

3 September 1955

Working Party on Commodity ProblemsBRIEF NOTES ON THE GENERAL DISCUSSION AT THE SECOND AND
THIRD MEETINGSHeld on Friday, 2 September 1955

Apart from hearing an opening statement from the Chair, the first meeting, held on 1 September, had been devoted to a discussion of procedural matters and meeting arrangements. Beginning with the second meeting a general discussion took place. The statements made by the representatives of Australia, Germany and Japan have been circulated in CWP/3, 4 and 5. The following notes intend to cover the substantive points made in the other interventions during the two meetings held on 2 September.

The Danish representative called attention to the dangers inherent in all stabilization measures; prices were often pegged at levels too high not to encourage inefficient production, and efficient producers might be put at a disadvantage, to the long-run detriment of the standards of living of the peoples of the world. Special emphasis therefore must be laid on the contents of paragraph 1(f) of Article I of the draft Agreement.

The Netherlands representative indicated that the principles underlying the draft Agreement were generally acceptable to his Government; the draft provided a good basis for further discussion.

The representative of the Dominican Republic said that stable prices and orderly market conditions were beneficial not only to primary producing countries but also to industrialized countries, whose prosperity often depended to a large extent on a high and sustained level of income in countries exporting primary commodities and importing manufactured goods. While equality in voting power for importing and exporting countries was a good general principle it should be open to each commodity conference to decide on the allocation of votes under the agreement it negotiated.

The Belgian representative suggested that the close link between the objectives of GATT and the Agreement on Commodity Arrangements should be more clearly brought out in the latter. There should be less rigid provisions and more flexibility; for example, while the Belgian delegation was generally in favour of equal voting power for interests concerned and opposed (producers and consumers, exporters and importers, or a combination of both elements), it also believed that the principle should not be so rigidly applied that no account could be taken of institutional factors and restrictive practices affecting the strengths of opposing interests. Recommendations of study groups should always be based on a large measure of agreement and support, and not the consent of a bare majority within the group. The GATT should be the body of last recourse in all matters covered by the proposed Agreement.

The representative of Canada said that while final recommendations on commodity arrangements could hardly be formulated before the fate of the OTC Agreement was known, certain views of his Government might be put forward as coming from the "official level": first, an agreed set of principles governing commodity agreements was clearly of value to international trade; secondly, if ICCICA must be replaced it should be brought under the aegis of GATT; thirdly, such machinery, to operate effectively, must have the support of all the principal trading nations; finally, GATT must take precedence over the Commodity Arrangements, as provided for in Section I(h) of Article XX of the revised GATT.

The Brazilian representative pointed out the unwarrantable situation in which overlapping activities were engaged in by different organizations having substantially the same membership, and suggested that while it would be desirable to have a centralized body to co-ordinate international arrangements in the commodity field, this need not and should not be too closely linked with GATT. On the one hand, direct affiliation to GATT might make it more difficult for certain governments to accede; and on the other hand, once the revised GATT entered into force there would be adequate safeguards under the provisions of the new Article XX:I(h) ensuring compliance with the provisions of GATT by its contracting parties without any formal link being established between GATT and the proposed Agreement. Further, the proposal to make GATT the appeal tribunal for commodity arrangements was unreasonable in that it overlooked the limited membership of GATT.

The representative of India thought that it should be more explicitly stipulated that nothing in the proposed Agreement should stand in the way of any supply of food on the most favourable terms to countries or regions suffering from food deficiency or undernourishment.

The Indonesian representative assured the Working Party of his Government's co-operation, and suggested that in view of the particularly vulnerable balance-of-payments position of under-developed countries exporting a limited number of primary commodities, it should be clearly provided that nothing in the proposed Agreement would prevent special measures being taken by such countries to safeguard their external financial position or regional arrangements being made with a view to strengthening their economies.

The representative of the Federation of Rhodesia and Nyasaland supported the principles embodied in the draft Agreement, especially the principle of multilateralism. The Agreement should be linked as closely as possible with GATT and the latter should have the dominant part in its operation.

The representative of Ceylon, referring to paragraph 4(b) of the Interim Report, pointed out that it had been settled at the last session of the Working Party that the proposed Agreement should be the main centralizing and co-ordinating organization for all commodity agreements. This question should not be re-opened at the present session continuing the work of the same Working Party. For long years primary producing countries had been asking for a set of principles to govern commodity trade and some organization for their administration, and there existed no valid reason for further delays. There

should be some fundamental rules definitely laid down, and not merely a negative stipulation such as that of Article XX:I(h) of GATT. Ceylon had consistently held the view that such rules should be incorporated in GATT itself as an integral part. This logically unassailable proposal had been set aside for no better reason than the political convenience of another contracting party. In the circumstances, the proposed Agreement should at least be closely and strongly linked with GATT. The principle of equal voting rights for importing and exporting countries must be regarded as the only possible and acceptable solution.

