIRMAN: Well, Gentlemen, I think on the basis of the American proposal and in the light of what has been expressed right now it would be possible for the drafting committee to make suggestions.

M. WORMSER (France) (interpretation): Before the discussion of this paragraph begins may I say that it seems to me that the exchange of opinion which has just taken place has shown clearly enough the diversified interests of countries represented here, and it seems to me that the main idea of the text we are discussing tends rather to enlarge the representation in inter-governmental commodity agreements than to restrain representation. Therefore I believe with the Australian delegate that in deciding whether a particular country shall be represented we have to consider specific commodities and proceed by successive selection. Nevertheless, I should not like to see this discussion end here without mentioning that from the point of view of my country there are certain commodities of which we are neither large scale exporters or importers, but which in our national economy have very great importance as regards the lives of great numbers of our population. Therefore when the subcommittee to which we shall later delegate the duty of preparing this draft examines paragraph 46 I think they will have to take into account the representation of countries which, while not
importing or exporting a great deal, may be large-scale consumers of national production.

Senor GUERRA: With regard to the question raised by the delegate of Australia, I wish to call attention to the fact that I am representing here what is primarily an exporting country. I support the suggestion of the British delegate that not only imports will have to be considered; because even though it may be considered that these agreements tend to regulate production and consumption only in so far as they affect international trade, we take the view — and in this we concur with the Australian and French delegates — that a country may not be a great importer but yet may have a great consumption, and a disorder in prices and supply in the international market may affect the domestic prices and have other injurious effects. That is in our view a sufficient reason for giving proper and adequate representation to countries, even if they are not great importers, who have a real substantial interest in the consumption of the commodity which is referred to in the agreement.

THE VICE-CHAIRMAN: Well, Gentlemen, I think we have discussed that particular problem sufficiently now and it will be possible for the subcommittee to try to obtain a reasonable agreement on that particular point. I suggest, therefore, that we continue by discussing voting arrangements.

SEÑOR GUERRA (Cuba): Later on, on an opportune occasion, the Cuban delegation will introduce a specific amendment to article 46. I now want to make a brief statement explaining the meaning of our amendment and the reason for it. For several years we have been a party to the international sugar agreement, and that agreement may be taken as an example of adequate representation of importing and exporting countries. We have operated within that agreement on very good terms. Throughout the nine years that that agreement has been in operation we have not had any real difference or
friction. I refer to that because, while that shows that we find it fair and right for the consuming countries to be adequately represented in any agreement, we do not think it would be proper for the Charter to state as a general and inflexible principle that there should be equal representation. As the delegate of Australia said regarding the point previously discussed, the question will have to be decided in each particular agreement and according to the interests that the different countries have. If we accept this principle as fair that the countries should be represented within any agreement according to the interest they have in the trade of a particular commodity, I think the same principle should apply with regard to the general representation as between the consuming, importing and exporting countries. There may be a case in which a particular commodity is really vital or very important for the whole economy of several countries, and yet from the point of view of consumption, the character of that commodity may be such as not to make it really very important or substantial from the point of view of the consumer; or, vice versa, there may be a case in which the consuming side on this question will weight more than the producing or exporting side. For instance, the world trade in a commodity may be widely distributed in different countries, and it may not be very important from the point of view of the economies of those countries; and yet the consumption of that commodity may be concentrated in some countries and may have an important bearing on the production and industrial activities of certain basic industries in one of those countries. In such a case, it may be possible to accept the view that the consuming interest should weigh more than the exporting interest. We have found it very useful with regard to the possibilities of reaching agreement on all these complicated matters of international trade to find that the Charter has consistently avoided establishing
standards as regards participation or obligations. I feel that if we accept — and it seems that in the previous discussion it was widely accepted — the principle that the interests of each country within any particular agreement should be properly weighted, then the same principle should apply to the representation of consuming and exporting countries. If we establish the principle that the agreement shall provide for adequate representation of exporting and importing and consuming countries, we feel that will safeguard the interests of consuming countries and in every specific agreement they will have every possibility of setting a proper balance. We really do not think it would be wise to include a general condition that the representation must be in every case equal.

THE VICE-CHAIRMAN: Thank you. Are there any other comments on this particular point?

Mr BROADLEY (UK) Well, Mr Chairman, as far as the United Kingdom is concerned, naturally we shall be very happy to study any amendment or recommendation which the Cuban delegation put forward. I must say, however, that in regard to the balance between importing and exporting countries, we do attach very great importance to the principle of equality. This particular paragraph does not in itself refer to consumption; it is dealing with imports and exports. Imports and exports must, of course, be equal; and therefore the representation of importing countries and exporting countries in relation to the volume of trade mathematically must also be equal. The position of consuming countries has been referred to in our previous discussion. The position of consuming countries which are substantially self-sufficient is not dealt with at all in this paragraph, and that is quite a separate question; but in so far as importing countries as a whole and exporting countries as a whole are concerned, although we would like to examine any suggestion put forward, we do feel that the question of equality in voting in regard to the very important matters of
regulation of prices, trade stocks &c., is a very important principle to which we do attach very great importance, and I should just like to make that clear at this stage of our discussion, without in any way prejudicing what we may think about the particular amendment.

