

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## SUMMARY RECORD OF THE SIXTH MEETING

Held at the Palais des Nations, Geneva,  
on Friday, 25 October 1957 at 2.30 p.m.

Chairman: Mr. L.K. JHA (India)

- Subjects discussed:
1. Trends and developments in commodity trade - Report by the CONTRACTING PARTIES' nominee as Chairman of ICCICA
  2. Franco-German Treaty on the Saar

1. Trends and developments in commodity trade - Report by the CONTRACTING PARTIES' nominee as Chairman of ICCICA (L/713)

The CHAIRMAN recalled that at the Eleventh Session the CONTRACTING PARTIES had decided to request the Chairman of the Interim Coordinating Committee for International Commodity Arrangements to submit, in his capacity as nominee of the CONTRACTING PARTIES, an annual report on the trends and developments in international commodity trade, and had resolved to review those trends and developments on the basis of the report and of other relevant documentation. He invited Sir Edwin McCarthy to present his report.

Sir Edwin McCARTHY (Chairman of ICCICA) said that, after some hesitation about the form this first report should take, he had thought it appropriate to survey very briefly the various questions discussed by ICCICA in the past and to some extent the work of GATT to deal with the difficulties arising in the trade of primary commodities. One of the outstanding problems to which the report gave consideration was the setting up of buffer stocks which, in his opinion, was assuming increasing importance in the handling of international commodity problems, and could well be a fruitful point for discussion by the CONTRACTING PARTIES. It was his belief that the buffer stock of tin had prevented the price of this commodity from falling in the same way as the prices of some other metals.

He drew attention to the review on the position of various commodities which ICCICA had prepared in April and had transmitted to the CONTRACTING PARTIES (L/655). In his report he had not repeated the findings of the Committee, but merely commented on some points, particularly bearing on the question of price fluctuations, and brought certain facts up-to-date. To enable the Chairman of ICCICA to submit more complete reports on trends and developments in the trade

and prices of individual commodities in the future, he had arranged for the review by the Committee, previously carried out in April, to be conducted in September. The Chairman would thus have the full benefit of a recent discussion by the Committee and the experts which it consults, and his report would thus reflect the views of the Committee more than his own.

From the outset the founders of GATT had recognized that primary products had special features which were not present in the case of manufactured products. These special features had led governments to adopt protective measures which did not always take the form of tariffs and these were often supplemented by other devices such as price support measures, export aids, etc. Having admitted these characteristics, the CONTRACTING PARTIES had, session after session, considered the difficulties which arise in the trade of these commodities and the resolution of the previous year was the latest recognition of the need for special action.

Special action was required because of frequent and violent fluctuations in the prices of primary commodities. Indeed one of the outstanding problems which countries, dependent to a major degree for their external earnings on primary commodities, had to face was that of sharp fluctuations in prices. This problem could not be over-emphasized. Three main reasons could be found for these pronounced movements in prices: first, the continuous changes in overall economic conditions with the concomitant variations in purchasing power; second, in the case of agricultural products, the climatic and seasonal conditions affecting supply and demand; and, third, various government measures such as tariffs and subsidies.

In the case of fluctuations caused by changing climatic conditions, only the effects, not the causes could be cured. In such cases the technique of buffer stocks could usefully be resorted to. Fluctuations due to man-made policies were most appropriately cured by man-made remedies. Over-supply brought about by measures unduly stimulating production could probably be best remedied by stock-piling. From personal experience in Australia he knew that many governments were permanently confronted with the painful choice of taking measures to influence prices or abstaining from any intervention in the market.

The report indicated that three techniques had emerged from the negotiations of agreements in the past. They were: import and export quotas, fixed maximum and minimum prices, and buffer stocks. These techniques could be used in varying degree depending on the special features of the commodity concerned. It was clear that the experience gained in dealing with one commodity was valuable for the preparation and conclusion of agreements on other commodities. Experience had furthermore shown that the teams negotiating such agreements should comprise an expert in the commodity concerned, a government officer knowing the commitments which his government was prepared to undertake and an expert in another commodity.

Sir Edwin McCarthy then referred to the balance-of-payments difficulties which some countries meet because of rapid movements in the prices of primary commodities. He instanced the recent developments in the price of copper which was imperilling the foreign payments position of at least two countries. ICCICA had also discussed the likely effect on commodity trade to be expected from

the institution of the Common Market in Europe. The Committee thought that if the agricultural arrangements were implemented as set forth in the Treaty, they would affect the marketing of primary commodities. ICCICA would not deal with these problems if the Treaty proved to be beneficial to trade in primary commodities. If difficulties arose they might perhaps be alleviated by the conclusion of international agreements.

