

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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Tenth Session

Page 151

## SUMMARY RECORD OF THE FOURTEENTH MEETING

Held at the Palais des Nations, Geneva,  
on Wednesday, 16 November 1955, at 2.30 p.m.

Chairmen: H.E. Mr. Fernando GARCIA OLDINI (Chile)  
Mr. Paul KOHT (Norway)

Subjects discussed:

1. Commodities (cont'd)
2. Transport Insurance

### 1. Commodities (cont'd)

Mr. de BESCHE (Sweden) said that his Government appreciated and understood the efforts which were being made to stabilize commodity markets and considered that valuable work had been done by the Working Party. However, Sweden was not convinced that prevailing conditions made necessary or practicable international measures within an elaborate framework, as proposed in the draft Agreement. Such a framework could give rise to problems in the economic policy of countries with free markets who could not give the guarantees necessary for the operation of commodity agreements. Moreover, his Government felt that if such agreements became common they might lead to rigidly detrimental both to producers and consumers. There were other questions raised by the draft Agreement with which his Government was not satisfied, among which was the provision for regional arrangements. Moreover, the wide divergency of views on this matter showed that there would be no assurance of the participation of all major producers and consumers which was essential to the proper functioning of the Agreement. It seemed to him wise to give this matter further consideration. The sheer magnitude of the problem made it essential not to arrive at rushed conclusions and he favoured deferring it for further consideration to the Eleventh Session.

Mr. RUSHMERE (Federation of Rhodesia and Nyasaland) said that his delegation had continuously supported the idea of an agreement on commodity arrangements and that such an agreement should be closely linked to the GATT and cover the widest possible field in commodity arrangements. They therefore also had reservations in respect of the exception for regional arrangements in Article X. He would favour any proposal designed to keep the present draft under consideration, although having some minor drafting changes to suggest.

Mr. FORTHOMME (Belgium) said that his country recognized the interest in primary commodities of many countries, particularly underdeveloped countries, and the use of commodity agreements in many cases. Belgium participated in certain agreements. The Working Party's draft contained many interesting elements and constituted a remarkable effort to reach a settlement on this difficult question. However, it must be recognized that while commodity agreements could be useful, they were not a universal panacea for the difficulties in this field. Belgium was concerned that the principles of the Agreement, particularly that of freeing international trade, should be maintained and that the long-term developments should not be distorted by short-term solutions. With regard to the exception for regional arrangements, Belgium was participating in the effort to reach greater integration in Europe and shared the view that provision must be made for economic communities like the European Coal and Steel Community. He thought it would be useful to give this matter further study and make an effort to arrive at a less complex and all-inclusive agreement which would be easier to administer.

Mr. STANDENAT (Austria) said that his Government had not yet taken a position on this text but he thought they would take a positive attitude to the draft. Austria depended on imports and was therefore interested in the maintenance of price stability, which was a determining factor in the stability of the national economy. His Government was also interested that in time of shortage there should be an equitable distribution of supplies. This was particularly important for a small country and his own had had unfortunate experiences during the Korean crisis which they would not wish repeated. For such distribution to be effective it must be based on multilateral principles and have a universal character. Exceptions should be as limited as possible and he sympathized with the United Kingdom view concerning the exception for regional arrangements. The draft agreement was acceptable in its general lines, but the wide divergencies of view which had emerged from the debate led him to fear that the present text could not constitute the basis of any agreement. The effort should not be abandoned and he hoped that studies would be continued with a view to finding a solution.

