

United Nations

ECONOMIC
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CONSEIL
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RESTRICTED
LONDON
E/PC/T/C.IV/19
23 November 1946
ORIGINAL: ENGLISH

PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE
ON TRADE AND EMPLOYMENT

COMMITTEE IV

INTER-GOVERNMENTAL COMMODITY ARRANGEMENTS

SUMMARY RECORD

Eighth meeting
held on 19 November 1946
at 10.30 a.m.

Chairman: Mr. J.R.C. HELMORE

1. The CHAIRMAN stated that in the time which had elapsed since the last meeting of Committee IV, the Drafting Sub-Committee had completed the draft text of Chapter VI (Conference Document IV/11), the Report to the Committee which contained the explanatory note (C.IV/12), and that the Rapporteur had completed his draft, (C.IV/10).

2. Consideration of the Report of the Drafting Sub-Committee

Article 1.

The text of Article 1 was accepted with the exception of the phrase in brackets "and pronounced fluctuations in prices", which at that stage was reserved for later study in conjunction with Article 15.

Article 2.

Paragraph 1 was accepted.

In Paragraph 2 it was agreed to eliminate the phrase in brackets, "owing to difficulties of finding alternative occupation", and leave the remaining text unchanged.

Paragraph 3 was accepted in its entirety.

Paragraph 4 was reserved for later discussion.

Paragraph 5. Mr. WILCOX (United States) foresaw a difficulty in connection with this paragraph, which had not occurred to the Drafting Sub-Committee. He doubted the applicability of certain provisions set forth in the rest of the Chapter to conservation agreements relating to fisheries in the high seas and asked that the attention of the Interim Drafting Committee be directed to this matter.

Article 3.

Article 3 was accepted without amendment except in paragraph 2, in the second line, where the word "promptly" was inserted between the words "shall" and "invite" in the phrase "The Organization shall invite".

Article 4

Paragraph 1. Mr. WILCOX (United States) thought the words "of interested Members" in the fourth line from the end of paragraph 1, were redundant and confusing, and should therefore be deleted. In the preceding line the word "promptly" should be inserted before "convene an intergovernmental Conference". The Committee agreed to these changes.

Paragraph 2. Mr. BEILFELD (South Africa) thought that among the three groups, namely producers, consumers and traders, the producers should have a greater voice in the establishment of a commodity arrangement because otherwise a deadlock would be likely to ensue. Sir Gerard CLAUSON (United Kingdom) answered that in the light of the experience of the past there was no real difficulty in this matter. Deadlock between consumers and producers tends to be avoided because discussions at a conference often bring out their common interest in the conclusion of an agreement.

Paragraphs 2 and 3 were accepted.

Article 5 was accepted.

Article 6.

Paragraphs 1 and 2 were accepted.

Paragraph 3. Mr. QURESHI (India) considered that this paragraph did not clarify the position of those countries which were both importers and producers. He asked whether they would be able to vote in their dual capacity. The CHAIRMAN answered that the Drafting Sub-Committee felt that circumstances would vary according to the type of commodity under discussion, and no specific formula could be applied to all commodity arrangements.

Paragraph 3 was accepted and the Rapporteur asked to devise a text which took into consideration the interests of both producers who are consumers but not large traders, and importers who are also exporters.

Paragraph 4 was accepted without alteration: the reservation which had been made by Mr. GUERRA on behalf of the Cuban Government, to be included in the revision of the Draft Report.

Paragraphs 5 and 6 were accepted unanimously.

Article 7

Mr. BALA (Czechoslovakia) said that Article 7 contained no reference to commodities in short supply.

Sir Gerard CLAUSON (United Kingdom) said that there are three different cases of commodities in short supply:

- (a) Where the shortage is temporary. In this case a regulatory agreement might be used, as a burdensome surplus might be expected to develop subsequently due to the stimulation of production through high prices.

(b) where intergovernmental rationing procedure is required. This case is left out of the scope of Chapter VI by the mention of it under the exception listed in paragraph 1 of Article 14.

