

GENERAL AGREEMENT ON TARIFFS AND TRADE

CONTRACTING PARTIES
Tenth Session

Page 135

SUMMARY RECORD OF THE THIRTEENTH MEETING

Held at the Palais des Nations, Geneva
on Tuesday, 15 November 1955, at 2.30 p.m.

Chairman: H.E. Mr. L. Dana WILGESS (Canada)

Subjects discussed:

1. Hawaiian Egg Regulations
2. Commodities

1. Hawaiian Egg Regulations (L/411 and Add.1)

The CHAIRMAN referred to the complaint by the Government of Australia regarding a bill enacted in Hawaii requiring that retail establishments display a sign reading "we sell frozen eggs" if they were retailing eggs imported from abroad. The Australian Government believed that this enactment was contrary to Article III:4 and could not be justified under Article IX.

Mr. WARWICK SMITH (Australia) said that since their complaint had been submitted they had learned that this measure was under consideration in the courts. While Australia considered the measures contrary to the spirit and letter of the Agreement and felt it would have serious implications for Australian trade, they did not believe it would be profitable to pursue the matter until the outcome of the court case was known. He suggested that the subject might be raised again at the end of the Session or at the Intersessional Committee if it proved necessary.

Mr. LEDDY (United States) said that when his Government had first heard of the matter they had raised the question with the Governor of Hawaii but the bill had already been signed. Without entering into the question of whether or not the measure was contrary to the Agreement, he agreed with the Australian representative that it would be best to defer any consideration until the outcome of the case before the courts was known.

Mr. HOCKING (Canada) wished to emphasize the importance Canada attached to this question regarding which they shared the view of the Australian representative, although they also agreed that nothing could usefully be done at present.

The CHAIRMAN said that this item would be left in abeyance pending the outcome of the court case on the Hawaiian legislation, and it would be open to the Australian delegation to raise the matter either during this Session or at the Intersessional Committee.

2. Commodities (L/416)

Mr. PETER (France) Chairman of the Working Party, introduced the report of the Working Party (L/416). The Working Party had been established on 22 December last year to consider proposals regarding the principles and objectives which should regulate international action to overcome problems arising in the field of international trade in primary commodities. At the first session of the Working Party, it being understood that the delegates were speaking as experts, considerable liberty of discussion was left to each one. At its second session, the divergencies of views were more apparent and the draft agreement contained reservations, some of which were of considerable importance. All members of the Working Party were fully conscious of their responsibility. Ever since the end of the last war certain governments had been attempting to find a solution to these problems, which were particularly tragic for underdeveloped countries where price fluctuations were immediately felt by producers who had no means of defence and who were sometimes reduced to misery by abrupt depressions in the markets. His own personal experience of these problems and of the efforts to try and maintain a more or less stable standard of living in underdeveloped areas of Africa made him particularly interested in all efforts to organise international commodities trade. He had been distressed when Chapter VI of the Havana Charter had received only endorsement in principle by the Economic and Social Council. The present work by the CONTRACTING PARTIES gave grounds for hope, but the difficulties remaining were considerable. It was in the interest of underdeveloped countries to obtain ratification of the special agreement which would give their populations a certain guarantee of stability of prices, as it was equally in the interest of other countries to organize the international market in primary commodities. Mr. Peter thought that despite the reservations which had been expressed, the CONTRACTING PARTIES had here an exceptional opportunity to draw up an agreement on one of the fundamental problems of the international economy. If they did not take this opportunity it might well be asked, after all the previous setbacks, how any new procedure was to be envisaged. A heavy responsibility was thus implicit in the examination of this problem. The text prepared by the Working Party gave a glimmer of hope to those concerned with present and future difficulties in commodity trade.

The CHAIRMAN said that both the position taken by delegations in the Working Party at the close of the Working Party session in September and the views expressed informally by a number of delegations during the present Session of the CONTRACTING PARTIES made it clear that there were three or four issues that represented the only important differences between most contracting parties concerning this draft. If the rough outlines of a solution to these issues could be found during the present Session the path to an agreement in the fairly near future would be relatively easy. If solutions to these problems

could not be found, the many differences on minor drafting points would be irrelevant. He suggested that a detailed examination of the draft Agreement would be premature before the CONTRACTING PARTIES could see clearly the lines of an acceptable resolution of the major problems and suggested that representatives concentrate on those issues which they considered most important. If it appeared that there was likelihood of agreement being reached, the procedure to resolve the minor differences of substance and drafting that remained could then be considered.

