Subject discussed:

Means for implementing Chapter VI of the Charter

The CHAIRMAN reminded the members of the discussion at the previous meeting and of the request by the United Kingdom delegate for an informal discussion of methods for putting Chapter VI into provisional effect as suggested in Sir James Helmore's letter before holding a more definitive meeting on 1 August.

Mr. SHACKLE (United Kingdom) repeated and elaborated the views he had expressed in the earlier meeting. There was real danger that agreements contrary to the spirit or letter of the Charter would come into being for lack of an authoritative governmental body concerned with preserving the principles agreed upon in Chapter VI. He wished to emphasize that his delegation did not necessarily believe that the time was now ripe for a number of commodity agreements. They were concerned, however, that when commodity agreements were made they should conform to the provisions of Chapter VI. In order to ensure this, some action must now be taken by the Interim Commission in view of the delay in entry into force of the Charter as a whole. His Government had always considered that commodity agreements should be negotiated on the basis of individual commodities, but it would also be a great saving of time and effort if there were co-ordination among them and some kind of organization concerned with all commodity agreements and thus familiar with the process of their negotiation. Chapter VI was not only concerned with the strict control type of commodity agreement but also with stimulation and expansion of production, and there was a great danger that if some means were not now found for putting Chapter VI into effect, the latter aspect would be neglected. There was need of extensive study in the field of commodity agreements which was not
possible with the present small staff of ICSICA and although the FAO was doing considerable research it was only competent to deal with agricultural commodities. It was necessary now to begin to train a secretariat in this field.

He did not agree with the argument advanced that it was inadvisable to put into effect one chapter of the Charter before the entire Charter had been approved. Chapter VI was one of the least controversial chapters and also one of the most self-contained. Moreover, insofar as it constitutes an exception to rules relating to quantitative restrictions, this exception is also relevant in the General Agreement and therefore affects an instrument now in operation.

Mr. Shackle then referred to the draft protocol (ICITO/1/W.1) submitted by the United Kingdom delegation as a basis for discussion. This was not necessarily the only means of achieving the objective. He now thought, however, that the alternative he had mentioned in the previous meeting - that of extending the General Agreement to cover commodity agreements - would be unsatisfactory. There would probably be legal difficulties and the parties to it would be limited quite arbitrarily to the Contracting Parties. The protocol submitted was modelled on the protocol of provisional application of the GATT and had certain provisions modelled on the Annecy Protocol and on Article XXVI of the GATT, together with a few purely verbal adaptations of Chapter VI.

Mr. SCHWENGER (United States) informed the Committee that he had in fact received his instructions earlier than his delegation had previously thought possible, and that essentially the position of his delegation was the one indicated at the previous meeting. The Administration's position with regard to the Charter was somewhat delicate since the Charter had been placed before Congress and was therefore in the hands of the legislative body. After a careful consideration of the developments in the commodity field as well, his delegation thought it inappropriate to take any such action as proposed at the present stage. It did not consider the emergency sufficient to warrant acting in an executive capacity on a matter now before the legislature, and feared that to move more rapidly on one part of the Charter might jeopardize the passage of the rest. He considered that
as far as any specific action on the commodity problem was concerned a mechanism did exist in the form of ICCICA to advise governments and give them means for collaborating in forming commodity agreements in accordance with the provisions of Chapter VI. With regard to Sir James Helmore's letter concerning further action to be taken at this stage, he had been advised informally that the United Nations had indicated that it would be willing to call a commodity conference or initiate consultation if ICCICA considered it necessary. Under the circumstances he considered that the urgency of pressing the matter now was questionable.