(c) where intergovernmental action is desirable to bring about a permanent increase in production. To meet this case, paragraph 6 of Article 2 was inserted. It allows governments to frame intergovernmental commodity arrangements, which are not regulatory agreements, in order to provide for expansion in the production of a primary commodity which is in such short supply as seriously to prejudice the interests of the consumers.

Mr. MCCARTHY (Australia) said that previously he had thought some reference to commodities in short supply should be included in Article 7 in the interests of consumers; but his point would be covered if the words "or is expected to develop" were inserted and mention made in the Committee's Report of the fact that Article 7 was designed and worded to cover both shortages and surpluses.

Mr. HAMIL (Lebanon) said that paragraph 5 of Article 2 defined by implication two kinds of shortages - the natural and the temporary. In the case of mineral shortages no measures would help to adjust a permanent shortage.

Mr. MCCARTHY (Australia) answered that agreements dealing with the regulation of trade were not designed to alleviate permanent shortages but rather to check the ebb and flow in the supply of the product which is mainly responsible for the fluctuations in price. In his interpretation of paragraph 1 of Article 7 an agreement on wheat, a commodity now in short supply, could be concluded at this moment, because the history of that product shows that "surpluses are expected to develop" following the present shortage.

Mr. WILCOX (United States) said the objection of Mr. Bala would be met if the attention of the Interim Drafting Committee was drawn to his criticisms of the text, together with the explanations offered by various delegates.

Mr. BALA (Czechoslovakia) accepted the solution suggested by Mr. Wilcox, subject to the inclusion of paragraph 6 of Article 2 of the Draft under discussion.

Mr. GUERRA (Cuba) informed the Committee that he was instructed by his Government to make reservation on paragraph 1 of Article 7 and asked for the inclusion of this reservation in the Report of the Committee.

The CHAIRMAN called attention to the note of the Drafting Sub-Committee that in paragraph 2 of Article 7 the term "unemployment" should be taken to include "under-employment". Similarly, in paragraph 3 "synthetic products" should be taken into account. These two points were included in the Report of the Drafting Committee.

Article 7 was then accepted.

Article 8

Mr. WILCOX (United States) said that in paragraph 1, the phrase in square brackets "or in a case where the Conference fails to make a recommendation in favour of a commodity agreement, members vitally interested decide to proceed" was opposed to the aims of the Charter; and the passage should be deleted.

Mr. GUERRA (Cuba) said that the reasons why his delegation has stressed the inclusion of the sentences now in brackets is that in the case of a country where the entire export trade and even the economic life of the country depends on the trade in one article, the responsibility of the State toward the nations is more particularly involved.

The fact that Cuba would not be allowed to proceed with an agreement without the recommendation of the Conference would mean the surrender of the legitimate right of the country to regulate the trade of a product on which the welfare of the whole country depends. The aim of the Cuban Delegation nevertheless is to restrict escape clauses to essential cases, and the point would be met if words in the brackets were dropped but a reservation of the Cuban Delegation noted in the Report.

It was agreed to delete the words "in the calling or" in the seventh line and the words "or in the calling" and "in the proceedings" in the eighth line, in view of the insertion of the word "promptly" in Articles 3 and 4.

Paragraph 2 was accepted.

Paragraph 3 was accepted, subject to the elimination of the words "under such agreements" and the substitution of "non-participating" for the word "other" between "afforded" and "Member".

Paragraph 4. Mr. ALVAREZ LUNOZ (Chile) was in agreement with the text of this paragraph. He nevertheless suggested to include in the Report a note to the Interim Drafting Committee for a more ample definition of the expression "reasonable prices".

Paragraph 5. Mr. JURESHI (India) said that the difference of opinion which had arisen as to the choice between the two words "effectively" and "economically", which had been included in brackets, would be removed if both words were included with the word "and" inserted between them. The Committee accepted the suggestion.

Paragraph 6 was accepted.

3. The meeting rose at 12.50 p.m.

COMMITTEE IV

Eighth meeting (continued)
held on 19 November 1946
at 4 p.m.