THE VICE-CHAIRMAN: Are there any other comments on this point?

SEÑOR GUERRA (Cuba): I just want to make clear what I have said. I understand perfectly that imports and exports will necessarily balance in every case. Our principle is that weight should be given according to the importance of that consumption, importation or exportation for the economy of any particular country.

Mr McCarthy (Australia): Mr Chairman, as a representative of an exporting country, I think I should have to say that we believe in the principle of equal representation. In practice, we shall, of course, encounter little difficulties; but I do not think it can be claimed that an exporting body should be in a position to outvote an importing body. There will be little points of difficulty; for example, at times there will be some difficulty in deciding whether a country is an exporter or an importer. In the case of wheat, it is quite possible for Russia to import wheat through Vladivostock and export it through the Black Sea; but that will have to be dealt with on its merits. I do not know whether it is necessary to mention it in regard to voting, but I think I should have to support the view that, to put it in a purely practical way, exporters should not be able to outvote importers on vital matters, particularly on prices. Not only do I think it is a reasonable view for importers to take, but I believe it is necessary for the sound continuance of these agreements, and it is important that they should continue. It is important for the successful carrying on of these agreements that importers should be satisfied. Moreover, we shall desire to get greater co-operation from importers than we have had in the past, such as in ensuring that the decisions of the controlling body are carried out. It should be possible to reduce the tran-
sactions of an exporter outside the council to the degree that it is necessary to reduce them by the help of the importers. Whether it is necessary to mention it actually in voting or whether to affirm the principle that there should be equal representation, which is practically the same thing, I am not clear at the moment. I just want to say, as the representative of a country which will be a participant in certain agreements, I hope, anyhow as an exporter, that that is the view that we have come to after consideration.

M. WORMSER (France) (interpretation): Mr Chairman, with regard to the beginning of paragraph 2, I have expressed our opinion that it is important that the interests of consuming countries should be represented. With regard to paragraph 3, the French delegation believe it would be useful that countries interested in such problems should be given the right of vote equally. I think we have to examine such possibilities as may exist of finding a system of voting for countries which are largely consumers of primary commodities without playing a very important role in international commercial relations.

PROFESSOR DE VRIES (Netherlands): Mr Chairman, I suppose we can express this point at a later stage; it is a very important matter. The Netherlands, being an importing country and having exporting territories overseas, are interested in this question on both sides. You may say that the outcome of the discussion is that consumers should have their interests well protected, but producers also should have their interests safeguarded, and I agree with the representative of Cuba that you cannot say that a representation as between two States of 50-50 is always better than 52-48 or even 60-40. You cannot say that in general. It may be different for different commodities. With regard to sugar it is 45-55 and that has worked very well without any complaint from the side of the consumers, or, on the other hand, any complaint from the side of the exporters.
The question of voting arrangements as a whole covers more than "equal voice", mentioned in Article 46, point 3. In our existing commodity agreements there are a lot of voting arrangements. There are some agreements which require unanimous decision on all points. In others, like a wheat agreement among five big countries, a two-thirds majority is required; and there are a lot of other matters concerned when we talk about voting arrangements. Now, is it intended that we discuss this in general terms or is it your idea that we should discuss those things at another stage?

THE VICE-CHAIRMAN: Well, gentlemen, I think it is rather difficult for me to express any definite opinion on that. If it does raise questions of principle, then perhaps it would be advantageous to hear a statement from those delegations mainly interested in that subject. Would the delegate of the Netherlands care to make any particular statement on this point?

PROFESSOR de VRIES (Netherlands): I should rather like to wait until we have the discussion on the amendment of Cuba.

MR GUERRA (Cuba): We are of the opinion that at this stage the discussion should be referred only to paragraph 3 of Article 46, which would mean the general balance as between the interests of importing and exporting countries, because the question of voting arrangements in general is connected, from our point of view, with other questions of organisational relationships between the Organisation the I.T.O., the Commodity Commissions and the Commodity Councils that will be set up for each particular agreement. Therefore we think that in order to get the matter clear as much as possible we should confine our discussion to this general balance of interests and not to the general voting arrangements.
THE CHAIRMAN: Does it assist the Committee in any way to take up this suggestion from the delegate of Cuba now?

