

FIFTH COMMITTEE: INTER-GOVERNMENTAL COMMODITY AGREEMENTS

Summary Record of the Eleventh Meeting

Held at Havana, Cuba on Friday 2 January 1948 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 5^b - Objectives of Inter-governmental Commodity Agreements

Sub-paragraph (c)

1. Continuation of debate on the proposal to delete the word "efficient"

On the grounds that the matter had already been fully debated, including many speeches at the previous meeting, it was proposed that the debate should be closed. The sense of the meeting was against closing the debate.

Mr. JIMENEZ (El Salvador) explained that his amendment had been submitted in order to qualify the term "remunerative prices"; so as to establish an equitable relation between the prices of primary commodities and manufactured goods. He claimed that the Press Release of the previous meeting of the Committee did not give a correct balance of the views expressed.

The CHAIRMAN requested the Secretariat to communicate the point of view of El Salvador to the Department of Public Information of the United Nations.

Mr. ROBLES (Guatemala) supported the proposal of the Philippines for the deletion of the word "efficient" in view of its wide interpretation, and in order to ensure price equilibrium between basic commodities and manufactured articles generally produced by industrialized countries. It was desirable to establish in the Charter that prices of basic commodities should approximate as far as possible to the prices resulting from free competition without exploiting producers or consumers.

Mr. LACARRA (Mexico) felt that the efficiency of producers could not be judged objectively. He was in favour of the words "fair to consumers and remunerative to producers".

Mr. ALAMILLA (Cuba) felt that the words "fair to producers" were vague. He would prefer to retain "remunerative to efficient producers". His delegation was anxious that the concept of remunerative to producers should

/be included but

be included but realized that a price remunerative to all producers, irrespective of their efficiency, might be above a normal price.

Mr. OTANEZ (Venezuela) feared that the price might be limited to those of lowest cost producers without taking into consideration the standards of living of workers. He was in favour of the deletion of the word, as the present wording might eliminate producers with advanced social legislation.

The CHAIRMAN ascertained that the general feeling of the meeting was that the proposal for the deletion of the word "efficient" be rejected.

2. The proposal to add a sentence amplifying the phrase "remunerative prices"

Mr. JIMENEZ (El Salvador) pointed out that since the word "efficient" had been retained, his amendment was desirable to amplify the meaning of the phrase so that the prices to be agreed upon should lead to the establishment of a just and equitable relation between a particular commodity and manufactured and general consumption products.

Mr. de VRIES (Netherlands) referred to the difficulty of expanding a term like "remunerative prices" because there were so many factors to be taken into consideration. If the amendment were accepted, it would mean that when the price of manufactured goods decreased, then a corresponding reduction would have to be made in the prices of primary commodities. There was no need for the amendment because when a commodity agreement had been reached, all price factors would be taken into account. The amendment did not cover all factors that had to be taken into consideration, for example, it omitted the relation of one primary product to the others.

Mr. MUNOZ (Chile) expressed the view that the relation between the prices of primary products and manufactured goods was more appropriately related to the Chilean proposal to amend Article 11. The question of fair labour standards was also referred to Article 4.

Mr. FAWCETT (New Zealand) recalled that the purpose of Chapter VI was to define agreements which could be utilized to solve the problem of burdensome surpluses. If the amendment were to be accepted, it would be detrimental to the achievement of such agreements. He could not accept the proposed amendment.

Mr. MCCARTHY (Australia) felt that to insert a definition of the word "remunerative" in Chapter VI would lead to confusion and would hinder negotiations for commodity agreements. It would be impossible to decide on a fair price on the basis of costs, which varied considerably, even within the same country, and in many instances could not be measured.

/Mr. AMINI (Afghanistan)

Mr. AMINI (Afghanistan) considered that the point of view of the representative of El Salvador might have been met by the substitution of the phrase "producers of average efficiency". In his opinion, the amendment of the United Kingdom representative was preferable.

Mr. ALAMILIA (Cuba) supported the Salvadorian amendment. Commodity agreements were designed to last five years. It would be difficult to arrive at a fixed price which would be equitable for five years and, therefore, it was necessary to establish a price level on a flexible scale related to the cost of living or a similar concept. He agreed that it would be difficult to lay down a just relationship between the price of a particular primary commodity and other products, but that objectives should be inserted in Chapter VI.

Mr. KENNEDY (United States) said that the text, as it now read, had been accepted by his delegation in a spirit of compromise and the delicate balance of views which it represented should not be disturbed. It would be a mistake to attempt to deal with too many questions in Chapter VI instead of concentrating on the solution of the main problems. An agreed price could only be reached through negotiations for a specific agreement, when any country could submit considerations such as that contained in the proposed amendment. He strongly opposed the Salvadorian amendment.