Mr. AZIZ AHMAD (Pakistan) said that his country, dependent on the export of a few primary commodities, would welcome steps to ensure a steady demand for these commodities, which would result in a stable income and availability of foreign exchange, on which they depended for their economic development. He was not, however, certain that the adoption of the proposed draft would bring about the desired results and thought it might, in fact, make it more difficult to undertake the study of commodity agreements on an individual basis. He shared the Australian view that a general set of rules drawn up regardless of the particular situation in each commodity might hinder the desired results. Moreover, since the United States had declared their inability to participate in this work, and for certain commodities the United States was a major producer, he questioned whether it would be practicable for other countries to draw up a commodity agreement omitting a major producer. More time was required for consideration of this matter and he suggested that the CONTRACTING PARTIES take note of the Working Party's report and ask governments to consider it. At a

future date, appropriate from the point of view of all important considerations, the CONTRACTING PARTIES could consider whether further steps could usefully be taken in this direction.

Mr. GARCIA OLDINI (Chile) said that the question of whether this work was useful or not had already been settled, and the work had been undertaken in the clear knowledge that the United States would not participate, regrettable as that was. The differences which had arisen showed the complexity of the problem which should not lead to the conclusion that the effort should be abandoned. As far as the participation of dependent territories was concerned, Chile's position had been perhaps the most extreme in the Working Party, but he saw hope for the settlement of this matter in the statement made by the United Kingdom representative. He must also disagree with some speakers regarding the exception for regional arrangements. This question did not seem to have been well understood. When the present text was elaborated it had been supported by France; if the new French proposal were to substitute for the existing text, he could not accept it. Their proposal was limited to communities to which sovereign powers had been delegated. This covered the case of the European Coal and Steel Community and would cover no doubt other such communities in Europe, but none of the efforts of the underdeveloped countries, certainly not of the Latin American countries, would come within this definition. Those countries envisaged their plans of integration on a much more flexible basis. However, he thought that some formula might be found to reconcile these two approaches. The Chilean Government also opposed any agreements between producers or consumers alone, since such agreements were contrary to the GATT and of benefit only to industrialized countries. Their reservation in this respect was recorded in the report (paragraph 12). His Government also agreed on the need for including an emergency provision to take account of the difficulties of underdeveloped countries, particularly in balance-of-payments matters. Such a clause was included in various commodity agreements and he did not understand why it was opposed by certain countries here.

Sir Claude COREA (Ceylon) said that it would have been surprising if the deficiencies and drawbacks of the draft had not been pointed out in the debate, but this did not justify pessimism as to the whole enterprise. The draft demonstrated a large area of agreement that gave grounds for satisfaction. Any such work undertaken by both producers and consumers was bound to show disagreement; moreover, the Working Party had laboured under the disability that so important a country as the United States was not participating and naturally was concerned lest they produce something which even ultimately the United States would not be able to accept. In the light of recent United States history he thought that countries could proceed on the assumption that in time their collaboration would be forthcoming in this field too.

The present discussion could only be regarded as preliminary. Many contracting parties had not been members of the Working Party, and non-contracting parties had only received the report very recently. He favoured

retaining this matter on the agenda of the CONTRACTING PARTIES for consideration at subsequent sessions. It might even be useful to take the matter up at a special session since the United Nations Commodity Commission was awaiting a report by the CONTRACTING PARTIES before deciding on its terms of reference and might, failing earlier action by the CONTRACTING PARTIES be led to taking matters into their own hands. Commodity problems concerned half the trade of the world and the CONTRACTING PARTIES must not, by their inactivity, allow another organization to usurp their proper obligations in this sphere. He suggested that the CONTRACTING PARTIES at this Session at least pass a resolution which could be transmitted to the Council, enumerating the difficulties and stating that the matter was being kept under consideration and would be taken up again at the next Session.

It was clear that the original unanimity of opinion on the need for a set of rules upon which commodity arrangements could be based remained. Some of the principal difficulties had arisen from attempting to go into such great detail, and Sir Claude wished that the simpler method which his delegation had supported, of incorporating into the Agreement itself a few precise general principles universally acceptable, and leaving the initiative for the convening of commodity meetings to the Organization, had been adopted. Since that was impossible, however, he supported an agreement of somewhat more simplicity and flexibility than the present draft. Many of the details included here could better be left to the negotiating conferences.

