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COMMODITY PROBLEMS

Statement by the United Kingdom representative at the meeting of the CONTRACTING PARTIES on 15 November 1955

It is nearly a year since the United Kingdom Delegation, during the discussions in Review Working Party IV, proposed the establishment of a working party to formulate proposals for a supplementary agreement on commodity arrangements. This proposal found widespread support despite the indications given by the United States that they would not be able to take part in the Working Party discussions or participate, at least at the present time, in any agreement which might emerge.

In the statement which I made at the time I spoke of our conviction that the method of tackling the problems of international commodity trade outlined in Chapter VI of the Havana Charter was the right approach, that any framework for international commodity arrangements should be related to that of commercial policy as a whole, and that effective action in this field was most likely to be achieved by means of a new agreement closely related to the GATT. I also explained that we envisaged the new agreement as one whose signatories, both members and non-members of GATT, would undertake to co-operate among themselves and with the CONTRACTING PARTIES in seeking solutions to their common problems, and would join no commodity scheme or arrangement except under its auspices.

This conception of a new agreement, based essentially on the principles of Chapter VI of the Havana Charter, separate from the GATT but working in close harness with it, is still in our view the right conception; and to the extent that it has found expression in the draft agreement now in front of us, the United Kingdom Delegation considers that the draft is drawn on the right lines. Unfortunately, as the Working Party discussions developed, increasing difficulties and divergences emerged. The draft agreement, like the covering report, clearly reflects the considerable efforts which the Working Party had to make to reconcile the widely divergent views of its members, both as to the nature of the rules and procedures to be written into the agreement and as to its relationship with the GATT. The contractual obligations which it embodies are considerably less strict than those of the Havana Charter and such links with the CONTRACTING PARTIES as are envisaged in it are rather more tenuous than what we originally thought desirable. The draft, in fact, even if it were improved by the removal of one objectionable feature to which I shall refer in a moment, would represent the bare minimum, both in structure and in content, that my Government could accept as necessary to achieve the objectives as it has always envisaged them.

The feature of the draft to which I have referred as calling for a reservation on our part is the provision it makes for regional arrangements, on which in the Working Party the United Kingdom Delegation and several others reserved their position. In the Working Party discussions we resisted the proposal put forward by certain delegations by which "regional arrangements" would, subject to certain conditions, be excluded from the scope of the Special Agreement. This proposal, which is now embodied in Article X(1)(c) of the draft, appears to us to be contrary to one of the vital principles of the Agreement, namely that the negotiation of commodity arrangements should be open to all signatories substantially interested in the commodity in question. That is still our position. Nor can we for one moment consider an agreement whose members, by forming a regional group, would be at liberty to disregard its provisions without the prior approval of the Signatories, as a worthwhile instrument to ensure the orderly conclusion of commodity arrangements. Indeed, if Article X(1)(c) were to remain, the United Kingdom would feel obliged to oppose the Agreement and to do her utmost to secure its disapproval by the CONTRACTING PARTIES.

I have listened with great interest to the statement of the representative of France on the subject of the application of the Special Agreement to communities such as the ECSC and to customs unions and free trade areas. As I understand it, he is concerned to ensure that the Special Agreement shall have no control over schemes whose true purpose is economic integration and which only incidentally possess features that might bring them within the definition of commodity arrangements for the purposes of the Special Agreement. The United Kingdom understands very well this concern.

On the other hand, we for our part are concerned to ensure that the supervision of the Special Agreement shall extend to schemes which, whether or not they form part of some broader long-term design, are essentially commodity arrangements capable of affecting directly the interests of signatories other than those concerned in the scheme. It is not that we think of the Special Agreement as a device for checking the development of schemes calculated to increase freedom of trade through the closer integration of national economies. It is simply that we see great difficulty in ensuring that an escape clause in favour of something which cannot reasonably be regarded as a mere commodity arrangement will not be used in favour of something which can. The only way out of the difficulty that we can see at present is that which we advocated in regard to the existing clause on regional arrangements, that is, to rely not on an absolute escape clause but on those provisions in the Agreement which permit exceptional action subject to the right of the Signatories to satisfy themselves as to the nature of the scheme in question before it enters into force.

I should have liked very much to find a solution to this difficulty satisfactory to all concerned. It may be that if more time and thought were devoted to the problem some way of reconciling the two objectives would be found. But in the light of what has been said on this subject so far the

United Kingdom delegation has no alternative but to maintain its conviction that Article X(1)(c) should be deleted from the draft and that no alternative escape clause should be put in its place.

If Article X(1)(c) were to be deleted then, in spite of the other shortcomings of the draft agreement, we should be prepared to regard it as on the whole a satisfactory body of rules which, subject to any necessary drafting improvements, and to the clearance of the one or two points left open by the Working Party, could be recognized formally by the CONTRACTING PARTIES in due course as recommended in paragraph 5 of the Working Party's report. This assumes, of course, that in all other important respects the text remains as it is. We would certainly consider minor amendments to meet the views of other contracting parties. We are also ready to consider some modification of the provision for separate representation of dependent territories in Article XXIII if it becomes clear that the present text on this point constitutes the only remaining obstacle to general support for the Agreement. But any amendment designed to weaken the rules would compel us to withdraw our support altogether.

While thus expressing the United Kingdom's qualified support for the draft agreement, I must make clear certain conditions which my Government would regard as prerequisite for signing it if and when it became open for signature. In the first place it has been our belief since the beginning that a majority of contracting parties must become Signatories of the Special Agreement if it is to prove an effective instrument in the affairs of international trade. It follows that we should have no wish to enter it ourselves unless it clearly commanded wide support among contracting parties. If only a bare majority is found in favour of the Agreement at this Session, the United Kingdom will feel bound to regard that as evidence that the necessary degree of support is lacking at the present time.

Secondly, if the draft agreement is strongly supported by the CONTRACTING PARTIES it will be for the Economic and Social Council to take that fact into account when it comes to consider the future of ICCICA. The Agreement has been drawn up on the assumption that, if and when it enters into force, the necessary arrangements will be made for it to assume the powers at present exercised by ICCICA, and my Government will, therefore, not wish to sign the Agreement until it is clear that the Council is prepared to regard it as superseding ICCICA and Chapter VI of the Havana Charter and to plan accordingly for the day when it enters into force.

I have spoken frankly of our position on the draft before us as I feel the time has come to do so, and I have explained the limits beyond which we cannot go. If there is any thought on anyone's part that we could be persuaded to modify this attitude by protracting the debate here or transferring it elsewhere, I would like to disabuse them of any such view. Since the Working Party was established, with the widespread support of the CONTRACTING PARTIES, much hard work has been done, and despite the difficulties which

have arisen much good work has been achieved. The debate cannot, however, be continued indefinitely and it seems to us that the time has come for the CONTRACTING PARTIES to make up their minds whether to try to carry the work through to finality or whether to abandon the effort as mistaken or too difficult to be carried to a successful conclusion. My Government have believed, and still do believe, that the effort was right and worthwhile provided that agreement could be reached on a basis commanding sufficiently widespread support.

Finally, Mr. Chairman, I should like once again to pay tribute to the patience and endurance with which the Chairman, Mr. Peter, conducted the deliberations of the Working Party throughout its very difficult task.