

7 September 1955

Working Party on Commodity ProblemsBRIEF NOTES ON THE SEVENTH AND EIGHTH MEETINGSheld on Tuesday, 6 September 1955Relationship between SACA and GATT (continued)

The representative of FAO wished to address herself to certain points raised in the remarks of previous speakers: FAO was an autonomous organization with a large membership, and not a subsidiary organ of the United Nations. Its competence covered all agricultural products and not only foodstuffs. It might be recalled that ICCICA was set up in 1947 chiefly as a result of the initiative taken by FAO, a fact which showed FAO's interest in the question of international commodity arrangements, and its Committee on Commodity Problems had been functioning since 1949. As the French representative had pointed out, the competence of FAO in commodities was a "vertical" one covering international exchange of commodities as well as their production. The interest it had taken in commodity trade could therefore in no way be regarded as irrelevant to its proper field of competence. FAO recognized that there should be rules governing commodity arrangements, but it felt that too much emphasis should not be put on the revolutionary character of the rules being formulated by this Working Party. From the GATT point of view, the interests of the contracting parties were adequately covered by the provisions of Article XXIV(h) and for them there seemed to be no need for a new organization. Any such new organization would have functions so overlapping with those of other organizations that it might prove impossible to devise ways and means for co-ordination. There were indeed a large number of agencies interested in commodity problems, but leaving aside those which had only a regional status and those which were interested only in an indirect way, there remained only three principal international bodies, namely GATT, the Economic and Social Council and FAO. From the FAO point of view it was essential that the principles of co-ordination and joint responsibility should be observed. Rather than setting up a new organization or subjecting matters to one single organization, it would be more justifiable to entrust the matter to their joint care in the manner in which they had been up to now, under the ICCICA. FAO with its comprehensive membership would be able to contribute substantially to the achievement of the objectives envisaged.

The United Kingdom representative pointed out that the co-ordination being sought was merely the co-ordination of international commodity arrangements and did not concern other activities in the commodity field. It was to be the centralising and co-ordinating body for commodity arrangements. The point of the Indian delegate's reference to supply of basic foods to under-nourished countries was not that SACA should become responsible for this but that the Agreement should not preclude it. Clearly there must be understanding between SACA and FAO and Articles III (7) - (8) and X were evidence that this had not been overlooked.

The representative of the Federation of Rhodesia and Nyasaland called attention to the agreement reached at the last session of the Working Party concerning the competence of SACA. It was noted in the Interim Report that the proposed agreement should not merely be additional to any measures already taken in the field of commodity policy; the Working Party had conceived it to be the wish of the CONTRACTING PARTIES that in the future the new agreement should become the main centralizing and the co-ordinating organization for all commodity problems.

The representative of Turkey stressed the distinction between trade matters and commodity matters. He pointed out that the ITO Charter made this distinction clear by concentrating the subject of commodity arrangements in Chapter VI. The existing text of the GATT while picking up most of the provisions of Chapter IV of the ITO Charter did not incorporate Chapter VI. He felt that the CONTRACTING PARTIES should rule on the question of whether Article 3 of the OTC Agreement was intended to include commodity arrangements. If so, the OTC Agreement would include all the matter of Chapter VI and additional organizational arrangements would not be needed.

The representative of Ceylon referred to the statement by the FAO observer. He pointed out that he had not intended to imply that existing organizations should have no function in commodity matters, but did insist that the co-ordination should be concentrated in one organization. Concerning the statement by the representative of Turkey, he considered that the competence of the OTC in commodity matters was a secondary question. Through Article 3 (a) of the OTC Agreement that Organization would have competence in any field in which the CONTRACTING PARTIES had competence. The CONTRACTING PARTIES themselves clearly derived competence from the fact that they were an international body created by governments to deal with world trade, and commodity questions are a very important aspect of such trade. He pointed out that the intention of the CONTRACTING PARTIES to deal with commodity matters was made clear when they accepted the interim report of Working Party IV which proposed the creation of a Working Party on Commodity Problems to consider the creation of an Agreement in which such problems could be studied "under the aegis of the General Agreement".

The Chairman summed up the general discussion as follows:

A majority considered that the OTC or the GATT did have competence to deal with commodity matters. The majority also considered it necessary to establish a code of behaviour in the field of commodity arrangements. During the debate a number of points had been made:

1. SACA should be universal, open to all interested governments;
2. In view of the attitude of at least one important contracting party, no risk should be taken of weakening the GATT by incorporating SACA in it as an integral part.

3. Since there are other aspects of commodity agreements than the strictly commercial ones, it was desirable that an agreement on commodity arrangements should be autonomous. The CONTRACTING PARTIES, however, have a very positive interest in such agreements and there should be both substantive and administrative links between the commodity Organization and the GATT.
4. With respect to the administrative links it was desirable to avoid unnecessary duplication, and some arrangement should be worked out, perhaps by a contract between the two Organizations at the secretariat level.
5. The exact nature of relations with other organizations could finally be determined by the Organization itself.

In the light of these considerations the Chairman suggested a solution which he hoped would meet with the approval of the Working Party. This solution, which involved determining the final relationships between SACA and the GATT by means of an agreement negotiated later between the two bodies, has been reproduced in a separate Working Party paper (Spec/276/55).

The afternoon session devoted itself to a consideration of the proposal submitted by the Chairman at the close of the morning meeting (Spec/276/55).

The Chairman first pointed out that this proposal had been submitted simply as a basis for discussion. If the Working Party did not agree to dropping all of the provisions in square brackets in the draft, he would have no objection to each of those provisions being considered separately on its own merits.

The representative of the Dominican Republic supported the Chairman's proposal with reservations on some points.