MR BROADLEY (U.K.): I think if it raises an issue of principle and if the Netherlands delegate has suggestions which ought to be considered by the Drafting Committee, it would be useful for us to hear a brief statement of them at this stage.

PROF. DE VRIES (Netherlands): Mr Chairman, as I said a few minutes ago, before you took the Chair, the Netherlands Delegation stands for an adequate representation of consumers and producers alike. They stand for the interests of both groups but they would not like to be tied by the words in the Article, "equal voice". There may be other terms much more suitable. The principle is that both sides are adequately represented and able to vote adequately, but we do not feel happy about the mathematical idea of 50:50. We think that 52:48 may be quite as good as 50:50; and, as I said before, we should like to discuss it when we have before us the amendment which the Cuban delegation has been so kind as to prepare.

MR GUERRA (Cuba): I am sorry, but I did not know what the order of introduction of amendments would be, and the translation had to be made. We will have them ready for tomorrow.

THE CHAIRMAN: Would it be the wish of the Committee that we postpone this point and return to it later - in full Committee or in Sub-Committee possibly?

MR BROADLEY (U.K.): Why not let the two delegates give their suggestions to the Sub Drafting Committee, they will then appear on paper possibly even as alternatives, and we could then discuss them more usefully when it all comes back to us as a complete document?
THE CHAIRMAN: All right; let us deal with it in that way. Are there any other remarks on point (c) at this stage? If not, we will pass on to point (d), which I think refers to Article 46(4) in the United States Draft Charter.

MR McCARTHY (Australia): Mr Chairman, whilst I agree with that, I rather wonder whether we should not go a little further and whether we should not suggest that expansion of consumption need not necessarily arise out of the idea of avoiding production restriction. It might be that it would be advantageous to endeavour to expand consumption with the idea of not restricting existing production but stimulating further production; and rather here strike the note that we are not only concerned with the necessity of restricting production at times but that we do contemplate stimulating further production where it can be brought about economically and where it might serve the purpose of expanding consumption in countries where consumption can be stimulated with advantage to that country. I wonder whether we should not try to strike that note as well. It might be that my point would be met by an amplification of paragraph 4 or by an extra paragraph.

THE CHAIRMAN: An even simpler amendment occurred to me while you were speaking, which was simply to leave out the words "In order to minimize the need for production restriction".

MR McCARTHY (Australia): Yes; I was not looking at it from a drafting point of view at all when I mentioned that; but if we started at the word "such" that would cover my point, I agree.

MR GUERRA (Cuba): The Cuban delegation is entirely in agreement with the spirit of this paragraph, because we feel that the permanent solution, if there is to be one, for these primary commodities will have to be found in the expansion of production and of consumption and not in restrictions.
have in mind one thing related to the discussion we had yesterday in the Sub-Committee set up for the presentation of this agenda, and that is the relations of the F.A.O. and the I.T.O. and these Commodity Councils. Perhaps it might be helpful to suggest that, instead of giving to the agreements themselves the obligation or authorisation for expanding world consumption, it would be more proper to say that the agreements shall provide, where practicable, for measures designed to allow for the expansion of world consumption. I think the functions of F.A.O. and these Commodity Councils will be reconciled if the F.A.O. has the primary function of expansion of consumption, which was a function accorded to it at the Hot Springs Conference. That would be a good ground to begin with, I think; and therefore I would say that the agreement should provide for measures that will allow for the expansion of world consumption, rather than that the agreements themselves should have obligations in them for the execution or the implementation of any policy designed to expand world consumption.

PROF. de VRIES (Netherlands): Mr Chairman, I am much in agreement with the delegate of Australia, who said today that, when we are thinking of giving to consumers more influence in the whole scheme, we should bear in mind that consumers should also have the responsibility of expanding consumption in a more efficient way than was the case previously. We can in this matter learn from the lessons of the past. In many agreements there are provisions for expansion of consumption. On the producers’ side that ought to be done by research and propaganda; and in most cases a lot of money and a lot of effort is spent on these two points, because they are most important. But consumers have a responsibility, too, and I agree with the delegate of Cuba that in dealing with the question of expansion of
consumption a large part of it lies in the broad field of economic activity, and it is not the place to discuss it here; but some of the barriers to expanding consumption are tariff barriers or quota or protective systems by consumers who may not be the most effective; and when this Article is put in here I take it it is meant to stress the point that consumer countries take the responsibility of expanding consumption by trade measures, by reducing tariff barriers or reducing fiscal burdens when taking up their rights of representation and voting. There is, however, one small point which I should stress here, and that is on the subject of competing products. When I think of a Commodity Committee or a World Food Board making regulations for a lot of products together I have in mind a body which has the task of expanding the consumption of coffee, tea and cocoa at the same time, and which would have to induce the English to drink coffee and the French to drink tea! That is why I would stress again at this point that the Commodity Councils should have a fair opportunity to make propaganda for themselves and not be tied together in one bundle so that they cannot work at all.