Although it was true that individual commodity agreements existed, it did not follow that there was no need for a set of general principles. Underdeveloped countries were not seeking a panacea for all the evils of commodity problems. They were perfectly well aware that this was not possible. They were, however, seeking machinery under which it would be possible to deal with such problems as soon as they arose or were foreseen. Ordinary market forces were of no use in confronting this particular type of difficulty except over the long term, and at the expense of much misery. An agreement on a commodity like wheat might be possible to arrive at because large and powerful interests were involved, but the situation of smaller countries regarding the commodities in which they were interested was by no means analagous and a general set of principles and machinery was essential.

The Australian representative had said that the draft agreement contained more disadvantages than advantages. Sir Claude questioned this. Certainly his Government was not satisfied with everything in the draft although if there had been general support they would have been prepared to accept it. But to have reached agreement on the preamble and the objectives and a number of other major items promised great advantages to the commodity producer. It was true that cumbersome procedures were provided, but these could be alleviated. The question of voting rights, where his Government felt that there should be equality between producers and consumers, was also a matter of detail, on which adjustment could probably be made. Sir Claude understood the divergencies of views over the question of regional arrangements and he

himself wondered whether the provision of Article III:4 would not provide an adequate escape. On the whole, despite the divergencies that existed, there seemed to him grounds for expecting that these differences would eventually be resolved and he reiterated his suggestion that a special session be held to continue the consideration of this matter.

Mr. ABE (Japan) recognized that the problem was an important one and subject to much controversy both because of its inherent difficulty and of the legal questions which arose for the various international organizations. The object was to draw up a series of rules providing for inter-governmental action with the aim of resolving the various difficulties in the field of international trade in primary commodities and the trade aspect of this problem was clearly within the competence of the GATT. These agreements required producers and consumers to collaborate with a view to reaching equilibrium in the supply and demand of primary products on the basis of fair and equitable prices. Therefore, the rights of the two groups in such agreements should be equal.

He considered that this Agreement should be separate from the General Agreement though there should be a clear link with the GATT in so far as commodity agreements were principally concerned with commercial aspects. The present draft provided the CONTRACTING PARTIES only with their existing rights and obligations in relation to commodity agreements. On the other hand the provisions on this subject must not be such as to discourage the participation of non-contracting parties. His delegation was prepared to consider the provisions in the draft as a reasonable basis for the link with the GATT. He had no new proposals to make at present and reiterated the importance attached by Japan to the problems of trade in primary commodities. It was clear that a set of rules, however complete, would not serve the general end if a sufficient number of nations trading in these commodities did not decide to participate. The CONTRACTING PARTIES ought to continue to review the matter with flexibility and in a practical way so that not only the CONTRACTING PARTIES, but also other international organizations and their members, not members of GATT, could work together to stabilize trade.

Mr. NOTARANGELI (Italy) had hoped that the work accomplished could provide the basis of a generally acceptable agreement on this important matter. He recognized the necessity for reaching such an agreement to eliminate all the uncertainties in primary commodity markets causing serious distress to exporting and importing countries alike. In the present situation Italy could have an interest in not seeking such an Agreement so as to be able to benefit from the more favourable market conditions for consumers whereas, in the recent past, they had suffered the disadvantages of the opposite state of affairs. However, Italy regarded this as a matter above temporary and local interests and as coming within the framework of stable and continuing international economic co-operation and he had been concerned at the statements of certain delegations that seemed to place in question this fundamental understanding. He reaffirmed Italy's interest in a satisfactory solution and felt that the matter should continue to be studied. He would not comment in detail on the draft Agreement. The position of the member States of the European Coal and Steel Community with regard to the question of regional arrangements had been set out. On the matter of voting rights the interests of the different parties should be taken into account and settled in a manner that gave a reasonable balance. A formula should not be sought which gave predominance to the interests of one party over those of another.

