

FIFTH COMMITTEE: INTER-GOVERNMENTAL COMMODITY AGREEMENTS

SUMMARY RECORD OF THE TENTH MEETING

Held at Havana on Wednesday, 31 December 1947 at 10.30 a.m.

Chairman: Mr. George HAKIM (Lebanon)

CONTINUATION OF SECOND READING OF CHAPTER VI (document E/CONF.2/C.5/9)

Article 54 - Objectives of Inter-governmental Commodity Agreements

Preamble

Mr. MUNOZ (Chile) said that his delegation withdrew its amendment to the Preamble in the light of the new text.

The Preamble to Article 54 was agreed to without further comment.

Paragraph (a) was agreed to without comment.

Paragraph (b)

Mr. FORTHOUME (Belgium), referring to the additional words recommended by the Sub-Committee: "including, as far as possible, in appropriate cases, the development of secondary industries based upon domestic production of primary commodities", asked for clarification of the full intent of the proposed additional sentence and for some explanation in regard to the actual measures contemplated by the Sub-Committee. He feared that these measures might be of a restrictive character.

Mr. CAPLAN (United Kingdom) explained that the objective of Article 54 was to provide a framework for measures of economic adjustment in the producing countries; the amendment was merely an amplification of the existing concept of "new and productive occupations".

Mr. FORTHOUME (Belgium) felt that the suggested addition contributed nothing useful to the paragraph and was superfluous. He repeated his first question as to what specific measures were contemplated.

Mr. IGONET (France) pointed out that the paragraph under discussion referred to those cases in which there was over-production of a given primary commodity. For the producing countries concerned the development of processing industries might be desirable in order to make their economies more flexible.

/Mr. CAPLAN (United Kingdom)

Mr. CAPLAN (United Kingdom) stressed that Article 54 was a statement of objectives, and the measures relevant to this particular objective were mentioned in Article 60 (d). It was for each of the participating countries to formulate and adopt programmes of internal economic adjustment.

Mr. FORTHOMME (Belgium) still felt doubts as to the measures contemplated by the Sub-Committee. He thought that the development of secondary industries based on domestic production of primary commodities might result in limitation of imports with harmful effects on processing industries in other countries.

Mr. CAPLAN (United Kingdom) replied that unilateral action of such a character was covered by Chapter IV, and that if the action were multilateral, it would come within a commodity agreement, in which all interested countries would be able to defend their interests. Protection was afforded in either case by the appropriate Chapters of the Charter.

Mr. LACARRA (Mexico) agreed with the remarks of the United Kingdom delegate. He thought that the amendment clarified the Geneva text.

Mr. MCCARTHY (Australia) felt that the sentence was unnecessary but would not oppose its retention.

Mr. KENNEDY (United States) agreed with the Australian representative. He emphasized that the United States delegation did not consider that the sentence in question provided an escape clause from the provisions of Chapter IV.

Mr. ALAMILIA (Cuba), supported by Mr. ZAFRA (Philippines), thought that the words "as far as possible" and "in appropriate cases" were sufficient indication that only in certain cases would the development of secondary industries offer a solution to particular commodity problems.

Mr. JIMENEZ (El Salvador) supported the maintenance of the sentence because it recognized the principle of economic development of underdeveloped countries producing primary commodities.

Mr. OTANEZ (Venezuela) felt that the fears expressed were unfounded. A grave injustice would result if no possibility were even afforded for the study of the development of secondary industries based upon domestic production. Under present conditions, primary producing countries had no protection against exorbitant prices being charged by the processing industries of other countries.

Mr. HAUSWIRTH (Switzerland) endorsed the statements of the representatives of Belgium and Australia. The addition would merely create doubts in the industrialized countries since the exact scope of the amendment was not clear.

/Mr. FORTHOMME (Belgium)

Mr. FORTHOMME (Belgium) still maintained that it was not clear what measures could be used to implement the concept in the proposed addition. In reply to the Venezuelan representative he said that high prices for industrial exports were often due to middlemen.

Mr. LACARRA (Mexico) did not see any danger of restrictive measures being taken in regard to processed commodities where a primary commodity was in a state of over-supply.

Mr. ALAMILLA (Cuba) gave as a specific example the measures being taken to develop secondary industries based on sugar. By-products might usefully be included in a sugar agreement.

The CHAIRMAN pointed out that the measures in question would have to be discussed at a commodity conference where all interested parties would be represented.

Mr. PARGA (Colombia) stated that sub-paragraph (b) would apply only in two situations: firstly, when consumption could not keep pace with increased production, and a surplus resulted; secondly, when consumption was reduced. Even then the measures in question would result from a commodity conference in which both producing and consuming countries would be represented.