Mr. PHILIP (France) recalled that his Government had continually shown great interest in the elaboration and putting into effect of international rules and a mechanism to stabilize and regulate commodity trade. The Working Party had settled a number of difficulties and, while there were still many obstacles, the report had succeeded in clearly defining and establishing what they were. His Government's interest in the question of primary products arose out of France's position in the production, consumption and trade of these products. The note on statistics in trade of primary commodities (L/428) showed France and Dependencies in the third place for the import and export of primary commodities after the United Kingdom and the United States. United Nations statistics showed France in the second place for iron-ore, phosphates, nickel, meat and sugar, in the third place for aluminium, potassium, coffee and oilseeds, milk and butter and in the fourth place for wheat and rubber. France was the largest importer of coal and electric power, the second importer of butter, flour, fruits, vegetables, coffee, silk and tin, the third for dried fruits, leathers, oils, etc. It was the first exporter of iron, the second for petroleum products, natural gas and fertilizer, the third for electric power and wheat, and so on. France and Dependencies were the second largest consumers of coffee and bananas, the third in respect of wool, the fourth in respect of rubber, nickel, copper and iron and so on.

France was thus conscious of the importance of stabilizing prices of primary commodities not only for industrialized countries but for countries in the course of development whose economies were particularly vulnerable to violent price fluctuations and whose populations felt their effects all too immediately. Many of these countries were now in the conditions which Europe had known at the beginning of the nineteenth century and the assistance of more industrialized countries could be helpful if only to give the benefit of technological knowledge and to try to avoid some of their errors. It was to be hoped that perfection of technique in an underdeveloped country would be used less to exploit the cheapness of labour in such a country than to create an internal market and increase the standard of living of their populations. Many of these countries would always remain exporters of a few primary commodities and it was of course the instability of the prices of those commodities that made it so difficult to establish any programme of economic development, besides having most serious effects on the standard of living of those countries. When their exports increased the result was an increase of income for the minority, often a foreign minority, engaged in the sale of those products. The additional income was not spread throughout the economy

but led to increased imports of luxury goods and a heightened demand for national products which, in turn, led to rising prices. When exports decreased, budgetary receipts were threatened, factories closed, the situation of the population deteriorated and there was a return to local closed economies. As the capacity to absorb equipment varied little from one year to another this instability upset all calculations of cost and impeded the carrying out of any programme of economic development. It was thus indispensable to conclude international agreements to limit these violent fluctuations in the long term and establish a minimum stability which would permit a calculation of the real capacity for imports. Unfortunately, until now, as the result of the indifference of those interested, all efforts to stabilize commodity prices had been unsuccessful and world prices were, in fact, determined by the development of American demand. It was the fluctuations in the United States and the measures which were taken there to maintain full employment, which led to variations in the rest of the world which stood in the way of economic development. International action was essential to regulate the exchange of primary commodities and although such action would not in itself resolve the problems of economic development, it could contribute to their solution. All underdeveloped and all industrialized countries should participate in this effort. The United States Government had stated its view that prosperity in the United States was the best guarantee of stability for the countries which were suppliers of primary commodities, but the free play of the market and a situation of full employment of manpower and resources in any country, no matter how powerful, was not always favourable to producers of primary commodities and he hoped that the United States would re-examine the matter and join in the collective effort.

The French delegation considered that international control of commodity prices must not be exercised by private associations of producers or consumers, i.e. cartels, but must be public control. The SACA would not be empowered to regulate restrictive cartel practices and unfortunately it appeared that the work of the Economic and Social Council toward an international agreement on restrictive business practices would not soon come to fruition. It was therefore the more necessary to institute public control over commodity trade. In so far as governments acting collectively declared their interest in the problem and took effective measures to resolve it, the autonomy of private associations would be restricted and limited. Economic history showed that the practices of such associations were not to be trusted. It was for that reason that he was generally in favour of the draft Agreement drawn up by the Working Party and particularly of the mechanism provided to assure its application.