Mr. SRONEK (Czechoslovakia) recalled that his delegation had reserved its position with regard both to the Working Party report and the draft Agreement. Though they were in principle in favour of finding a solution in an international forum for the problems of international commodity trade, they continued to hold the view that an arrangement of this nature could not be considered separately from other problems and, in particular, that of the economic development of under-developed countries. Industrial countries should not be able to determine the form of such an agreement and countries in process of economic development should be afforded every opportunity to take part and put forward their views and needs in the course of the preparation of an instrument which, at a later stage, would affect their economies. It was equally clear that international commodity trade could not be the concern of producers only even if it might be less vital for the consumer. In this connexion he believed that the views of the Economic and Social Council should be taken into account. Its Resolutions 512/XVII and 557/XVIII stated that the present situation of markets did not represent a status quo and that the question of commodities should be treated in such a way as to eliminate the existing unequal exchange of goods and unfavourable price relationships thus demonstrating that these questions were regarded as part of the overall problem of development of under-developed countries. When comparing these principles with the draft Agreement the difference in the view of the overall problem of international trade in primary commodities became apparent. It did not emerge from the draft that much direct action was required in the present situation, whereas the Council, noting the fact that price fluctuations in recent years had caused irregularities in the foreign exchange receipts of some countries, had recommended the study of measures designed to limit such harmful effects.

There was also the important problem arising from the fact that a number of countries, including important primary producers, were not GATT members and had in fact no opportunity of expressing their views on the draft Agreement which had only recently been circulated to them. Opportunity must be given to these countries to express their comments before an agreement was concluded. Czechoslovakia's apprehension regarding the restriction of the number of participants was one of the basic reasons why it had opposed the proposed Agreement being linked to the GATT. Despite the provisions of Article VI and XVIII a commodity agreement would remain subordinate to the GATT (viz. the Preamble, Article XVI and others). The thirty-two non-contracting parties who were members of the United Nations could hardly take upon themselves the obligation to be subordinate to a body of which they were not members and which was not a United Nations body. One of the main deficiencies of existing inter-governmental commodity agreements was the fact that important producers or consumers were not parties to them and it would be unwise for the draft Agreement to exclude from the outset non-contracting parties. For these reasons his Government thought that the proposed provisions on the relationship between the GATT and SACA would not establish a favourable basis for the latter to comprise the greatest possible part of world commodity trade and considered that the new agreement should be linked directly to the Commission on International Commodity Trade of the Economic and Social Council. With regard to the question of overlapping, it seemed to his Government that a division whereby the Commission dealt with problems of a theoretical nature while SACA dealt with the practical application might lead to the very overlapping which it was designed to avoid. The position of his Government with regard to the draft Agreement remained unchanged for the time being. Should the matter be studied further his delegation would welcome the possibility of participating.

Mr. CARIM (Turkey) considered that it was still too early for the draft Agreement to be submitted to governments and that there should be continued study of the text in the light of this discussion. His own Government was prepared to contribute to this study and to revise their attitude if necessary on certain reservations they had formulated. Already something had been accomplished in the fact that the matter had been taken under consideration by the CONTRACTING PARTIES and that a draft had been drawn up that could serve as a basis for future study in the GATT or in any other organization which might be considered competent. This matter should be kept under review and discussed at the next session.

Mr. LEDDY (United States) recalled that at the Ninth Session his delegation had expressed the view that an agreement on commodity problems was neither desirable nor necessary, and that the United States Government would not be able to participate in such an agreement. They had also stated that such an agreement should be kept separate from the GATT and the Organization on Trade Cooperation. Their views were unchanged. The Working Party showed that some progress had been made in establishing the separation. Since it now appeared unlikely that substantial agreement would be reached on the text, he would not embark on a discussion of the links which remained.

Mr. COHN LYON (Dominican Republic) said that he would not find great difficulty in accepting the draft in its present form, although some points gave him concern. The CONTRACTING PARTIES should show that they were fully aware of their responsibilities in this matter. He hoped, therefore, that the effort would be continued and if no working party were appointed at this session - the procedure he would favour - he would support calling a special session of the CONTRACTING PARTIES.