THE CHAIRMAN: Do I gather that the Committee is ready to leave this problem, including the ticklish problem of national tastes, to the Drafting Committee?

Then we might go on to point (e), which is dealt with in Article 46(5) of the American Draft Charter.

MR GUERRA (Cuba): On this point we entirely agree with the idea and principle set out in the American proposed Charter as it is. We would only call attention to the fact that the present draft may be construed in a form that will disregard or put some difficulty in the way of certain countries which have suffered from the dislocation produced by the war;
and I am referring now particularly to sugar-producing countries in the Far East which have, as a consequence of the war, dropped very considerably in their figures of production and export of certain of these commodities. They may be in a very difficult position if we do not make any reservation for taking into consideration the historical participation of different countries in the export trade, because those countries will start now, after the war, from a different position from that which they enjoyed before. Therefore we think it might be a constructive thing to make in this paragraph some reference to the historical position of supplying countries, so that that may be taken into account. For this purpose the Cuban delegation will introduce a suitable amendment. I would like to add here that we are not in this matter thinking of our own interests. As a matter of fact, if this reservation was not made, Cuba, which has increased her export of sugar to a much greater degree than before the war, will profit from the situation in which these other countries now find themselves, particularly those in the Far East.

PROF. de VRIES (Netherlands): We are very grateful to the Cuban delegation for the opinion they have expressed here. If I may I would like at this point (again apologizing for being so difficult about terms) to draw attention to the last few words of paragraph 5, "supplied most effectively." I am not a student of English and it is difficult for me to know the distinction between "efficiently" and "effectively"; but surely here are two terms, one of which is relating to the application of science and technics and the other to cost accounting. The opinion of the Netherlands delegate is that in considering this phrase we should not only see to matters of cost accounting and cost price but see whether from a scientific and technical point of view the
system of production comes up to standard.

MR WILCOX (USA): The point raised by the Cuban delegate is covered, I think, in the phrase "with due regard to the transitional need for preventing serious economic and social dislocation"; at least, that was the intention of the insertion of those words. The phrase "supplied most effectively" I would interpret as meaning "at the lowest unit cost". We would attach considerable importance to this principle as a long-run principle; that is, we do not believe that commodity agreements should be used as a means of permanently freezing production in high cost locations. We recognise that re-location of production may involve serious problems of adjustment and that there is need for meeting this problem by easing the burden of transition over a time; but we do feel that there would be a serious social cost and a serious social loss involved in terms of standards of living and the well-being of the people generally if we did not recognise as a long-run objective the idea that things should be produced where they can be produced most cheaply, so that more people can get more goods to consume for less effort.

PROF. de VRIES (Netherlands): Mr Chairman, I think Mr Wilcox stresses a very important point. When I apply this to my country I could say, "Well, the Java sugar industry should very well be ready to take over a lot of expensive beet sugar in a lot of countries", but we do not like to do that, having regard to the historical interests and the basic needs for these products in many European countries. On the other side, when we apply only the idea of low cost to agriculture in the European countries, I suppose we would have to leave England and Holland and other countries free for hunting, as our forefathers had them two thousand years ago, and import
all foodstuffs from overseas. I do not believe that the social dislocation in Europe is so serious that we have only to consider the matter of low cost, but we need also to take into account social interests and unemployment questions on this. Both sides of the problem have to be taken into consideration.

THE CHAIRMAN: I wondered if the United States wanted to reply to that challenge on behalf of Western Europe!

MR McARTHUR (Australia): I think I must support the view put forward by the United States. It seems to me that some distinction has been made in the direction of providing that increased consumption be met by the low cost producers and that it is not desired to thrust back the present high cost production to make way for the low cost producers.

We might expect countries such as the delegate for the Netherlands referred to to cut back their production a little, but not very much. I am not committing myself at this stage, but as I read this particular paragraph I thought it referred to the countries which should provide any extra production if it is called for. I personally believe that a fundamental element in these commodity agreements ought to be that countries which are low cost producers should get the advantages of that; and I would point out that those countries might have to forgo in respect of other commodities some of their production in order that they might buy from the countries that they expect to buy the extra production that they provide; and, speaking for my own country, I would say that if there is any extra production of certain primary commodities and our costs are lower than those of Europe, we think we ought to supply them, and we would hope by doing that to buy more off Europe, which is largely a producer of manufactured goods.
MR GUERRA (Cuba): The Cuban delegation entirely agrees with the statement of Mr Wilcox on this point and I would only explain that we had interpreted the words "with due regard to the transitional need for preventing serious economic and social dislocation" as referring to the dislocation that will be caused by the re-allocation; but if this sentence is interpreted in the sense that he explained before we do not have any objection to that point of view.

