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DRAFTING COMMITTEE OF THE PREPARATORY COMMITTEE OF THE
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT

SUMMARY RECORD OF THE SIXTEENTH MEETING

Held at Lake Success on 7 February 1947, at 10:30 a.m.

Chairman: H. E. M. Eric COLBAN

1. Reconsideration of Paragraph 7 of Article 51 (Document E/PC/T/C.6/W.46).

The United States Delegate stated that he would prefer to restore the words "full publicity" in the text and to add at the end of the paragraph the following words: "and periodically to the operation of the arrangements."

The Canadian Delegate stated that the words "full publicity" might entail publicity before an arrangement began operating, and he was opposed to that.

The United States Delegate answered that it was not the negotiations, but only the results and conclusions of negotiations which would have to be publicized.

The CHAIRMAN agreed with the United States Delegate's interpretation of the words "full publicity".

The Netherlands Delegate stated that the last sentence of paragraph 3 of Article 48 would answer the point raised by Canada: this Article deals with the stages before the agreement is reached and states that the findings and recommendations of the Study Group shall be transmitted to Members.

The Delegate for Canada stated that he was prepared to accept the words "full publicity", provided that the record showed that full publicity of verbatim statements would not be necessary before the conclusion of an arrangement.

The CHAIRMAN and the Delegate for China supported the text submitted by the United States and it was agreed by the Committee to accept it.

2. Consideration of Article 52.

(a) Paragraph 1.

(i) Consideration of the Cuban Proposal (Document E/PC/C.6/W.52).

The Cuban Delegate stated that in reading the London text of this paragraph, it seemed as though the hardship would already have to exist in order that a commodity arrangement might be concluded. He added, nevertheless, that Cuba could agree to the text submitted by the United States.

(ii) Discussion of the United States Proposal.

The United States Delegate stated that in his opinion the London text contained an ambiguity which could be remedied by changing the sequence of the ideas. The meaning of this paragraph was not that a burdensome surplus situation would not in the absence of governmental action be corrected by normal market forces alone, but, rather that governmental action would be used to alleviate hardships to producers.

The FAO Observer considered the United States redraft an improvement, because it made clearer the fact that a "preventive agreement" may be concluded. He thought, nevertheless, that the draft could still be improved and submitted the following text to that effect:

"A burdensome surplus of a primary commodity has developed or in the absence of appropriate governmental and inter-governmental action is expected to develop, which surplus would cause serious hardship to producers among whom are small producers who account for a substantial portion of the total output and that these conditions cannot be corrected by normal market forces alone in time to prevent such hardship, because characteristically, in the case of the primary commodity

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concerned, a substantial reduction in price does not readily lead to a significant increase in consumption nor to a significant decrease in production."

The United States Delegate considered this an important substantive change.

The Netherlands Delegate stated that he accepted the United States draft on condition that the words "in time" should be included in the seventh line after the word "alone". He also suggested that as a matter of consistency the word "product" should be replaced by "commodity".

The South African Delegate was impressed by the point presented by the FAO Observer and stated that the Article as it stood was drafted from the point of view of the producers and the Report should fully represent the consumers' side as expressed by the FAO Observer.

The CHAIRMAN closed the discussion and referred the matter to an ad hoc Committee composed of the Delegates from Chile, Cuba, the Netherlands, United States and the representative of the FAO.

(iii) Discussion of the Proposal Made by the Chilean Delegation (Document E/PC/T/C.6/W.41).

The Delegate for Chile stated that his country had submitted an amendment in London which failed to receive due consideration because of the lack of time. The purpose of the Chilean amendment was to increase the importance of small countries, Members of ITO, as distinct from small producers. He stated that the well-being of a country may be adversely affected even in the absence of small producers.

To the question of the CHAIRMAN, whether the Chilean amendment was agreeable to the Committee, the Cuban Delegate

/answered

answered that as a substitute to the present paragraph 1, he could not accept it, but that he could give it consideration as an addition to paragraph 1.