The CHAIRMAN said that the discussion had shown that all contracting parties were aware of the importance of the problems presented by international trade in primary commodities and also of the difficulties which derived from violent short-term price fluctuations in these commodities. The majority of the contracting parties agreed that they should seek a solution to these problems by collective international action, and a large number seemed to think that the draft Agreement prepared by the Intersessional Working Party might serve as the basis for such action. Unfortunately, this was the limit of the area of agreement because of important differences for which it was difficult to foresee a compromise solution. The most important of these were the question of regional arrangements, that of autonomous territories, and autonomous overseas parts of the realm where the discussion had shown that a possible basis for agreement existed, and the escape clause for under-developed countries. Certain representatives had suggested the appointment of a working party to continue the study of the problem during the present Session and if unsuccessful, during the intersessional period. But it must be remembered that the Commodities Working Party had met for many weeks and that all these points had been debated at length. It seemed unlikely therefore that a new working party would be able to make further progress. He proposed that the question be left open and the delegations principally interested be invited to enter into direct contact with each other. If, as a result of these consultations, some bases were found to resolve the differences of view, the question could again be submitted to the CONTRACTING PARTIES who would, at that point, decide on the procedure to follow with a view to establishing a definitive text which might be opened to signature by governments. It was, of course, understood that any such procedure would have to take into account the need of giving to governments who were not contracting parties the opportunity of expressing their point of view. If a compromise solution were not found by the end of the Tenth Session the question would remain on the agenda of the CONTRACTING PARTIES who would continue the discussion at the Eleventh Session. In the meanwhile, the direct contacts initiated at this Session could be pursued in the hope that the discussion at the Eleventh Session would produce a satisfactory result. If, in the intersessional period, it appeared that direct contacts between governments promised an early solution, the Intersessional Committee would naturally be able to take all measures to facilitate definite action.

Mr. MACHADO (Brazil) had no objection to carrying on consultations at this Session if some delegations considered that useful. However, he stressed that the matter had to be considered by the CONTRACTING PARTIES again, before the end of the present Session, so that some indication of their views could be given to the Economic and Social Council which was awaiting an answer from the CONTRACTING PARTIES before settling the terms of reference for the

Commodity Commission. If no agreement were possible, countries should be given their freedom forthwith to act as they considered in their best interests. It seemed quite clear to him that no multilateral solution was possible since the United States had reaffirmed its intention not to participate. It was time for the CONTRACTING PARTIES to admit their inability to reach a settlement if this were in fact the case and the matter must not be once again postponed.

Sir Claude COREA (Ceylon) sympathized with the view of the Brazilian delegate. True there was great dissatisfaction throughout the world at the way this matter was being handled, but, since consideration had been started and despite the United States attitude which had after all already been taken into account, was it advisable to dismiss the matter without any further effort? There was no point in leaving the item on the agenda if a constructive effort were not made to resolve the differences and he suggested that a small working group be appointed for this purpose. If it were not successful between now and the Eleventh Session then at that session the attempt might be abandoned.

Mr. JHA (India) considered that it was not practical to try to decide on the procedure for handling this at the present meeting and proposed that informal talks be held to decide on a line of future action.

A number of speakers having supported the Indian representative's suggestion, it was agreed to defer a decision on the procedure to be followed with regard to the report of the Commodities Working Party to a subsequent meeting.

## 2. Transport Insurance (L/383 and Add.1-4)

The CHAIRMAN referred to the discussion at the last Session. The Note then circulated by the Executive Secretary (L/303) showing that there was some prima facie evidence that legislation restricting the freedom of importers and exporters in their choice of companies with which to insure their shipments of goods had some harmful effects on international trade. It was agreed that this question should appear on the agenda for this Session, and that meanwhile governments should examine the real effects of this form of discrimination on their trade.