MR HALL (U.K.): Mr Chairman, the United Kingdom also wishes to support the attitude expressed by Mr Wilcox, and we do attach very great importance to the principle set out in Article 46, paragraph 5, that there should be increasing opportunities for satisfying world requirements from the sources from which they can be supplied most effectively; and we feel that it would frustrate the general objectives of these proposals if a special exception were made in the case of primary products which would enable the existing pattern of production to be frozen irrespective of efficiency; and by that I think we also mean the costs of the various countries. There is a considerable difficulty in the point which has been mentioned by several speakers about the position of high cost producers who are producing only for their own consumption, and in our interpretation of this passage we do give primary thought to the question of exports and imports. We do feel that, although it is a good general principle, there will undoubtedly be special circumstances in which countries may require from their own point of view to maintain some part of their requirements in production within their own territories, but, as far as the participation in the export trade is concerned, we certainly feel very strongly that there should be some provision of the kind which is set out here.

MR WILCOX (USA): It seems to me, Mr Chairman, that Mr Hall 35.
M.10 has made a very important point here. This particular provision applies only to what would be done under a commodity agreement and would not in any way interfere with domestic agricultural programmes outside of a commodity agreement. What it says, in effect, is that under a commodity agreement nations may undertake to establish arrangements with respect to export trade in the commodity concerned which temporarily and for a time will give, let us say, larger quotas to high cost sources of supply and smaller quotas to low cost sources of supply, but that they should not keep on doing that indefinitely.
MR. LEMESER (France) (Interpretation): The statements which have been made by the delegate of the United Kingdom and the delegate of the United States have received the full attention of the French delegation, and the French delegation would like to associate itself with those statements and to say that its own interpretation of the Article under discussion is precisely the same as the one which has just been expressed by those two delegates.

MR. McCARTHY (Australia): Mr. Chairman, I have some doubts about the interpretation which has just been mentioned by the last three speakers. My understanding was really this, that if a country was importing and had perhaps a protected industry and was producing heavily under that protection, and if that country did consume more or did open up further avenues of consumption, that it would not continue with protection, but under this clause could be asked to open up its market further to a low-cost country which was in a position to export further quantities. I think the question does come up later, but while we are supporting the view that importing countries should have full representation, equal representation to exporting countries, we also believe that importing countries should adopt a full share of the obligations that the agreement involves, and if, for example, export quotas were fixed under which exporters agreed to keep their shipments within certain specified quantities, not only amongst themselves, but in total, it would be expected, I think, that importing countries would agree to take certain steps regarding the holding back or holding at agreed levels of their production, even though it was entirely for their own requirements. To our mind it would be quite wrong for countries perhaps to engage in the limitation of production over a certain period, whilst the
total imports in the world were being narrowed by high-cost importing countries, and if that particular paragraph is to be considered as applying only to exporters I should like to reserve my position until I have gone further down, and see what we have covered elsewhere.

Mr. Ilcoy (United States): I think the Australian delegate has misinterpreted an earlier statement of mine. I should have said that it is not intended that this paragraph applies to domestic programmes in the absence of a commodity agreement, but applies only in cases where you have taken the affirmative step and concluded a commodity agreement.

Mr. McCarthy (Australia): That meets the point.

The Chairman: Does that meet your point, too?

Mr. Broadley (United Kingdom): Yes. I think some of your points are being dealt with by other Committees of this Conference, are they not, Mr. McCarthy?

Mr. McCarthy (Australia): Only in relation to subsidies and things of that character.

Mr. Broadley (United Kingdom): But I mean your general point about limitations on the degree of protection which domestic producers should give to their own products.

Mr. McCarthy (Australia): The point would arise, of course, where there is an allocation of the market between exporters, and my point is that where there is an allocation of a market amongst exporters, any additional allocations should be based upon a low-cost basis, but that that should be applicable to importers as well as to exporters where there is an agreement involving export quotas. You see, I think we will really come to it later. I am satisfied with the point that Mr. Ilcoy made. It covers me for the time being, and I do not want to start on
another subject prematurely.

MR. BROADLEY (United Kingdom): I am content to leave it at that.