The United Kingdom representative felt that the Chairman in summing up had not given sufficient stress to the view which he believed to be held by the majority, namely that although there should be an autonomous agreement it should have very real links with the GATT; the Chairman's proposal did not tally closely with this desire. He felt the Working Party had a responsibility for making specific recommendations concerning the nature of the links with the GATT. To drop all the bracketed passages would be to ignore this responsibility and would be unacceptable to his Government. He preferred to examine each of these passages on its merits.

The representative of Brazil considered that the Chairman's proposal would provide the CONTRACTING PARTIES with an opportunity to consider at a later date and in detail the relationship which they wished to see between the two Organizations. He, therefore, supported the proposal.

The representative of the Netherlands said that the Chairman's proposal had the additional value of providing an opportunity to the members of SACA who are not contracting parties to express their views before the final relationship is settled in detail.

The representative of Ceylon strongly opposed the proposal. He expressed his disappointment that the solution suggested did not follow the lines of the debate on the subject and that it did not reflect the desire of the majority of the Working Party to have an organization which would be linked to the GATT. He believed the Chairman's proposal would result in the formation of a new organization with the expenses which that would entail. He particularly objected to the reference to a "consultative" link between the two organizations. He had agreed to drop his earlier proposal which would have made the Special Agreement an integral part of the GATT because he had believed that there was agreement that there should be a close link between the two organizations.

The Chairman explained that his suggestion did not imply that there would be no link between the two organizations but merely that the link would be established through an agreement between them rather than in the Special Agreement itself. He also pointed out that the French version of the paper outlining his proposal was in error in that it implied that there would necessarily be a separate secretariat for the organization. The English version was correct and would not prejudice this question.

The representative of Japan wished to see a minimum link with the GATT but was willing to support the Chairman's suggestion.

The representative of Australia explained that his position was somewhat between the opinions that had been expressed. He believed that as a matter of legality the Chairman's proposal for a relationship agreement between the two Organizations was the correct one and that such an agreement would be necessary in any event. He therefore supported the form of the Chairman's proposal, but he was quite prepared to consider each of the provisions of the Agreement which appeared in square brackets on its own merits. He also considered that a resolution along the lines suggested by the Chairman would be necessary. Such a resolution for example might need to contain a provision that any "relationship article" in the SACA itself could not be amended without the approval of the CONTRACTING PARTIES. As for the substance of the question he believed that when it was considered it might be found necessary to go considerably further than the Chairman's proposal in spelling out the exact relationship which should be established.

The representative of Turkey supported the Chairman's proposal for the practical reasons mentioned by the representatives of Brazil and Japan. He opposed the examination of the provisions in square brackets. He did not, however, agree with the functional link between the SACA and the OTC which was implied in the Chairman's proposal. With respect to the remarks of the representative of Ceylon concerning the additional cost of a separate organization he felt that this was not a valid argument as in any event a separate budget would be required. It would hardly be fair to GATT members who are not members of the SACA to meet SACA expenses out of the GATT budget.

The representative of Belgium said that he would have shared the opposition of the representative of Ceylon if he had given the same interpretation to the Chairman's proposal. In fact, he considered that negotiations of the kind suggested by the Chairman would be indispensable, and he was confident that those negotiations would result in a strong link of the kind which the majority of the Working Party desired. He suggested that this could be made clearer by referring in a resolution to the identity of objectives of the two Organizations.

The representative of Indonesia welcomed the Chairman's proposal as a wise one which would enable the Working Party to proceed rapidly with its discussions. This did not mean that Indonesia would not be able to accept a link between the two Organizations. He also suggested that the word "Special" be deleted from the title of the Agreement in order to stress the autonomy of SACA.

The representative of Denmark considered that the Chairman's proposal was too negative. He preferred to discuss each of the provisions in square brackets. He believed that the discussion might result in a compromise under which some of the provisions would be retained under brackets for consideration by the CONTRACTING PARTIES.

The representative of India considered that an examination of the provisions in square brackets would show that there was less difference between the two positions than appeared on the surface. He did not believe that those who wished this examination to take place necessarily believed that the precise nature of the link should be determined at this time.



The representative of the Federation of Rhodesia and Nyasaland agreed with the representative of India.

The representative of France suggested that the substantive relationships between SACA and GATT might be covered in a single Article and that the administrative arrangements could be referred to in the Report of the Working Party.

The representative of Chile preferred that the provisions in brackets be studied one by one but could accept, as a last resort, the Chairman's proposal with certain changes. He did not agree with the optimism of the Belgian representative and felt that the proposed Article concerning negotiations with the GATT should make it clear that the SACA "will establish a relationship" with GATT.

The representative of Canada wished to retain the character of SACA as a "Special Agreement". Because commodity agreements have often conflicted with GATT provisions it was essential that the final Agreement provide a clear link which would permit the parent organization to review the actions of SACA. This might be accomplished by receiving and reviewing an annual report. He wished an examination Article by Article.

The representative of Czechoslovakia supported the Chairman's proposal as a procedural matter while reserving his position on the final relationship to be established.

The representative of Germany accepted the Chairman's proposal.

The representative of Ceylon pointed out that the Working Party had been charged by the CONTRACTING PARTIES with defining the proper relationship between the two Organizations; the Working Party could not ignore this request. He supported the establishment of a single Article covering the substantive relationship between the two Organizations.

The representative of the United Kingdom suggested a compromise under which the purely procedural and administrative provisions in square brackets would be dropped and the rest looked at one by one. If it then proved convenient to consolidate those that remained in a single Article he would have no objection.

After some discussion of the strength of the support for and against the Chairman's proposal it was decided to proceed with the examination Article by Article, while bearing in mind the desire of a slight majority to incorporate the substantive relations between the two organizations in an agreement between them rather than in the Special Agreement itself.