Chairman: Mr. J.R.C. HELMORE

4. Report of Meeting with the International Chamber of Commerce.

The CHAIRMAN called upon the Vice-Chairman, Mr. MELANDER to give a summary of the conversation held with the members of the International Chamber of Commerce during the afternoon.

Mr. MELANDER (Norway) said that the International Chamber of Commerce had presented certain views on the problems which the Committee had been discussing. These views could be summarized in five points:

- (1) Intergovernmental commodity arrangements should contain provision for equal representation of the consumer and producer countries.
- (2) Different commodities would raise different problems, and each commodity would require a different approach. Commodity Councils ought therefore to be flexible.
- (3) Buffer stocks might in certain cases be usefully employed, but there were definite limitations to their use.
- (4) In consideration of commodity agreements, more attention should be paid than in the past to the vital subject of shortages.
- (5) Consideration should also be given to private commodity agreements, which might be desirable for a number of commodities.

He had explained to the Chamber's representatives that the last point was outside the scope of Committee IV, and had told them that the other points which they had raised were being thoroughly examined by the Committee.

The CHAIRMAN thanked Mr. MELANDER and asked the Rapporteur to mention the meeting with the International Chamber of Commerce in the Report.

5. Consideration of the Report of the Drafting Sub-Committee
(Continued)

Article 9

Paragraph 1 was accepted.

In paragraph 2 the second sentence was amended to read, "These Members alone shall have the right to vote".

Paragraphs 3, 4, 5, 6 and 7 were accepted without alteration.

Mr. BEYLSVELD (South Africa) asked if the expenses referred to in paragraph 3 were the administrative costs only.

The CHAIRMAN answered that it was meant to refer to all expenses including the cost of administering the Commodity Council.

Paragraph 8 was then accepted

Article 10 was accepted

Article 11 - Settlement of Disputes

The CHAIRMAN directed the attention of the delegates to the latest version of the draft text of Article 76.

Sir Gerard CLAUSON (United Kingdom) said that the revision of Article 76 by Committee V was entirely satisfactory and would permit the removal of the brackets round the phrase "subject to the provisions of Article 76" in paragraph 1.

Mr. SCHWENGER (United States) favoured the substitution of "ruling" for "finding" in the last sentence of paragraph 1, and this was agreed.

It was also decided that, in view of the revision of article 76 of the United States Draft Charter, paragraph 2 of Article 11 of Chapter VI could now be omitted, provided that the words, "or arising out of its operation", were inserted in line 2 of paragraph 1 after the word "agreement". It was agreed to do this.

Articles 12 and 13 were accepted.

Article 14

Mr. BALU (Czechoslovakia) asked the Chairman whether the phrase "solely to the equitable distribution of commodities in short supply" in Article 14 was not inconsistent with paragraph 6 of article 2.

The CHAIRMAN answered that it was not. The words in article 14 only meant that arrangements dealing exclusively with the allocation of a limited supply, often arising from the emergency situation created by the war, were not subject to the provisions of Chapter VI.

Mr. JOHNSON (New Zealand) favoured provision in paragraph 1 for seasonal products, and suggested that the words "short supply" in this paragraph should be followed by "or to regulate the flow of commodities subject to seasonal production".

Mr. MCCARTHY (Australia) said that, if such a clause were included, designed to spread shipments over periods, mention would have to be made of the importers' consent, in view of the decision that consumers and producers should have adequate representation.

The CHAIRMAN said the draft text of Chapter VI had been drawn up to form general rules for commodities. If an attempt were made to explain seasonal commodities, other commodities with special problems would require mention.

He suggested that the draft report should include an explanation that the text did not attempt to deal with the peculiarities of individual commodities.

Mr. SCHWENGER (United States) called the attention of the Committee to an error in drafting. The word "agreements" in paragraph 1 and 2 should read "arrangements".

Subject to these amendments paragraphs 1 and 2 of Article 14 were accepted.

Article 15.

Mr. GUERRA (Cuba) said that attention should be paid in drafting the Spanish text of paragraph 1, as in Spanish "agricultural product" referred only to the produce of the soil and did not include livestock.