MR. de VRIES (Netherlands): I am glad to hear that it is not the idea to bring back Europe to the state of a thousand years ago and force European people to develop their agriculture in a much more extensive way than they do now, and that there has been taken into account the need for preventing serious economic and social dislocation. I think it is a very important thing for these European people to know this, but if that is so I take it that measures to overcome such dislocation should cover a transitional period. For instance, supposing the consumption of milk and fruit and vegetables goes up more than 100% - I do not know whether it is possible - then maybe there is no necessity to plough so much ground for wheat or sugar in some European countries, so that would be a transition period, but the need for preventing serious economic and social dislocation cannot be transitional, because it is a fundamental thing in the whole employment problem and in the social policy of all the nations that there is need for preventing serious social and economic disorganization as a permanent thing, so if we take out this word I think we shall be safe and can work together for the welfare of mankind.

THE CHAIRMAN: I wonder if the United States would like to assist us by saying exactly what they meant by the use of the word "transitional" in front of me here - or perhaps that is too profound a question at this stage.

MR. MLOOY (United States): I do not think you can define it in terms of a specific number of years. I should say it does not mean a period as short as twelve months, but it certainly does not mean a period as long as a century.
MR. de TRIES (Netherlands): So the United States delegate means that after some scores of years there is no longer any necessity to prevent serious economic and social dislocation?

MR. WILCOX (United States): I think a distinction might be drawn between violent sudden change and gradual adjustment to changing economic situations over time. I think that violent sudden change is very undesirable; it hurts large numbers of little people unnecessarily. I think that gradual adjustment to fundamental economic changes over time is not only desirable, but necessary in the interests of all the producers and consumers involved.

MR. de TRIES (Netherlands): Mr. Chairman, I fully agree to that, but that point is covered in the Charter in very well-chosen words in Article 45, point 2(c), where it is even forbidden to enter into an agreement without having a formulation and adoption of such a programme to economic adjustment. I agree about that, but that is not exactly what is said in Article 46, paragraph 5. We must have such a problem of adjustment and it is provided for in the Charter in a direct way.

MR. WILCOX (United States): Those two sections, of course, are supposed to be complementary and definitely related each to the other.

THE CHAIRMAN: I do not know if the Chair is allowed to try and effect a reconciliation of these points of view, but I strongly suspect that if the sentence read "with due regard to the need, during a period of change, for preventing serious economic and social dislocation", it would not mean anything different from the meaning attributed to it by the United States, and it might satisfy the Netherlands.

MR. WILCOX (United States): Correct.
THE CHAIRMAN: Any other points on that item? I think we have time to go on to point (f), which is Non-discrimination. We might look at Article 46-6 in that connection.

MR. DEUTSCH (Canada): Mr. Chairman, I am a little puzzled by the meaning of this paragraph. Where there is an agreement involving prices of exports and imports among a number of countries, in order to make such agreement effective must we not necessarily or almost in every case necessarily be discriminating against non-members of the agreement? If there is an agreement on price, if that price agreement is to be effective amongst the members of the commodity agreement somebody must undertake not to buy at another price, and that necessarily involves discrimination against people who are not members of the commodity agreement.

MR. BROADLEY (United Kingdom): That would depend, would it not, Mr. Chairman, on the nature of the provisions of the agreement? For instance, if there was an agreement that fixed, shall we say, maximum and minimum prices, those would then be applicable to all parties, but it would admit of trade between the maximum and minimum which would be on an ordinary commercial basis presumably, and would involve, no doubt, variations as between particular deals with particular buyers, which would not infringe in any way the provisions of the agreement. I think the point raised by the Canadian delegate will come up when we consider the particular provisions of agreements.

MR. DEUTSCH (Canada): Yes, but for the purpose of enforcing the minimum price, then that condition is reached, in order to make the thing mean anything there would necessarily have to be an undertaking that the members in the commodity agreement would not buy at a lower price from anyone else.
MR. BROADLEY (United Kingdom): I think one would accept that.

MR. DEUTSCH (Canada): In other words, in order to make the undertaking effective it will require discrimination of that kind.

MR. McCARTHY (Australia): I was going to raise that point in a slightly different way — that this particular clause might prevent certain clauses being put into an individual agreement which it was desired to put in, and which would be quite legitimate and perhaps necessary to an effective agreement. For example, it might be decided to have a special price for a certain area, and there might be an element of discrimination in that to which everybody party to the agreement was agreeable, but which a clause like this might prevent being written into the agreement.

MR. DEUTSCH (Canada): There is already provision for the whole agreement to be approved by the Commodity Commission, so why refer these particular points again? Wherever there is such discrimination involved, why refer it again to the Organization specifically? That is what puzzles me.

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MR. de VRIES (Netherlands): No discrimination has always been an economic policy and trade policy of the Netherlands. I would only like to put this question now: Does this mean that for any commodity that comes under a commodity agreement no preferences and no quotas or allocations are possible without the consent of the Organization? That has a bearing on the trade policy as a whole. Is that the meaning of the Charter?