Among the objectives of the Agreement was the preparation and conclusion of arrangements designed to prevent the development of accumulations of stocks and to ensure the equitable distribution of commodities in cases of shortage. Those provisions were inspired by the concern to arrive at an equitable treatment of both producers and consumers. They were fundamental principles from which the Agreement must not depart. In that connexion he wished to refer to the question of votes in the Commodity Councils. Article XV laid down the principle of equal voting, a principle which must be clearly set out. On the other hand, it was

necessary that departures from that principle should be permitted to a negotiating conference if there were valid reasons for so doing. For example, the Olive Oil Conference had decided that the producers should have 85 per cent of the votes. While the final decision must rest with the Assembly, it was possible that the relationship between producers and consumers in a negotiating conference could lead to an inequitable distribution of votes, and that the weaker group might be tempted to accept unjust treatment rather than let the conference fail. In such a case, the Assembly should be able to intervene to modify the distribution of votes. On the other hand, to avoid the possibility of prolonged conflict between the Assembly and a negotiating conference or, in the case of a disagreement, of signatories of the Special Agreement not participating in the negotiating conference being forced to play a preponderant rôle in such matters, he would propose that all studies by a negotiating conference of the distribution of votes be made in consultation with the Standing Committee, and that the Assembly be able to disapprove the distribution of votes adopted by a negotiating conference only by a two-thirds majority.

The provisions of Article III:4 of the draft showed the concern of the drafters to defend the interests of both producers and consumers in periods of shortage or surplus. Failures of conferences brought about by whichever group the existing state of affairs favoured must be avoided. But if agreements were permitted between producers in periods of shortage or between consumers in periods of surplus, the SACA would lose all of its effectiveness at the very time when the application of its principles and pursuit of its objectives would be a most urgent need. Although the text tried to remove the possibility of either producers or consumers grouping themselves separately in such conditions, its wording vague and the French delegation would prefer that the formula that appeared in paragraph 12 of the report be included in the Agreement.

Finally, there was a question which neither the draft Agreement nor the Working Party report had covered completely, concerning the relation of the Special Agreement to other intergovernmental organizations having responsibilities in the field of commodities. With regard to ICCICA, it was not for the CONTRACTING PARTIES to decide its fate. However, part of its functions had been transferred to the Economic and Social Council Commission, which drew up an annual report and quarterly bulletins of production, consumption and trade in commodities. The draft Special Agreement provided that the SACA should exercise precisely the powers which remained to ICCICA and it would therefore be necessary to inform the Secretary-General of the United Nations that the CONTRACTING PARTIES had acted with the view that if SACA took over the functions of the ICCICA, the latter organization should be liquidated. As far as the Council Commission and the FAO were concerned, there would be no question of overlapping if it were agreed that the SACA's rôle was principally an executive one, and that its function would be to convoke study groups and negotiations conferences and to co-ordinate the activity of commodity organizations. The SACA would also have a sort of appellate jurisdiction in the matter of the conformity of different agreements with the General Agreement. It must be recognized that the United Nations and FAO secretariats consisted of a large and specialized personnel which for many years had been occupied with the task

of making studies, etc. That difficult and costly task should be left to those organizations, and there should be no overlappings in that field by SACA, while still leaving to the latter the possibility and means to carry on any studies which it found necessary.

There remained the problem of the relations with the GATT. It had been recognized that a real link should exist between the two organizations because of the obligations which certain signatories of the Special Agreement would have contracted under the General Agreement, and it was unthinkable that participation in SACA could be considered as a method whereby certain contracting parties could fail to confirm to the GATT. On the institutional level, on the other hand, the French Government considered that the principle of the autonomy of the SACA must be clearly stated. The draft Agreement provided that SACA should have a separate budget and left to the Assembly the decision as to whether it should use the secretariat of another organization. Such a decision could not mean that the SACA would entrust the GATT with providing its secretariat and the contracts referred to in Article XV could only permit the Assembly to assure the collaboration for a definite period of officials of the United Nations, FAO, GATT or any other competent organization, but on an individual basis. The text should be amended to avoid any ambiguity. The autonomy of SACA was necessary to permit it to acquire the universality necessary to give it authority in the pursuit of the objectives of the special Agreement.