Mr. FORTHOMME (Belgium) agreed that a difficult problem had been raised by the representative of El Salvador, but felt that it should not be considered in connection with Chapter VI. The retail prices of manufactured products to primary producers did not always vary with factory prices.

The subject was related to the overall problem of distribution, which it might be argued, needed another Chapter in the Charter. The matter was too complicated for consideration at the present time, but it was to be hoped that the ITO would take it into account at a later date. In the meantime it should be clear that fair and remunerative prices should mean, for producers, the achievement of an adequate standard of living.

Mr. CAPLAN (United Kingdom) agreed that the problem raised by the representative of El Salvador was a challenge which would have to be taken up by the ITO. Some of the related problems are already being considered by Commissions of the Economic and Social Council.

In practice, however, similar considerations would be in the minds of all representatives to a commodity conference, for each would be concerned with the standard of living of his people. Furthermore, the Draft Charter as a whole has provisions related to raising all living standards.

/Mr. REICHERT (Argentina)

Mr. REICHART (Argentina) did not feel that there would be any difficulty in adding the Salvadorian amendment to the objectives of commodity agreements. It would not necessarily apply to each commodity agreement, but should serve as an objective to be attained. Recognition of the principle of the amendment would facilitate the conclusion of inter-governmental commodity agreements. As the producer was the fundamental factor and the consumer, the last link, in the process of production, the text should be formulated on the basis of the remuneration of the former.

Mr. TINOCO (Costa Rica) drew attention to the existence of parity prices for agricultural products in the United States and in his own country, to show that the suggestion of the representative of El Salvador was not a new one. Fixed prices would be ineffective if they represented less and less in manufactured goods with the passage of time. An equilibrium had to be maintained between what could be bought and what could be sold.

Mr. PARGA (Colombia) warmly supported the Salvadorian amendment which called attention to the need for a balance in the prices of agricultural and industrial products. Undeveloped producers of primary commodities were naturally concerned lest prices of their products should be relatively low compared with those of manufactured goods. Producing countries should have more protection and more guarantees.

Mr. IGONET (France) was opposed to the amendment but sympathized with the principle. However, he pointed to the disequilibrium between the prices of agricultural and manufactured goods in Europe, which was the reverse of that contemplated in this proposal. It would not be possible to outline the principles of re-adjustment in the Charter, but it was to be hoped that the minimum standard of living of both groups would be taken into consideration during negotiation for a commodity agreement.

Mr. RICHARDS (Canada) felt that the inclusion of this proposal would make negotiations for commodity agreements both protracted and difficult as price relationships were too varied as between countries. As an important primary producer, Canada would like to see the principle of the amendment adopted. It could not be incorporated in Chapter VI, however, and would have to be left to the negotiations for each individual agreement.

Mr. ROBLES (Guatemala) thought it essential to define the word "remunerative" as no definition had been included concerning the meaning of "efficient producer". Each agreement would lay down precise conditions, but there should be a norm to which reference could be made. He warmly supported the Salvadorian amendment.

Mr. HAUSWIRTH (Switzerland) considered that the Salvadorian amendment would obscure the meaning of Article 54 (c). If the word "remunerative" /were to be defined,

were to be defined, the word "fair" would also have to be defined. A fair price would be one which an average worker could pay without the need of state subsidies. Switzerland would not enter into negotiations for an agreement which did not maintain an equitable relation between the producer and the consumer. As so much would depend on the negotiations for agreements, he would prefer an even simpler formula than the present text, to the effect that there should be fair prices for producer and consumer alike.

Mr. JIMENEZ (El Salvador) said that as his amendment was only a goal at which commodity agreements should aim, there was no need for misgivings. It did not even speak of parity prices, but of a fair relation between prices. His delegation was insistent on the inclusion of the principle for historical reasons, but there was no suggestion of wanting to treat industrialized countries unjustly. However, producers of primary products feared injustice and need this objective as a long-term matter. There had to be a broader framework for commodity agreements to take into consideration the equitable relation between prices. He drew attention to the coffee producers of El Salvador, who certainly could be described as efficient and yet who lived in constant fear of low prices. His amendment would give them and others like them, a stimulus which would prevent their having to take recourse to other provisions of the Charter. Until a solution to this problem was found, which would apply to all countries, it would be impossible for the world to exist in tranquillity. History and the economic interdependence of all countries supported the point of view of his delegation.

The CHAIRMAN established that the general sense of the meeting was opposed to the proposed addition to sub-paragraph (c).

The meeting rose at 1.15 p.m.