MR. SCH.EngER (United States): Mr. Chairman, I believe this question of discrimination does not prevent the members of an agreement from enforcing the decisions that they take in regard to commodity price, as suggested by the Canadian delegate, if I understood him correctly. For example, if
the members of an agreement were to decide on a minimum price and there was an agreement that no importing country would purchase from a non-participant member country at a different price than that agreed upon, that would not be discrimination against that country in any sense. It would be merely enforcing upon them the same regime that was extended to the members of the agreement.

MR. DEUTSCH (Canada): If the clause does not mean that I am wondering what it does mean. It says "Under such agreements the treatment with respect to the imports or exports of the commodity accorded by any participating country to any Member" - any member being any member of the I.T.O., whether they are a member of the commodity agreement or not. These are principles which are to govern commodity arrangements. If a specific agreement in a commodity arrangement over-rides this principle, then what does the principle mean?

MR. SCHUENGER (United States): If I may continue, the essential purpose of this paragraph is to emphasise that in the conduct of these agreements there shall continue to be, vis a vis the members of the I.T.O., a strict observance of most-favoured-nation treatment. That may be a simplification of it, but that is the basic point. That is, in the distribution programme that may be agreed upon, should the agreement be so conducted that distribution programmes are agreed upon, members of the organization who do not happen to be participating in the agreement shall be given a 'fair' share, be it on the import or the export side.

MR. WILCOX (United States): We should be glad to have assistance in making such a re-statement.

MR. GUERRA (Cuba): I should like that to be clarified, because if the interpretation is in general an extension of entirely
equal treatment, the Cuban delegation will have reserves to make on that.

THE CHAIRMAN: I would like to suggest that the Canadian and United States delegations get together on this before the next meeting and see whether they can come back with an adequate explanation for all of us, after which we might return to the point.

MR. McCARTHY (Australia): Do I understand that Canada agrees with the principle that m.f.n. or the principles of m.f.n. shall be extended to all members of I.T.O., even though they are not participating members of the agreement?

MR. DEUTSCH (Canada): No.

MR. McCARTHY (Australia): Well, that is what I think was said, was it not, and you seemed to me to agree with it, only you said the drafting was not adequate. If Canada does think that I want to put a view, but if Canada takes the view that I thought she took at the beginning, I am quite prepared that she should just go and see the United States alone.

THE CHAIRMAN: Obviously this is the opportunity to make confusion worse confounded. Perhaps we might have the Australian point of view on this now, and in the end it will save time.

MR. McCARTHY (Australia): All I wish to say, Mr. Chairman, is that I can conceive real difficulties where we have a commodity agreement, where members of the I.T.O. are not members of the commodity agreement and where we are obliged to treat those members of the I.T.O. who are not members of the commodity agreement on a m.f.n. basis. I think there are certain cases where duties come into it where it would be permissible, but where there are such things as quotas and prices I do not think you could
really adopt the principle of non-discrimination as between those who are party to the agreement and those who are not.

MR. DEUTSCH (Canada): My point is exactly the same as Mr. McCarthy's. I did agree to the American interpretation, that this might mean that in the treatment of non-members some principle of equity shall be observed. That much I agree with, but I do not agree with the meaning of this clause as it appears to me now, and my difficulty is exactly the same as Mr. McCarthy's.

MR. WILCOX (United States): I think there is a solution of the difficulty in the phrase "unless otherwise agreed by the Organization".

MR. DEUTSCH (Canada): My point is, why should these particular matters have to be referred to the Organization in every case, when the whole content of the agreement has to be approved in any case?

THE CHAIRMAN: I suggest we have a triangular party on this, and that Australia, Canada and the United States try to reconcile this point for us, or at least make it clear to the rest of the Committee and the Chairman what exactly is the point at issue.

MR. de VRIES (Netherlands): Mr. Chairman, may I repeat my question—whether this also relates to bi-lateral treaties between nations on quota or special preferences? Are these allowed or not allowed? Are they forbidden by this Article, or not?

MR. WILCOX (United States): As I understand it, this whole Article refers only to multilateral commodity agreements.

THE CHAIRMAN: I am not quite sure whether that was really the question that the Netherlands delegate wished to put. I
understood it to be, if there were a preferential arrangement otherwise allowed under this Charter between two members of a commodity agreement in respect of that commodity, would that preferential arrangement have to be eliminated, or could it continue?

MR. de VRIES (Netherlands): Unless, of course, agreed by the Organization or by the Council or Commission. I can see that there are historical positions which cannot be abolished at once, but if you have an agreement, and under the agreement give the right to members to make special bi-lateral treaties, will that not be a reason to upset the agreement?
THE CHAIRMAN: That is a separate question from the one I put.

MR WILCOX (US.): I am afraid that I do not fully apprehend the point.

Perhaps, Mr Chairman, the Netherlands would join this suggested sub-committee.

