

5 September 1955

Working Party on Commodity Problems

BRIEF NOTES ON THE FOURTH MEETING

Held on Saturday, 3 September 1955

The Chairman proposed that the general discussion be continued and that the first reading of the draft Agreement be deferred until members had expressed more fully their views on the outstanding questions, some of which had been raised and debated at the two previous meetings. The Chairman summed up the discussions and enumerated the points to which he thought the Working Party should now direct its attention:

1. The need was generally recognized for a set of rules governing intergovernmental commodity arrangements. Chapter VI of the Havana Charter, as was well known, had not been brought into force; there was only the recommendation of the Economic and Social Council that governments observe the principles of that Chapter; ICCICA, perhaps the only entity which scrupulously followed those principles, had itself a purely interim status; FAO's competence did not cover all primary products, mining products and some agricultural materials for industrial use being excluded; the newly created Commission on Commodity Trade also had only provisional status. It was felt by a large number of countries that there should not only be a code, but also an organization to enforce it. One member of the Working Party had strongly emphasized the urgency of the need and considered that a positive solution, as different from a negative provision such as that of Article XX:I(h) of the General Agreement, must be found without further delay.
2. The consensus of opinion was that the provisions of Chapter VI, being in the nature of a set of exceptions to the general commercial policy provisions of the Havana Charter, were too rigid. The draft Agreement prepared by the Working Party in January and February already embodied certain improvements in this regard, but members of the Working Party had expressed the view that even greater flexibility was called for.
3. As a body appointed by the CONTRACTING PARTIES, the Working Party could not but consider the whole problem within the framework of GATT and discuss the question of the relationship between the proposed Agreement and the latter. Different relationships, ranging from the complete incorporation of the commodity provisions in GATT itself to an entire separation of one institution from the other, had been suggested. The considerations underlying

various proposals included the limited membership of GATT in relation to the large number of countries which might be interested in commodity trade, the danger of weakening the General Agreement by a widening of its scope, etc. In the view of certain members a separate organization should be set up but with the closest co-operation at the secretariat level with the GATT.

4. The procedures for the convening of study groups and negotiating conferences under the draft Agreement had been criticized as too cumbersome; in the view of some members a number of the procedural requirements were unnecessary.
5. The allocation of powers between the Assembly and commodity councils had been brought into question; proposals to modify Article VII had been put forward.
6. While the principle of equal voting power for opposing interests met with a large measure of acceptance, the general view had been that it should not be too rigidly laid down as an invariable rule.
7. The general view seemed to be that ICCICA should be dissolved and its functions transferred to different organizations as appropriate following the entering into force of the proposed Agreement.
8. A number of members had put forward views or made suggestions on diverse points which should be covered in the report of the Working Party, e.g. the Indian suggestion that the Agreement should not prevent the supply of food to needy countries at concessional prices.

The Chairman suggested that point 3, namely, the relationship between the proposed Agreement and GATT, be discussed first.

Relationship between SACA and GATT

The representative of Denmark was in favour of a strong connexion between the two institutions. He suggested that the secretariat be requested to give its views, in the light of Article 3 of the OTC Agreement, on the question to what extent it is possible to put the SACA under the supervision of the CONTRACTING PARTIES. Reference was made to paragraph 9(a) of the Report of Review Working Party IV of the Ninth Session.

The representative of Ceylon considered that the question at issue was one of what international body should be vested with the power to deal with commodity problems rather than one of what relationship should be maintained between the two institutions. The urgent need for international action was clearly beyond question, and had been recognized by the United States delegation at the last session as noted in W.9/111. It had been urged by the Secretary-General of the United Nations that the setting-up of a new organization should be avoided, and

it was clear that ICCICA was but an interim body. GATT, being the only competent international body dealing with matters of international trade, was clearly the most suitable body to undertake the task of enforcing the proposed rules governing commodity trade. While FAO had accepted responsibilities in this field, its competence was limited to agricultural products. FAO had made valuable contributions to the welfare of nations and should continue to concentrate its efforts on those very important functions for the performance of which it had been originally set up. There should, of course, be adequate co-ordination with that Organization in the operation of the proposed Agreement. The action of the Economic and Social Council in deferring its discussion of the mandate for the Commission on Commodity Trade pending the outcome of the deliberations of the CONTRACTING PARTIES on the commodity problems further proved the generally recognized competence of GATT in these matters. If it was wise at the early stages of the development of GATT to avoid unduly wide responsibilities, with the experience it had gained during the past years GATT now had much less reason for not taking up new responsibilities. The only way to avoid a new organization being set up, as feared by the Secretary-General of the United Nations, would appear to have the matter entrusted to the CONTRACTING PARTIES.

The Brazilian representative pointed out that the terms of reference of this Working Party had been formulated before the Review of the Agreement reached its final stages, and therefore did not take into account, in particular, the provisions of the OTC Agreement. The provisions of Article 3 of the OTC Agreement were in such general terms and devoid of limitation that they could cover all activities that could conceivably be required for the operation of an Agreement on commodity arrangements, including the making of studies and recommendations and co-ordination. Once the OTC came into being it would be clearly within its competence to deal with commodity problems without further ado. The need would seem to be for a set of regulations for the effective implementation of the OTC Agreement in the commodity field. GATT had in the past assisted in the drawing up of international conventions covering particular sections of international trade, e.g. the "insecticides agreement", but it had not proved necessary for GATT itself to undertake the administration and enforcement of these agreements.

The representative of the Netherlands considered that GATT by its very name should be competent to deal with commodity trade, and therefore any new agreement on commodity arrangements should have at least a strong link with it. On the other hand, it had been found that an important contracting party strongly opposed a close link between the two institutions, and it had been pointed out that, if the new agreement was expected to have world-wide coverage, the dominance by GATT might not be welcome to other signatories. A practical solution would seem to be to maintain the minimum necessary connexion between the two institutions; references to GATT in the Trade Agreement should be deleted wherever they implied a dominating position for GATT. For example, it would be sufficient for GATT to be represented at the Assembly by an observer.