It was also evident that economic communities were totally different from commodity agreements. The object of the latter was to organize production, consumption and trade so as to assure a certain stability of prices. Economic communities, on the other hand, were conceived and organized not to control the trade between member countries, but to ensure freer communication between them and, in principle, to abolish all barriers of customs, quotas or administration that could hamper such communication. Such treaties as the European Coal and Steel Community had strict provisions relative to prices, but the control exercised over prices was different from that provided in a commodity agreement which operated by means of production or consumption limitations or by obligations to buy or sell when prices reached certain upper or lower limits. In economic communities, neither production nor consumption were submitted to any arbitrary limitation; the price control was an administrative control, exercised, as in the national economy, by public bodies to which certain powers were delegated. The essential aspect of economic communities which was lacking in commodity agreements was that the former instituted common organs with limited but real powers within which they acted in the same manner as a national government or administration. The French Government held that economic communities must be outside the control of the SACA and insisted that an exception to this end be contained in the text of the Agreement. Such an exception would simply exclude economic communities from the sphere of competence of the SACA. The only problem naturally was to define economic communities as precisely as possible, but that was a technical question which he would not now enter into. A proposed alternative exception for regional arrangements to that contained in Article XI(c) of the draft was circulated as I/453.

Mr. SANDERS (United Kingdom) referred to his statement, when the United Kingdom delegation had originally proposed the establishment of the Working Party, that it was their conviction that the method outlined in Chapter VI of the Havana Charter was the right approach, that any framework for international commodity arrangements should be related to that of commercial policy as a whole, and that effective action was most likely to be achieved through a new agreement closely related to the GATT. They envisaged that signatories of the new agreement, both contracting parties and non-contracting parties, would undertake to cooperate among themselves and with the CONTRACTING PARTIES, and would join no commodity arrangements except under its auspices. To the extent that this view had found expression in the draft, the United Kingdom considered the right lines were being followed. The draft, however, had to reconcile widely divergent views and the contractual obligations embodied in it were less strict than those of the Charter, and the links with the CONTRACTING PARTIES more tenuous than they had originally thought desirable. A complete reservation by his Government had been made to the exception for regional arrangements (Article X:1(c)), which appeared to them contrary to one of the vital principles of the Agreement - that the negotiation of commodity arrangements should be open to all signatories substantially interested in the commodity in question. If this Article were to remain the United Kingdom would oppose the Agreement and do its utmost to secure its disapproval by the CONTRACTING PARTIES. The United Kingdom understood the concern expressed by the French delegate that the special Agreement should have no control over schemes whose true purpose was economic integration, but they saw difficulty in ensuring that an escape clause in favour of something which could not reasonably be regarded as a mere commodity arrangement would not be used in favour of something which could, and in their view the only solution was to rely on those provisions of the Agreement which permitted exceptional action subject to the right of the signatories to satisfy themselves as to the nature of any scheme before it entered into force.

If Article X:1(c) were to be deleted the United Kingdom would be prepared to regard the draft as generally a satisfactory body of rules which could be recognized formally by the CONTRACTING PARTIES. They would be prepared to consider minor amendments to meet the views of other contracting parties and some modification of the provision for separate representation of dependent overseas territories if it became clear that the present text on this point constituted the only remaining obstacle to general support. The United Kingdom Government would, however, regard certain conditions as prerequisite for signing it; firstly, that it clearly commanded wide support among the contracting parties, secondly that the Economic and Social Council was prepared to regard the SACA as superseding the ICCICA.

Mr. Sanders thought it was time for the contracting parties to make up their minds whether to try to carry the work through to finality or whether to abandon the effort. The United Kingdom believed the effort was worthwhile, but they wished clearly understood the limits beyond which they could not go.

The full text of Mr. Sanders' statement is reproduced in W.10/12.

Mr. MACHADO (Brazil) said that the problem of commodity trade had not yet been resolved adequately and the situation remained confused. This trade represented nearly one-half of world trade and it was important that its practical aspects and the governmental measures relating to it should be submitted to the obligations assumed under the General Agreement. It could not be denied that the countries producing and exporting commodities were under a handicap in the CONTRACTING PARTIES, in that they had the obligations of adhering to a multilateral policy without the advantages of an equitable multilateral solution in this field. Inability to reach any common action, or idea of action, was clear in the lack of coordination and the incoherent attitude of governments before different organizations. The urgent need to concentrate the various efforts and to follow a single policy had already been clear in 1947 when the Economic and Social Council had created the ICCICA. He recalled that the terms of reference of that body were to coordinate and eliminate overlapping and contradiction but in the event, far from obtaining positive results, the lack of action by the ICCICA had led to a proliferation of organs - even the United Nations had created a new international commodity organization. As an example of lack of coordination, Mr. Machado pointed to the FAO discussion of the problem of surpluses which had been communicated to the press while the GATT, which was discussing the same problem, had made no communication. ICCICA had taken no initiative to coordinate the two lines of governmental action in this field.

