

THIRD COMMITTEE: COMMERCIAL POLICY

DRAFT CHARTER

NETHERLANDS: PROPOSED AMENDMENTS

Insert a new paragraph after paragraph (1) and renumber paragraphs (2) and (3) accordingly.

2. A system for the stabilization of the domestic price or of the return of domestic producers of a primary commodity, independently of the movement of import prices, which results at times in the sale of the product to buyers in the domestic market higher than the comparable landed cost for the imported product, shall be considered as a case under Article 25, even when it is determined:

(a) that the system has also resulted in the sale of the product to buyers in the domestic market at a price lower than the comparable landed cost for the imported product, and

(b) that the system is so operated, either because of the effective regulation of production or otherwise, as not to reduce imports unduly or otherwise seriously prejudice the interests of other Members.

Explanatory Remarks

1. Many Governments have pledged themselves to some kind of domestic price stabilization arrangement for agricultural products. The objective of such arrangements have been recognized on different occasions, especially within the framework and organization of F.A.O., to be to the interest of both consumers and producers, provided the price range of the stabilization scheme is "reasonable and fair".

2. The proposed ITO charter has the duty to safeguard the interests of Members in case such price stabilization schemes are put into action.

3. In the case of a country producing more than its requirements for domestic consumption, leaving an export surplus of such commodity, the provisions of Article 27, together with Article 31, 1 (a); Article 33 (5) and Article 43 I, (1) give sufficient scope for the operation of a price stabilization scheme.

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4. In the case of a country producing less than its requirements for domestic consumption, importing the balance of such commodity, the provisions are less coherent and there seems to be a definite gap in those provisions, presumably because the approach to this problem has been made at the sessions of the Preparatory Committee in different committees dealing with different sections of the Charter and therefore an analysis of these provisions seems necessary.

5. A distinction has been made in the Charter between monopolized or state-trading in imported agricultural commodities and private trade. Where state-trading is involved, Article 31, 1 (b), in connection with Article 31, 2 (b) and the second proviso in Article 31 (4) give scope for a domestic price stabilization arrangement.

6. There is in this Article a balance between the right of a nation to stabilize domestic prices of agricultural products and the obligation to negotiate with other interested Members to prevent undue limitation of imports and to come to an agreement with countries parties to the negotiation.

7. As to giving public notice of the arrangements of such price stabilization schemes, Article 31 (3) provides for publication of the maximum import duty which will be applied in respect of the product concerned.

8. When the importing country has no state-trading system for the importation of the product concerned, the Charter has far less provision to safeguard national interests and prevent at the same time prejudice to the interests of members nations.

9. In case of a "burdensome surplus" as considered in Article 59, there is possibility of a price stabilization in the framework of an inter-governmental commodity control agreement, or, if such agreement cannot be reached, by the application of Article 20, 2 (c).

10. However, many nations want to establish price stabilization schemes before any such burdensome surplus comes into existence and as a matter of fact in the present period of scarcity stabilize domestic prices by subsidies on the importation of basic foodstuffs. This type of subsidy is consistent with all the provisions of the Charter, but there are no provisions in case the trend of world market prices comes below the stabilized price range for domestic production.

11. Evidently, at the same moment where the world market price drops below the floor of this price range, a subsidy to domestic producers is involved. But it would be an undue burden on these producers who missed the previous higher world market prices, to be forced all at once to

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quantitative restrictions of production and such policy would hamper the generally accepted principles of an expanding world production and consumption.

12. On the other hand, it is highly desirable that the Organization should be kept informed from the beginning about the nature and the operation of any such price stabilization scheme and that any Member, applying such system, should be prepared to discuss the possibility of limiting the subsidization. Such consultations might, according to Article 27 (2), lead to the conclusion that "special difficulties under Chapter VI" are the root cause of the problem, or they might simply lead to an agreement on quantities to be imported or produced or on the maximum import duty to be applied.

13. In any such case it will be necessary to have the facts about the nature and the operation of the scheme. The proposed amendment defines the basic requirements of a sound and unharmed price stabilization scheme, viz. domestic prices at times below and at times above world market prices and safeguards against serious prejudice to the interests of other Members.

14. It might be added that Article 25 already has a provision for subsidies which operate directly or indirectly to reduce imports of the product concerned in general, but that Article 27 lacks the provisions for special treatment of an imported primary commodity. It must further be noted that, if the measures provided for in Chapter VI have not succeeded in the case of importation of an agricultural commodity the rule of Article 20, (2), (c) still stands to safeguard the interests of exporters of that commodity.

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