The Netherlands Delegate stated that the points raised by the Chilean Delegation were covered by the last four lines of paragraph 2 of Article 52 and by the addition of the words "or under-employment" after the opening words of paragraph 2 "widespread unemployment".

The Delegate of the United States stated that the Chilean amendment constituted a substantive change because it would make possible the conclusion of arrangements any time the economy of one or more Member countries was affected, regardless of the other conditions.

The Delegate for the United Kingdom was of the opinion that the Chilean amendment had a limiting effect; it implied that the countries concerned must represent "a substantial production of the total output". He asked the Chilean Delegate whether this was intended.

The Chilean Delegate stated that it was not, and that he was willing to delete the words referred to by the United Kingdom Delegate.

The Observer from the FAO was of the opinion that paragraph 1 applied to basic agricultural products produced mainly by small producers, whereas paragraph 2 applied to mineral products produced by large corporations. It was rather to this second paragraph that the Chilean amendment referred and therefore, it should not be considered under paragraph 1. The Chilean Delegate answered that the proposal was meant to apply to agricultural products too.

The Delegates from the Netherlands, Belgium, and the

/United States

United States agreed that the Chilean proposal should not be considered under paragraph 1.

The Committee decided not to include the Chilean proposals in paragraph 1, and the CHAIRMAN referred the problem of giving expression to the Chilean amendment in paragraph 2, to the ad hoc Sub-Committee.

(b) Paragraph 2.

The United States Delegate was of the opinion that the words "in the absence of specific governmental action" were meaningless. He also suggested that the word "marketing" be replaced by the word "market".

The Cuban Delegate stated that his understanding was that only in the absence of effective governmental action, was a commodity arrangement necessary.

The Netherlands Delegate's understanding was different. In his opinion, governmental action was inconsistent with the purposes of the Charter.

The CHAIRMAN, after some discussion, referred the matter to the ad hoc Committee and asked that it present its findings at an early date.

(c) Paragraph 3.

The United States Delegate explained that the amendment contained in document E/PC/T/C.6/W.46, was based on the fact that commodity arrangements concerning synthetic products should be more difficult to conclude than those for primary commodities. The text as it stood presently was ambiguous and might be interpreted to mean that arrangements for synthetic products could be concluded without a burdensome surplus or widespread unemployment being expected or present.

The CHAIRMAN, and the Delegates for the Netherlands and China supported the United States point of view, stating that the verbatim records of the London Conference showed an intention similar to that of the United States draft.

/The Delegate

The Delegate for New Zealand asked whether this new text would prevent an agreement on synthetic rubber.

The United States Delegate answered that the rubber problem, whether synthetic or natural, should be treated in the light of paragraphs 1 and 2.

The Delegates of Australia and New Zealand wanted the inclusion of the United States amendment within square brackets.

The Committee agreed to include the text as suggested by the United States Delegate.

3. Consideration of Article 53.

(a) Paragraph 1

The United States Delegate explained the reason for the deletion which occurs in document E/PC/T/C.6/W.46; the procedure of direct negotiations should not be under the heading of principles, but, rather be included in Article 49 and should only refer to the Study Groups and not to the commodity conferences.

The Cuban Delegate made it clear that his Delegation was opposed to any deletion, as this was the smallest possible escape clause to which Cuba would agree. He was supported by the Delegate for Brazil, and it was decided to maintain paragraph 1 as it stood in the London Report.

(b) Paragraph 2 of Document E/PC/T/C.6/W.46 (Paragraph 4 of the London Text).

The Committee considered the Cuban suggestion (document E/PC/T/C.6/W.52) proposing the inclusion of the words "stable price, remunerative to efficient producers".

The United States Delegate was opposed to the word "stable", as this implied the use of a buffer stock. With the Canadian Delegate, he preferred the word "reasonable" to the word "stable" because it was more flexible, and called attention to the note on page 20 of the London Report dealing with the word "reasonable".