In concluding, Sir Edwin McCarthy said that if any contracting party considered that the views set forth in the report on any commodity were not correct or unclear, he would attempt to substantiate and clarify them. Finally the CONTRACTING PARTIES should bear in mind that he had submitted the report in his capacity as an individual member of the Committee rather than as a spokesman of the Committee.

The CHAIRMAN thanked Sir Edwin McCarthy for his lucid statement and detailed report. Sir Edwin, who was familiar with trade in individual commodities, had represented his Government at commodity meetings and knew a great deal about the working of commodity arrangements. He was particularly well-qualified to express opinions on these questions which were of great importance to the contracting parties and on which they held such different views.

Mr. VALLADAO (Brazil), acknowledging the excellence of the statement by Sir Edwin McCarthy, noted that the report could not be considered as representing the views of ICCICA, but was in the nature of a paper prepared by an expert on the subject. Indeed, under its mandate ICCICA was not permitted to pass judgment on matters of substance. His delegation would no doubt avail itself of the opportunity to present its own views on some aspects of the problems treated in the report at a later stage. Illustrating the nature of the comments which his Government would make, Mr. Valladao drew attention to the statement in the report that in June 1957 prices for coffee were about double the level in 1947. In his opinion this information might usefully be supplemented by indications concerning concurrent developments in the prices of manufactured products. Furthermore, insufficient attention seemed to have been paid to the differences in the economic structures of the countries exporting primary commodities, to the weak bargaining position of some of the participants in international commodity agreements, and to the creation of new preferences and the distortion in the flow of investments which would result from the institution of the Common Market in Europe. His delegation would make full use of the opportunity for further discussion on this question later in the Session.

Mr. WESTERMAN (Australia) added his delegation's thanks to Sir Edwin McCarthy for his valuable round-up of some of the salient points of his report. Some of the points were closely associated with major items on the Twelfth Session Agenda, and he looked forward to discussions which might emerge from the Ministerial talks and to an opportunity for more detailed consideration thereafter.

Mr. GUERRA (Cuba) commended the report, but could not accept the suggestion in the third paragraph on page 15 that sugar stocks had been held back in the expectation of a further rise in the market. Evidence showed that in 1956-1957 the supplies of sugar to the market had been larger than at any time before. In fact no stocks existed for they had been depleted in the year 1955-1956.

Sir Edwin McCARTHY (Chairman of ICCICA) explained that he had only suggested two possible causes for the situation which had arisen, and had not made specific reference to any particular country.

The CHAIRMAN then announced that since "trends in commodity trade" was one of the items on the agenda for the Ministerial meetings, detailed consideration would be deferred until later in the Session.

2. Franco-German Treaty on the Saar (L/638)

The CHAIRMAN recalled that the Governments of France and the Federal Republic of Germany had submitted a memorandum advising that on 27 October 1956 they had concluded a Treaty which provided for special treatment for trade of the Saar, and requesting the CONTRACTING PARTIES, under Article XXV:5(a), to grant them a waiver from the provisions of Article I. The substance of the question would be dealt with later in the Session, but he invited the CONTRACTING PARTIES to consider the procedures to be followed, as approved at the Eleventh Session. Under paragraph (a) of those procedures, applications for waivers should be submitted with at least thirty days notice. The memorandum by France and Germany had been distributed in July and, therefore, that requirement had been met. Under paragraph (b) of the procedures, the applicant contracting parties should give full consideration to representations made to them by other contracting parties and should engage in consultation with them. He invited contracting parties which considered that they had an interest in the issues involved to make contact with the French and German delegations, and suggested that a further period should be accorded for discussion between the delegations of France and Germany, on the one hand, and the delegations of interested contracting parties on the other. The application would then be examined by the CONTRACTING PARTIES in the first week of November pursuant to paragraphs (c), (d) and (e) of the procedures referred to.

Mr. DONNE (France) indicated that his delegation would make a full statement presenting the item at a later meeting. He agreed with the procedure suggested by the Chairman. The French Government was ready to consult and to supply any additional information that contracting parties might desire.

Mr. METZEN (Federal Republic of Germany) supported the remarks of the French representative. His delegation was also ready to consult or to provide further information if so requested.

The CONTRACTING PARTIES approved the procedure suggested by the Chairman

The meeting adjourned at 4 p.m.