Mr. REICHART (Argentina) favoured the amendment. Local processing would help to reduce costs to the consumer.

Mr. PAIVA (Brazil) supported the amendment. The aim of industrialization was to raise standards of living, and the growth of secondary industries would help to accomplish this.

Mr. FORTHOMME (Belgium) thought that the discussion had been useful. In the light of the statements by the delegates of Cuba, Colombia and Mexico he would not press his opposition to the sentence.

Sub-paragraph (b), as recommended by the Sub-Committee, was then approved.

Sub-paragraph (c)

It was agreed to discuss separately (a) a proposal of the Philippines delegation regarding the phrase "fair to consumers and remunerative to efficient producers", and (b) a proposal of the delegation of El Salvador regarding the meaning of the term "remunerative prices."

Mr. ZAFRA (Philippines) explained the objection of the Philippine delegation to retaining the word "efficient". If a sugar conference determined a price level based upon "efficient" production, with no reference to the devastation suffered by his country in the war, the Philippines programme of reconstruction of its sugar industry might be adversely affected. He felt it would limit the scope of a commodity conference if

/the qualifying word

the qualifying word "efficient" were retained, and the objective of Article 60 (c) might be defeated. The Philippines delegation had proposed the words "fair to producers and consumers alike" as a more flexible terminology for determining the proper price level for a commodity. This terminology had been used by the Food and Agriculture Organization at the Copenhagen Conference.

Mr. CAPLAN (United Kingdom) was prepared to accept the phrase "fair to producers and consumers alike". The only concept needed was one of justice.

Mr. de VRIES (Netherlands) referred to an amendment to Article 60 (c) which had been submitted to the Sub-Committee by the Philippines delegation. This was consequential to Article 54 (c) and had not been mentioned in the Sub-Committee's Report. He thought it desirable to draw the Committee's attention to the matter. In the Sub-Committee's discussion it had been pointed out that protection was provided by the existing text. It had been agreed to record that the understanding of the Sub-Committee was that the conditions of "due regard being had to the need for preventing serious economic and social dislocation and to the position of producing areas suffering from abnormal disabilities;" would have equal force with the principle to which it applied, namely that "such agreements shall make appropriate provision to afford increasing opportunities for satisfying national consumption and world market requirements from sources from which such requirements can be supplied in the most effective and economic manner,....." Countries suffering from abnormal disabilities need have no fear that these would not be taken into account.

Mr. ALAMILLA (Cuba) said that if the word "efficient" were deleted, the word "remunerative" must also be deleted. It would be better to retain both words.

Mr. STEWARD (Uruguay) preferred a Belgian proposal substituting "producers working under normal conditions" for "efficient producers". In any case he wished to see the word "efficient" deleted.

Mr. COREA (Ceylon) questioned the connotation of the phrases "fair to consumers" and "remunerative to producers". He objected to retaining the word "efficient" as small producers might be classed as "inefficient", but they might also constitute the major proportion of producers. He agreed that efficiency in production was desirable, but other factors, such as lack of capital equipment must be considered.

Mr. JIMENEZ (El Salvador) pointed out that the word "efficient" implied a condemnation of inefficient producers. He supported its deletion, but realized that in that case the word "remunerative" would have to be qualified. This was the reason for his delegation's amendment which sought  
/to establish an

to establish an equitable relation between the prices of primary commodities and manufactured goods. He was more concerned with the principle than with how it was drafted. He withdrew his delegation's original amendment and substituted the following, which had been submitted to the Sub-Committee:

"The term 'remunerative prices' shall be understood to mean prices which, while enabling the maintenance of fair labour standards, maintain an equitable relation with the prices which the producers of primary commodities have to pay for manufactured production goods and general consumption goods."

After discussion on whether the amendments before the meeting should be discussed together or separately, the CHAIRMAN suggested their consideration as follows:

1. The Philippines proposal to delete the word "efficient",
2. the United Kingdom suggestion to use the phrase "fair to producers and consumers alike", and
3. the amendment of El Salvador regarding the meaning of the term "remunerative prices."

Mr. KUNTZER (Turkey) reserved the position of his delegation pending a decision on the term "efficient."

Mr. KENNEDY (United States) supported the existing text of Article 54 (c) which protected all interests. The term "remunerative" must be qualified by the term "efficient". However, he could accept the United Kingdom proposal for the deletion of both words and the simplification of the sentence to read "fair to producers and consumers alike".

Mr. McCARTHY (Australia), also felt that if the word "efficient" were dropped, the word "remunerative" must be dropped. His first choice was to retain the present text, his second choice to support the United Kingdom proposal.

The meeting adjourned at 1.15 p.m.

-----