/It was

It was agreed by the Committee to include the Cuban suggestion within the text of this paragraph in square brackets.

(c) Paragraph 5

The Cuban Delegate stated that in document E/PC/T/C.6/W.52, his Delegation proposed to delete the word "economically" because it emphasized a low price, rather than a remunerative price which was the aim of Cuba.

The Indian Delegate stated that he considered the London text a fair compromise, and wanted to maintain it.

The FAO Observer pointed out that the same question has come up at Washington during the meeting of the Preparatory Commission on World Food Proposals and that it has been decided to use the words "most effective utilization of the resources of each country".

The Delegate for France stated that in the French text the word "economically" was expressed by "aux prix les plus bas", which was identical with "dans les meilleures conditions d'efficacite".

The Committee decided, (1) to leave both words "effectively" and "economically" in the text, and (2) to include in the Report the explanation of the word "economically" given by the CHAIRMAN, i.e., that it "does not mean cheaply, but, with due consideration to all economic aspects of the matter", and (3) to change the French translation of the word "economically".

(d) Paragraph 6

The Cuban Delegation submitted a change in this paragraph contained in document E/PC/T/C.6/W.52. The opinion of the Canadian and United States Delegates was that the Cuban change would weaken the Article, and therefore they were opposed to it.

The CHAIRMAN and the Belgian Delegate emphasized the fact that the aim of a commodity arrangement was not necessarily to find a solution within five years, but to achieve a substantial progress within that time limit.

The Cuban Delegate explained that the intention of the Cuban redraft was to bring out the fact that the word progress here does not necessarily mean a step forward, but may be understood to mean the maintenance of status quo or the prevention of the deterioration of conditions.

In view of the opinion of the Committee, it was decided to maintain provisionally the London text and refer the drafting question to the Legal Drafting Committee.

(e) Paragraph 4 of Document E/PC/T/C.6/W.46 (Article 51, Paragraph 4 of the London Report).

The United States proposal of paragraph 4 involved two considerations: the change in the text; and a change in the place of the text.

1. Change in the Text

The Cuban Delegate was of the opinion that the United States redraft was an improvement on the London text, because he did not think that the intention of the Preparatory Committee was to include countries which are not substantial exporters or importers.

It was the Canadian Delegate's opinion that not to give a vote to Producers and Consumers was opposed to the intention expressed in London.

The Indian Delegate concurred in that opinion.

The United States Delegate stated that the intention of his Delegation was to give an equal weight and voice to groups of somewhat opposed interests and that the interests of the third group, i.e., producers who at the same time consume the product, will be taken into account anyhow in the individual agreements.

The Cuban Delegate suggested the formation of a sub-committee to dispose of this question. In his opinion it was never the intention of the Preparatory Committee at London to establish a third group.

The CHAIRMAN suggested that the Delegates for Cuba, France,

/Canada

Canada and the United States should discuss informally the problem of how to deal with countries which are both exporters and importers of a commodity and countries substantially interested in the production and consumption of a commodity, but not in its import or export. He stated that the Report should include that the problem has been considered by the Committee and that a considerable opinion for the deletion of the third group has been found.

2. Change in the Place of the Text.

From Article 51, paragraph 4 of the London Report, to Article 53, paragraph 4.

The Australian Delegate considered this a change in substance; and referred to a note on page 20, Section B, paragraph 4 of the London Report which states that in London there has been "agreement on certain general principles which should apply to all commodity arrangements". He nevertheless, stated that he agreed with this change.

It was finally decided to accept the change in place, with Australia, Canada and the United Kingdom reserving their position.

The Delegate for the United Kingdom explained his attitude by stating that the export position of a country is fortuitous; a country exporting a commodity one year might import the same commodity the following year and therefore it may well be asked whether consumption and production are not a better criterion for participation than importation and exportation.

The Delegate for France concurred in this opinion.

The meeting adjourned until Saturday, 8 February 1947, at 10:30 a.m.