Mr. MELANDER (Norway) wanted to reserve his delegation's position as to the inclusion of fish and fisheries products in the term "agricultural". He stated that his delegation interpreted the word in a stricter sense as applying only to products of the land.

The CHAIRMAN said that the attention of the Interim Drafting Committee would be called to the fact that the term "agricultural" was used in the widest possible sense. Mention would, however, be made that one delegation objected to fish and fisheries products being included in the definition of agricultural products.

Paragraphs 1, 2 and 3 were accepted.

Mr. HALL (United Kingdom) said that in paragraph 4 his delegation had wished the last two words "or prices" to appear in brackets; but in view of the concessions that had been made by other delegates and in the interests of submitting a clean document to the Preparatory Committee, they were prepared to forego this stipulation, subject to the brackets being removed from Article 1 and paragraph 4 of Article 2.

Mr. SCHWENGER (United States) agreed to the removal of the brackets in Articles 1 and 2. He welcomed Mr. Hall's remarks.

Mr. WORMSER (France) and Mr. DEUTSCH (Canada), supported the deletion of brackets in Article 1, paragraph 4 of Article 2 and paragraph 4 of Article 15 which meant the elimination of all brackets from the text.

Mr. HALL (United Kingdom) suggested the re-wording of paragraph 4 of article 15 as follows: "a regulatory agreement is an intergovernmental commodity arrangement involving the limitation of production, export or import of a commodity or the regulation of prices."

Mr. MCCARTHY (Australia) suggested that the word "limitation" be replaced by the word "regulation". His suggestion was accepted.

Mr. SCHWENGER (United States) reverted to paragraph 4 of article 2. The phrase "over a period of time" was unnecessary and could be deleted. This was agreed.

6. Consideration of United Kingdom Draft Resolution to the Preparatory Committee

Mr. HALL (United Kingdom) said that in an earlier discussion, reference had been made to the period intervening between the end of the work of the Preparatory Committee and the establishment of the ITO. The United Kingdom draft resolution recommended that if, during this time, governments engage in negotiation of commodity arrangements, they should act in conformity with the results of the Preparatory Committee's discussion even before the establishment of ITO. Further, the resolution proposed that the Executive Secretary should keep in touch with any intergovernmental consultation or action which was taken during this period.

Mr. WILCOX (United States) was in agreement with the substantive matter of the resolution, but suggested certain changes in the wording which were accepted.

Mr. GUERRA (Cuba) said that, in view of the fact that some amendments of the Cuban delegations were not adopted, Cuba could not endorse the United Kingdom resolution.

Mr. MCCARTHY (Australia) and Mr. de VRIES (Netherlands) agreed with the principles of the resolution, but would have preferred to see more positive action proposed.

The resolution was accepted, in modified form, one delegation dissenting, for presentation to the Preparatory Committee.

7. Draft Report on Committee IV

Outline of Work by the Committee.

The CHAIRMAN said that the first six paragraphs of this report, Document E/FC/T/C.IV/10 contained the historical account of the work of the Committee. The Rapporteur would be required to insert mention of the Sub-Committee's meeting with the International Chamber of Commerce, and of the specific international commodity arrangements dealing with sugar, tea, tin and rubber, particulars of which had been circulated to the Committee.

Mr. WILCOX (United States) said that he had several minor drafting suggestions to submit; but he approved the general shape and form of the report.

Mr. CHANG (China) considered that the phrase "strictly limited" in paragraph 5 on page 4 was unnecessary.

It was agreed to omit the word "strictly".

Mr. DE VRIES (Netherlands) said that several minor additions were required to conform with what the Committee had decided at its present meeting.

The CHAIRMAN asked the Delegates from the United States and the Netherlands to assist the Rapporteur in preparing the final text in accordance with the changes agreed in the draft chapter.

The CHAIRMAN proposed that the next meeting should be held at 5 p.m. on 20 November. This was agreed.

8. The meeting rose at 6.15 p.m.