A note by the Executive Secretary and a Resolution by the International Chamber of Commerce (L/383), statements by Pakistan and Germany (L/383/Add.1), an International Chamber of Commerce report (L/383/Add.2), a Resolution proposed by the United States in which the CONTRACTING PARTIES would recommend that governments should not apply measures which would interfere with the freedom of buyers and sellers in these matters, request governments to submit information relevant to this matter, and decide to review the situation again in 1958 (L/383/Add.3), and a note by Sweden (L/383/Add.4) had been circulated.

A meeting had just been held with representatives of the International Chamber of Commerce and the International Marine Insurance.

Mr. BARBOZA-CARNEIRO (Brazil), Chairman of the Special Group of Transport Insurance, reporting on the discussions held by the Special Group with representatives of the International Chamber of Commerce and International Union of Marine Insurance, stated that these talks had enabled the Group to gain supplementary information on the results of the investigations carried out by the International Chamber of Commerce, and an insight into certain aspects of the problems which had not emerged clearly from the documentation. It appeared that marine insurance circles did not seem to consider the regulations adopted by a number of countries as causing serious injury to the insurers themselves, as every country was entitled to regulate the market so as to safeguard those insured, and protective regulations for a local insurance market did not alter the global amount of business. Moreover, much business reverted to them through reinsurance.

What concerned insurers and international trading circles were additional obstacles in the path of international trade, caused by the intervention of certain governments when sales contracts were signed between exporters and importers. The representatives of private interests were merely interested that there should be freedom to contract insurance policies with any company regardless of its situation, yet in certain countries there was an obligation on the importer to draw up his contracts on a c. & f. basis, thereby causing extra cost, supplementary formalities and delays. A buyer accustomed to contract on a c. i. f. basis had not the same experience of insurance as exporters, and often found great difficulty in procuring the right cover. The seller, deprived of the guarantee of an insurance contracted by himself, ran a risk from the time the goods passed out of his control to the time he received payment, necessitating the procurement of either a financial guarantee or supplementary insurance which often caused difficulty. The splitting up of insurance markets as a result of these regulations might increase the cost of insurance, and require a large number of insurance policies to insure full cover for the whole period of shipment. The representative of the International Chamber of Commerce considered this additional cost might be 1 per cent of the value of the shipment. Further, there were also practical difficulties when exchange control authorities refused to grant the necessary foreign currency to pay premiums contracted abroad, resulting in inequality of treatment between national and foreign countries. In this connection insurers fully realised that balance-of-payment difficulties might lead governments to intervene in this field and did not intend to ask for privileged treatment. However, insurance costs were only a small percentage of the total payment for imports, and so this would not appreciably improve the balance-of-payments position for importing countries. The representatives considered on the whole that the solution proposed by the United States Government would satisfy the parties which they represented.

The full text of the report by the Chairman of the Group is reproduced in W.10/15.

Mr. LEDDY (United States) said that since this question had first been brought before the CONTRACTING PARTIES, his Government had consulted with domestic and national groups and had given consideration to its relationship to the work of the CONTRACTING PARTIES. They had noted that discriminatory practices were growing, with harmful effects on world trade. At least fourteen countries now practised some form of discrimination. Many justifications were given for this, but there appeared to be an element of protective retaliation which led to the conclusion that these practices would continue to spread. It seemed to the United States that it was time to take some action to arrest this trend. His Government had also concluded that discriminatory practices in transport insurance impinged on international trade and inflicted hardship on traders. The Executive Secretary's note at the last Session (L/303) had suggested that the information in this field was not sufficiently complete to consider drafting a convention or inserting an amendment into the General Agreement. His Government concurred in this view, since time was needed to review the problem in all its aspects before taking any definite action. They had proposed a resolution (L/383/Add.3). This resolution would impose no obligations but would set a standard to which they hoped that the countries which did not now engage in discriminatory practices would continue to adhere, and to which other countries might find it possible in time to adhere. He attached importance to taking some kind of action along these lines at the present session.

The discussion on this subject was deferred to the next meeting.

The meeting adjourned at 5.10 p.m.