Some conclusion must be reached. If the CONTRACTING PARTIES decided that international collaboration to reach a multilateral solution was not possible, then this method must be abandoned in favour of bilateral solutions. The predominance of GATT in the field of commodity trade had been recognized by the fact that it had the responsibility of electing the Chairman of ICCICA and the Brazilian delegation wished to submit certain precise suggestions to be taken into account by this Chairman. The first practical action should be immediate convocation of all the heads of existing intergovernmental organs to establish the procedural bases to avoid overlapping in their various fields. Knowing the resources and work of the United Nations he was sure that positive results were possible. Moreover, it seemed to him that the body which nominated the Chairman of ICCICA should formally take note of the results of its activities, and the Chairman should come before the CONTRACTING PARTIES to inform them of the international situation in commodity trade, particularly as related to the General Agreement. This would in no way diminish the authority of the Economic and Social Council. Finally, the Brazilian delegation considered that the draft report of the Working Party should be transmitted to the ICCICA for consideration. These organizations, which included FAO, the United Nations and the GATT, might be able to produce a single policy out of the existing total confusion. If this were not done these three organizations would continue to work in separate compartments since the ICCICA had not hitherto carried out its rôle of coordinating international activity in this domain.

Mr. VALLADAO (Brazil), referring to the draft Agreement, agreed that the universal aspect of the Special Agreement was of great importance. Moreover, Brazil would only take part if the SACA in fact operated to diminish the existing proliferation of bodies in the commodity field, not if it added to it. Too

close a link to the General Agreement would stand in the way of the objective of universality, as non-contracting parties would hesitate to submit themselves to its jurisdiction. The S.M.C.A. should therefore be in no way subordinate to the General Agreement. The exception for regional arrangements contained in Article X had been the result of a proposal by Brazil, Chile and Turkey. The delegate of France had proposed an alternative clause to which Mr. Valladao would have no objection if it were added to instead of being substituted for the existing clause. Regional organizations were not included in the proposed definition of an economic community. He did not understand the United Kingdom objection to this clause in view of observations they had made at the time of the waiver for dependent overseas territories and the extension of preferences to protect exporters of primary commodities. On the question of separate representation of dependent overseas territories Mr. Valladao had frequently had occasion to state the view of his Government. This situation was contrary to international law and would add to the difficulties inherent in the different status of Signatories, the additional difficulties of weighting the vote. The Brazilian delegation would also want the inclusion of some provision along the lines suggested by the Indonesian delegation permitting exceptional measures for underdeveloped countries in balance-of-payments difficulties.

Mr. WARWICK SMITH (Australia) recalled Australia's support for this attempt, and their view that an agreement on principles for commodity arrangements should be suitably associated with the GATT. They had also affirmed that the principles of Chapter VI of the Havana Charter should be revised in many respects and that the only kind of agreement acceptable to Australia would be one that would facilitate the negotiation and conclusion of individual commodity arrangements.

As conditions affecting the production, consumption, and trade of each individual primary commodity were different, and different countries were interested in different commodities, the only international solution so far devised in this field had been individual international commodity agreements. These had proved difficult enough to negotiate in terms of the problems of the individual commodities and the fact that those which had been negotiated were of different types demonstrated the need for principles to be adapted to the circumstances peculiar to individual commodities. He recalled that Australia had found the Draft Agreement annexed to the Interim Report unacceptable without substantial amendment. The new draft was also unacceptable and the Australian view was recorded in general terms in the present report. While accepting that the GATT was the appropriate forum in which trade aspects of commodity problems might be raised, the present draft in its total effect was more likely to restrict and impede than to facilitate the conclusion of individual commodity arrangements.