MR McCARTHY (Australia): I thought the point was that you might have a bilateral agreement with some country where, for example, you got some concession on duties; and then, in entering into this agreement, you might find yourself in the position of not being able to continue to grant those duties. I really think the answer is that all these special points will come out when the individual agreements are being discussed, and if a country has got any particular position relative to another country it will have to try to get that concession carried forward in the agreement. I think that if you try to cover them all by a general principle you will find difficulties, because it would mean, in some cases, that you might have eight people going into the agreement, seven of them might have duty-free on a particular commodity, that is entry duty-free; the eighth might have duties; but he might not be able to discard those duties straight away. That will have to be part of the original bargain with them.

MR GUERRA (Cuba): I am trying to put the question more clearly. The thing is whether the provision of this paragraph refers only to arrangements exclusively made as regards the agreement and within the scope of the agreement or whether this provision applies to the general commercial relation of any country member to any agreement as with any other country. I think that the discussion has shown by itself the need for some clarification on this point.

THE CHAIRMAN: I am sure the Committee agree with that.

MR GUERRA (Cuba): The provision refers only to the arrangements made within the scope of the agreement - at least that is the interpretation placed on it; it is only referring to things within the agreement. Then, if that is so, it will have to be clarified, and I insist again that if the interpretation is that it refers to all general commercial relations with any member country party to an agreement as to any other countries, then
the Cuban delegation will have to make reservations.

MR WILCOX (USA): It was intended to apply to the first case mentioned and not to the second.

THE CHAIRMAN: I wonder whether, with that explanation, Canada is satisfied. Is that so? No, I am afraid it is not.

MR DEUTSCH (Canada): No, Sir.

THE CHAIRMAN: This is a point that I still do not understand, and I would ask the United States, the Netherlands, Canada and Australia to attempt to elucidate it for us, after separate discussion, at the next meeting of this Committee. Now, I do not know how the Committee feels about continuing to-day. It is now 5.35 and there is at least one entertainment that I know of beginning at six o’clock.

MR WILCOX (USA): Mr. Chairman, I may be unduly optimistic, but I would assume that the next two points could be disposed of rather quickly.

THE CHAIRMAN: Would the Committee like to try that? It is a challenge to our ability to conduct our business quickly. Let us go on, then.

Point (g) "Adequate supplies to meet world needs." The United States would like us to agree with the point as stated broadly in the terms of their Charter.

MR MCCARTHY (Australia): I would agree with that. (Agreed)

THE CHAIRMAN: Point (h) is probably also fairly simple. It is in paragraph 10 of Article 46. I think we can say that the faith of the United States delegate has been thoroughly justified. That is also accepted. (Agreed)

MR DE VRIES (Netherlands): Mr. Chairman, I suppose I ought not to speak, but, agreeing with this Article, there is only one thing that is not said in it and that is this: at what moment there shall be full publicity. Especially about the commodity agreements, I suppose that full publicity at a time that is not well chosen might be a dangerous thing. We have had experience about that on the markets; there was a lot of speculation about the chances of an agreement being arrived at; and even as our conference here is mostly private, I propose also that the proceedings and
negotiations leading up to the agreement should not be publicized at an early date in the Press.

MR WILCOX (USA): I would agree to that.

THE CHAIRMAN: Perhaps the Drafting Committee could have a look at the actual wording and see whether that point is adequately covered.

I do really hesitate to go on to the next sub-paragraph, not that I think there will be any difficulty about the first part of it, but disputing about how to settle disputes is always an item which calls - I say "always": or has frequently been known to call forth a good many speeches. Should we perhaps, therefore, leave that over as the first item for our next meeting? I am afraid that the right of committees, which is undoubtedly, to decide when they shall meet again is being sorely tried by the tyranny of our Executive Secretary, who obviously has a most difficult task. I think he said to me that he would allow us to suggest that we might tentatively agree upon Monday next at eleven o'clock, continuing in the afternoon. I suggest that that would be the right decision for us to take, leaving it to delegates to watch the Journal for any changes that may be unavoidable in order to fit in with the work of other Committees. We will therefore adjourn now until provisionally Monday at 11 o'clock.

MR BROADLEY (UK): What about the Drafting Committee, Mr Chairman? Is there anything about that; is it the same committee that were appointed last time, or is it in any sense different?

THE CHAIRMAN: I rather had it in mind that it would be profitable possibly to continue a bit with the discussion and to select a drafting committee not necessarily on the same basis as those who draw up the Agenda, but rather picking out those delegations who had been most active in the discussion. I hope that the prospect of being made to some work might act as a deterrent to verbosity, but I am sure it would be best to leave that till the next time of meeting.

(The Meeting rose at 2.40 p.m.)