The representative of Turkey disagreed with the view that matters which had been settled at the earlier session of the Working Party should in no circumstances be re-opened; there had since February been changes and new developments in this field which might call for a reconsideration of some of the Committee's earlier conclusions. Even the conclusions that might be reached at the close of this session of the Working Party should not be regarded as final, and this point should be emphasized in the opening section of its report. The Turkish representative then drew attention to the communication from the Secretary-General of the United Nations in L/388 in which the hope was expressed that any arrangement made would take due account of the very direct interests which a number of organizations had in this field.

The representative of France considered that the provisions of paragraph 1(d) of Article IV of the draft Agreement did not lay down a rigid rule of equal voting rights for importers and exporters, but embodied a sensible compromise formula under which commodity councils might deviate from the rule according to circumstances. As regards the relationship with GATT, it should not be overlooked that there were important countries interested in commodities which were not parties to GATT, and that there was opposition to a close link between the proposed Agreement and GATT. So far as the contracting parties to GATT were concerned, any commodity agreements which contained features incompatible with the principles or provisions of GATT should be examined on their merits without rigid criteria being laid down in advance. The activities of ICCICA should be partitioned between the interested organizations. Incidentally the Working Party might wish to consult the representative of the European Coal and Steel Community on questions of co-ordination with the High Authority having regard to the competence of that body in two important international commodities. Finally, the Working Party should give attention to the proposal put forward by three delegations at the last session concerning regional arrangements.

The representative of the United Kingdom supported the view of the Ceylon representative that there should be a real and effective link between the proposed Agreement and GATT, the latter being the most qualified international body in dealing with trade questions. The proposed Agreement was rightly based on the provisions of the Havana Charter, but was sufficiently broadened in scope and made sufficiently flexible to suit present requirements. The United Kingdom felt itself obliged to insist on three basic principles, namely, that the Assembly must have effective authority over the commodity agreements, that the Agreement should be open to participation to all countries interested

in negotiation with a view to concluding a commodity agreement, and that there must be provision for equitable voting power for consumers and producers. The United Kingdom would be prepared to consider any compromise formula provided these basic principles were fulfilled.

The Austrian representative urged that the particular difficulties of small countries be taken into account in formulating the rules and procedures.

The Czechoslovak representative said that the proposed Agreement should take full account of the special position of under-developed countries and should provide for the possibility of participation by all interested countries irrespective of their economic and social systems.

The representative of the Food and Agriculture Organization stated that from the point of view of FAO, while it would be desirable to formulate certain principles to govern intergovernmental commodity agreements, such principles should be acceptable to all the international organizations concerned. They should be simplified and should have sufficient flexibility so as to facilitate such acceptance. In setting up machinery for its administration, duplication and overlapping of activities should, as had been reaffirmed recently by the Economic and Social Council and its Commission on Commodity Trade, be avoided. Any arrangements made should, furthermore, not impede the established functions of FAO, which had been fully explained in earlier statements by the FAO representative (see W.9/72 and 157). FAO's functions on the basis of its constitution were not limited to the technical field of production and consumption as had been suggested by a previous speaker, but they included such activities as setting up study groups and promoting negotiations of commodity agreements. The competence of FAO in this field was recognized in the composition of ICCICA, and FAO attached great importance to the principles of co-ordination and joint responsibility embodied in the ICCICA set-up. It was hoped that questions of procedure should be clarified as soon as possible in order to avoid undue further delays in progress in the substantive matters of interest.

The Chairman noted that FAO's competence was limited to the field of food and agricultural products, and did not cover mineral products, and it had not been dealing with such agricultural products as rubber. Consequently it had been necessary to vest the overall co-ordinating power in the United Nations Secretary-General and ICCICA. The dissolution of ICCICA and transfer of its functions would leave no overlapping of activities.

The Brazilian representative thought that once functions in connexion with food and agricultural products were transferred to FAO and those concerning minerals allotted to the Economic and Social Council's Commission on Commodity Trade, little might be left that could be dealt with by the proposed Agreement on Commodity Arrangements.

It was agreed that the next meeting would take up one by one the outstanding points, beginning with the question of relationship between the proposed Agreement and GATT.