Turning to Australia's main objections he said that the draft agreement bound signatories to conclude agreements only in accordance with its provisions thereby requiring them to surrender their rights under the GATT. While not opposed to a 50/50 voting arrangement provided the circumstances were appropriate, his Government opposed any provisions setting up generally and in advance a particular distribution of voting rights. Agreements which involved disproportionate financial commitments, for example, might not lend themselves to 50/50 voting. These arrangements should be a matter for negotiation on the

merits of the case when the actual commodity agreement was being negotiated. The provision in the draft agreement for the Assembly to waive the rule in certain cases was neither adequate nor practical. The draft also contained procedures which were cumbersome and unrealistic. Under one Article the position could arise that the Assembly would dictate to a Commodity Council how to operate a commodity arrangement in a field which in the latter's view was within the terms of the arrangement. Under another Article, commodity arrangements under certain circumstances had to be submitted for approval first to the Assembly and then to the CONTRACTING PARTIES. The procedures for study groups, negotiating conferences and for the approval of the resulting agreement were cumbersome and the escape clauses did not help to simplify the position. In summary, it seemed to his Government that if the present draft were to come into effect there would be scope for delay and frustration. What, on the other hand, could be said to be the advantages of the draft, in return for these restrictive provisions and loss of freedom, toward solving the practical problems of individual commodities? They found a possibility that the conclusion of a special Agreement on these lines, and the establishment of an Assembly, might in some ways contribute to the development of a climate more helpful to those countries which sought practical solutions to the varying problems of individual commodities, but it was difficult to see that overall it would help with the hard realities of a commodity negotiation.

In summary, Australia accepted that trade aspects of international commodity problems might appropriately be raised in the CONTRACTING PARTIES; they felt that no special agreement on commodity arrangements should be endorsed in the CONTRACTING PARTIES which was not likely to command a substantial measure of support. While they could support a special agreement of a simple and flexible kind which did not restrict freedom to conclude commodity arrangements consistently with GATT - the present draft was more likely to hinder than to help the conclusion of actual commodity arrangements. In this connexion he pointed out that the absence of a special agreement had not impeded activity in respect of wheat, sugar, olive oil etc. agreements, but he questioned whether the adoption of the proposed special agreement would facilitate matters for rubber, cotton, tea or other commodities. Moreover, neither the General Agreement in its present form nor as revised required such a special agreement before individual commodity agreements could be negotiated. Although not opposed to an agreement as such, Australia would only support one which, while a positive step forward, would not make the conclusion of commodity agreements more difficult than at present. Failure to accept the present draft did not necessarily mean that no special agreement would ever come into force. His Government could not accept the present draft but did not exclude the possibility of framing a more generally suitable agreement that it might be in a position to accept.

Mr. KLEIN (Germany) said that his Government attached importance to the question under discussion and considered a sound development of the production and distribution of primary commodities to be an essential condition of general economic welfare. He agreed in general with the principles contained in the preamble of the draft Agreement and to most of the principles contained in Article I. In this connexion, he believed that the market forces mentioned in Article I:2(a) would generally be sufficient to promote a sound development of

production and distribution. This seemed to have been the assumption of Article 57 of the Havana Charter and was in conformity with the principles of the General Agreement. It was however apparent that the free play of the market did not always suffice to meet special emergency situations and a number of international arrangements on primary commodities had been concluded in the course of the last decades. Germany was a member of two of these and had also participated in the Working Party on commodities set up at the Ninth Session.

Turning to the report of the Working Party, the differences that had emerged might be explained by an effort at too great detail and to find solutions for all possible cases. If measures and rules were provided for every conceivable case, especially for interventions in trade and control of prices, it would often be impossible to bring such measures into harmony with the legislation of many countries in the field of economic policy, all the more so if it were intended that the number of participants should be very large. A greater simplicity and flexibility was necessary for such an agreement. He agreed on the desirability of creating an organization where commodity arrangements could be examined by experts and which could take the initiative in promoting negotiating conferences. But the procedure should only be put into operation if, there appeared a fair chance that the conclusion of an agreement between a sufficient number of countries was possible and if the commodity concerned was important in world trade. Too much detail had proved fatal to the Havana Charter and should not be repeated.

Commodity arrangements might be contrary to the GATT principles of free trade. and the CONTRACTING PARTIES should therefore have the possibility to review each individual agreement to determine whether an exception under Article was justified. Any special agreement must take into account such economic unions as existed or were being at present considered by different European countries.

Mr. Klein did not find the present draft in a state suitable for submission to Governments at the present time for any final decision. His own Government at any rate would have considerable difficulties in agreeing to it, but it was prepared to participate positively in any further work, recognizing the importance which the commodity problem had for the domestic economy of many countries and their desire that further international cooperation in this field should be undertaken. He proposed that the CONTRACTING PARTIES take note of the draft and the present discussion and that a working party should review it, the whole question to be dealt with again at the Eleventh Session.