M. Philip (France) regretted that he had not yet received his instructions and he therefore spoke again unofficially and as an individual. He wished to make three points. Firstly, this body had been faced with a number of problems for which it was seeking individual solutions. He thought that this method of trying to solve the problems piecemeal risked undermining the entire organization as behind them all there ran a basic problem. It was the responsibility of the delegations to these meetings to tell their governments and their people that, as a result of their examination and analysis of the various individual problems, they saw a general world problem which must be approached as a whole. Countries were now reacting to the general situation in a manner contrary to the spirit of the Charter and the General Agreement. They were in fact faced with the situation envisaged in Article XII(5) of GATT, of general disequilibrium where a solution must be looked for to the problem as a whole. Secondly, insofar as it was now recognized that there was a general problem, there was a danger in trying to seek a solution solely through monetary means and exclusively through the International Monetary Fund. It was the duty of the delegates to this meeting to say that the general problem could not be solved by monetary means alone. It is more far reaching than a monetary question and is a commercial and industrial problem as well, closely bound up with primary products. The Monetary Fund could not solve this problem alone, but the ITO must take part in its solution and see that that solution is reached within the spirit of the Charter. Finally, he disagreed with the United States delegation that the question of primary commodities was not an urgent one. The whole
problem of the stabilization of prices of primary products must be regarded as one of the basic reasons for the present disequilibrium. He did not wish it to be thought that he was very pessimistic or that he considered that there was at the present time a general crisis in the world, but if no co-ordinated action were taken on the basic cause of all the small problems now, they would eventually become a general and a serious problem.

He thought that the text submitted by the United Kingdom Delegation suggested a useful means of accomplishing something in this field and also that it took into account the difficulties of the United States Government of which he was very well aware.

Mr. Patijn (Benelux) stated that he had received his instructions from the Netherlands but not from Belgium.

Speaking for the Netherlands he welcomed the United Kingdom proposal to put Chapter VI into force. In reply to the United States representative's remarks with regard to the machinery at present available he thought it could hardly be adequate in view of the letter by the Chairman of ICCICA itself; with regard to the urgency of the question, the Committee at present charged with these matters who should surely be competent judges, considered the matter an urgent one. He was hopeful that the proposal of the United Kingdom would receive the support of the United States in a short time and was confident that this would occur since the question of commodity arrangements was so closely related to President Truman's 4th Point. Surely the prices of primary commodities was intimately related to economic stability and development; the latter two were impossible of achievement without some sort of guarantee to the under-developed countries of equitable and stable prices of primary products. In view of Mr. Thorpe's encouraging remarks at the ECOSOC in Geneva concerning the 4th Point, he was hopeful that the energy being devoted to economic development would also be applied to the connected question of primary products.

Mr. Thommessen (Norway) said that his Government had misgivings about putting the Charter into force piecemeal by executive action as it was now before Parliament. The Norwegian Government hoped that the ITO would soon be established to deal with these matters. However, he did
realize the urgency of the problem and the lack of adequate machinery, and he would be glad to support any suggestion for widening the terms of reference of ICCICA and, if necessary, for expanding that body.

Mr. POLITIS (Greece) had not received any instruction but agreed with M. PHILIP that it was the responsibility of delegations to explain to their people and governments the situation as they saw it. He also agreed that the problem was an urgent one requiring study and some immediate decision.

The CHAIRMAN wondered, for those countries which felt that the main obstacle to taking any action at the present time was a constitutional one, how far the problem arose out of the proposal to put a chapter of the Charter into effect. Would it be possible to accomplish the result in the form of a provisional agreement referring to the resolution of the Economic and Social Council and stating that it was proposed to give effect to the following principles and rules, then enumerating the principles set forth in Chapter VI. This would avoid the appearance of implementing a portion of another instrument at present before the various legislatures.

Mr. SHACKLE (United Kingdom) thought that the discussions showed a general agreement that there was a real problem and that there should be serious consideration of possible action to be taken. He suggested that a working group be set up to consider the means by which action could be taken. With regard to the difficulties of executive action he did not see why a government could not submit such a matter to its parliament if it considered it necessary.

Mr. COUILLARD (Canada), Mr. Abd-El-ATY (Egypt) and Mr. BRAGA (Brazil) agreed that a working party would be useful.

Dr. CARRENO (Colombia) repeated that his Government would not be able to separate one portion of the Charter from the rest and was consequently against the proposal of the United Kingdom.

It was agreed to set up a working party to consider possible alternative methods to give effect to the provisions of Chapter VI pending the entry into force of the Charter but without prejudice to
the final decision as to whether the Chapter should be put into effect or not, in order that this final decision could be taken in the light of the alternative methods proposed; the working party to consist of Australia, Benelux, Canada, Colombia, Egypt, France, Norway, United Kingdom and United States.

The CHAIRMAN informed members that the agenda of the August 1st meeting of the Executive Committee would also include the 1950 Budget and questions concerning the establishment of a Spanish text of the Charter.

The meeting adjourned at 5 p.m.