Mr. Klein, speaking on behalf of the six member States of the European Coal and Steel Community, referred to Paragraph 11 of the report regarding the implications which the proposed Agreement might have on a community which involved a partial surrender of sovereignty of member governments. This question was left for consideration by the CONTRACTING PARTIES at their present session. In the meantime member countries of the European Coal and Steel Community had examined, in conjunction with the High Authority, the question as to whether, considering the engagements entered into by them under the Treaty constituting the Community and the independent powers exerted by the Community in the field of coal and steel, they would be able to participate in the proposed Agreement or whether legal considerations might prevent adherence in its present form. They had submitted this question to a detailed examination in full consciousness of their responsibilities as members of the Community, which they regarded as the first step toward the progressive integration of the six national economies into one common market, but also anxious not to oppose obstacles to the conclusion of such an Agreement. The Governments of the member States concluded that the proposed Agreement could be applied inter alia to products coming under the Treaty.

In pursuance of the objectives of the proposed Agreement, the organs created by it would be empowered to address decisions and recommendations which could cover the fields of prices, distribution and commercial policy even to signatories which were not parties to an intergovernmental arrangement.

Since the Governments could not act individually in this field either due to the transfer of competence to the Community or due to the engagements which they had undertaken under the Treaty which restricted their liberty of action in the field of commercial policy, they would in numerous cases be unable to comply with the decisions or recommendations of the institutions provided for by the Agreement. Owing to this, and independently of the position taken by each of them in respect of the draft Agreement as a whole as well as in respect of certain parts of it, the member Governments were unanimous in their belief that they must at this stage call attention to the incompatibility between the draft Agreement and their obligations under the Treaty. However, since the Agreement had been drafted in such a way as to make possible the adherence of the largest possible number of Governments, they were convinced that it would be possible so to word it as to take into account the de jure and de facto existence of the Community as well as the engagements entered into by them under the Treaty. It was in this spirit that the member Governments had proceeded to examine the question and that they intended to make appropriate suggestions in due time.

Mr. SWAMINATHAN (India) said that India had always supported the elaboration of principles to serve as a basis for commodity arrangements. It was a member of the Wheat Agreement and had ratified the International Tin Agreement, and these agreements brought benefits to primary producing countries as they had a stabilizing effect on their economies. However, he was struck by the wide disparity in the views of the various countries in this matter. India had its own difficulties and without doubt countries which were not contracting parties would have difficulties. In view of the disparity here, it was all the more necessary to take into account the attitude of non-contracting parties to an Agreement which they had not seen. He felt that the Draft Agreement was not yet ready to be submitted to governments for a final Decision, and suggested that the matter be kept under review, and that further efforts to reconcile the divergent views be made. A final decision should be postponed in the interest of reaching an agreement on general principles.

Mr. WILSON (Canada) said that the attitude of his Government to commodity arrangements was to judge each particular one on its merits. Canada had ratified the Wheat, Sugar and Tin Agreements. They recognized that commodity arrangements had implications in relation to the General Agreement and had accordingly joined in preparing the Draft Agreement which recognized these implications and yet effected a desirable improvement over Chapter VI of the Havana Charter. The Working Party had made considerable progress in limiting the areas of disagreement. His Government's main difficulty lay in the exception for regional arrangements in Article X:1(c), on which their view was the same as the United Kingdom. It was inconceivable that an exception should be made for something that was undefinable and, moreover, there was the matter of principle that participation in a commodity agreement should be denied to no one having a substantial interest in the commodity. On the matter of definition, he thanked the French delegation for their efforts toward precision, but it was still not clear whether their definition was in addition to, or in lieu of, the present text of the clause. If it were the former, the agreement would be in a form which he could recommend to his Government. There was no easy solution to the points at issue and time and further consideration were required. There seemed to him no alternative but to note the report, to keep the subject under review and to include it on the next session's agenda.

Mr. VAN WIJK (the Kingdom of the Netherlands) said that the Netherlands considered valuable the creation of an international forum where primary producing countries could advocate their interests; for consuming countries also international cooperation in this field would be useful and they attached importance to every action which might lead to a justified stabilization of prices and market conditions in the commodity field. Good progress had been made in the Working Party and the draft seemed to them an acceptable basis for further consideration. Regarding procedure, if there appeared to be agreement among contracting parties on the desirability of such an Agreement, non-contracting parties should be given an opportunity to express their views

on the draft in order that as many countries as possible could participate in the Agreement. It could only operate satisfactorily if a sufficient number of countries concerned in this field acceded to it.

Turning to certain aspects of the Agreement itself, he was in favour of a special exception being made for economic communities aiming at a close integration of the economies of a group of countries. A provision was also necessary making possible separate representation in study groups, negotiating conferences and councils for autonomous overseas territories. This was necessary for the overseas parts of the Kingdom of the Netherlands, Suriname and the Netherlands Antilles which, under the Statute of the Kingdom of 1954, were entirely responsible for, and autonomous in dealing with, their economic and financial affairs and were not bound by international economic and financial agreements unless their governments had agreed to them. If they so desired they could, under the Statute, also become members of organizations founded under international law. He was in favour of separate representation for dependent overseas territories and, in recognition of the difficulties this matter caused other delegations, they were prepared to consider other formulae but they wished to be clear that full account must be taken of the special position of Surinam and the Netherlands Antilles.

Mr. RAZIF (Indonesia) thought the new draft an improvement on the original one, although still not satisfactory to his Government. Reference had been made to the main points of disagreement as Article X:1(c) concerning regional arrangements, Article XXIII relating to territorial application, the question of a clause permitting countries in the early stages of development to take special measures in cases of emergency in order to safeguard their economies. But for Indonesia there was another point, Article XIII:5 dealing with voting in the Assembly, which, together with the others, made it difficult to accept the Agreement.

On Article X:1(c) he had not yet been able to study the French proposal. On Article XXIII, his delegation had reserved its position as a whole, in the interest of reaching a solution, was prepared to withdraw the reservation in respect of paragraphs 1 and 2 of that Article and were prepared to consider any proposal with regard to paragraph 3. Might not a system of associate membership be a solution? Concerning his delegation's proposal for the inclusion of a clause in favour of special emergency measures by the under-developed countries, he stressed that these countries were more vulnerable than industrialized ones when economic difficulties arose. This view had been reflected in the United Nations Report on Commodity Trade and Economic Development of 1953. The proposed clause was necessary to ensure long term stability in the economies of such countries and his own regarded it as essential. With regard to Article XIII:5, a procedure of one vote per signatory and decisions by majority was acceptable only for procedural matters and questions of interpretation where substance was not involved. For substantive matters, the voting powers should be divided fifty-fifty between

producers and consumers as in other commodity arrangements. The discussion had shown a wide divergency of opinion on the draft agreement, and it seemed therefore too early to submit it to governments. He therefore suggested that the draft continued to be discussed, not only by contracting parties but also by other countries interested in commodity arrangements.

Dr. VARGAS GOMEZ (Cuba) said that his Government supported an agreement to deal with the difficulties in this field and was prepared to subscribe to an agreement along the lines of the draft annexed to the Interim Report (L/328). However, some important amendments had since been made in the text, and his Government had not yet had the necessary time to study them. It was seriously concerned with the suggested amendment concerning separate representation of dependent territories, and could not understand the position of certain metropolitan countries on this. The constitutional argument had been advanced. He was well aware of the requirements and limitations set by constitutional factors and did not question the good faith of such an argument, but why had these difficulties not arisen before in relation to the General Agreement? The latter's provisions covered trade in commodities as well as other items. This was a matter requiring further investigation. He supported continued work at this Session, he hoped by a working party with the object of resolving the differences.

Mr. CHRISTIANSEN (Denmark) said that this matter was complex, especially for a country like Denmark which was a commodity producer only to a limited extent. A settlement was desirable for both consumers and producers, although there were dangers in stabilizing arrangements of too high prices detrimental to consumer interests and ultimately, through a decline in consumption, to the producer. Moreover, commodity agreements, through quota and other restrictions, could hamper natural development and lead eventually to a lower standard of living.

The draft was disappointing and the link provided between the CONTRACTING PARTIES and the SACA unsatisfactory. His Government was prepared, however, to accept it, even with hesitations, except for the exception in Article XI(c). This did not mean that under no circumstances would they support exceptions for regional arrangements but they should only be allowed under the procedures of Articles III and V. If that clause were deleted, his Government expected to be able to support the draft agreement, provided the majority of contracting parties were in favour of it.

It was agreed to resume this discussion at the next meeting.

The meeting adjourned at 5.15 p.m.

