

GENERAL AGREEMENT ON TARIFFS AND TRADE

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DRAFT AGREEMENT ON COMMODITY ARRANGEMENTS

Comments by Ceylon on the Draft Agreement annexed to L/320

1. The Government of Ceylon are frankly disappointed with the outcome of the deliberations in the last Session of GATT with regard to commodity problems. We had expected that provisions similar to those of the Havana Charter on commodity problems would be written into the new GATT, thus making them an integral part of GATT. We believe we were not over-optimistic in this expectation, in that GATT itself was formed by taking over commercial policy provisions of the Havana Charter, which were of the greatest concern to the important trading nations. We thought that these nations would show no great objections to incorporating the commodity provisions of the Havana Charter, suitably modified, in the new GATT.
2. We would like briefly to summarize the reasons for our attitude in this matter, as stated by our delegation in the Working Party:
 - (a) Under the Preamble of GATT (new Article I), GATT has the necessary jurisdiction to deal with commodity problems.
 - (b) Commodity problems are of vital importance in international trade, in addition to being of national importance, particularly to raw material producing nations. An agreement like GATT, which deals with questions such as quantitative restrictions, balance-of-payments, subsidies, dumping, etc. is the proper agency through which commodity problems should be dealt with. As stated by the United Kingdom delegate at Working Party IV, "any framework for international commodity arrangements would be related to that of commercial policy as a whole, particularly since the majority of the important trading nations of the world must consider action on commodity trade in the light of the objectives to which they were committed and the obligations which they have assumed under GATT".
 - (c) There may be other organizations which deal with commodity problems, and it is noted that the Economic and Social Council has set up a permanent Advisory Commission on International Commodity Trade. But it is our conviction that the appropriate body to deal with commodity problems is GATT, and if adequate provisions are made in GATT it is possible to drive this fact home to those other international bodies which deal with commodity problems now. In the case of Economic and Social Council machinery, we are of the view that such machinery had been set up because GATT is quiet in this most important field of international activity. As a matter of fact, in the Economic and Social Council's

resolution establishing its permanent Advisory Commission, provision was made for a review of the resolution in the light of the discussions of the subject in GATT.

3. Not only have no commodity provisions been written into GATT, but the agreement that has been drafted by the Working Party has the most slender connexions with GATT. If there were very strong objections against incorporation of commodity provisions in GATT itself, we had hoped that at least a separate agreement with close connexions with GATT would be worked out. In the draft agreement it is hard to find any such connexions. The amendment under Article XX (I) of GATT, which might have established such a connexion, is very dissappointingly worded from the point of view of Ceylon. This amendment typifies the negative approach to the commodity problems that has characterized the recent discussions of GATT on the subject.

4. Our approach to the problem of commodity policy is unchanged, viz. that we prefer to see provisions regarding them written into GATT itself, but if this is not possible on account of any difficulties (which we fail to appreciate) we do not mind agreeing to a separate agreement which maintains the closest ties with GATT as we consider that GATT is the appropriate agency to deal with commodity arrangements. For this reason we would press the amendments to Articles VI, XII and XV of the draft agreement which are set out in annex C of the Interim Report of the Working Party on Commodity Problems (L/320).

5. Subject to the above general comments, our comments on the Draft Agreement are as follows:

Preamble

We think that the portion in square brackets should be retained.

Article I

The portion in square brackets in paragraph 2 of this Article should be retained.

Article II

We note that in paragraph 6 of this Article there is provision for the consideration of commodity problems to be done by bodies other than study groups such as a body of experts in cases where this procedure is appropriate. A government which applies for a study to be made may appeal to the next Session of the Assembly against this procedure. We consider that it may be useful to introduce the idea in this paragraph that any government which is dissatisfied with the course proposed by the Standing Committee should have a right to appeal to the Assmebly at a Special Session, if necessary, and not have to wait for the next regular Session. A solution of a commodity problem may demand very urgent attention and the postponement of the appeal to the next regular Session may aggravate the problem, which might have been solved.

Article III

We find that under this Article it is possible for the Standing Committee, if it can secure a two-thirds majority, to veto the summoning of a negotiating

conference even after a study group has recommended the summoning of such a conference. According to paragraph 4 of Article II any signatory may appoint representatives to a study group. Therefore we fail to understand why the Standing Committee, which according to Article XIV will consist of 12 signatories, should be given the right to veto a recommendation made by the representatives of a study group at which all signatories could be represented. We think that the vetoing power of the Standing Committee in this regard should not apply to the recommendation of a study group.

Article V

We think that the portion in square brackets in paragraph 1(b) should be retained.

Article VI

We think that the portions in square brackets in paragraph 2 should be retained.

Article X

We think that the portions in square brackets in paragraphs 5 and 7 should be retained.

Article XII

We think that paragraph 1 of this Article is too restrictive. We envisage the possibility of a producers' agreement being negotiated, which will be of benefit to world trade, and consequently will further the objectives both of the GATT and the Draft Agreement. It should be possible for such agreements to be entered into, provided the overall authority of the Assembly and GATT on commodity problems is recognized.

As for paragraph 2 of the Article, we consider that the portion in square brackets should be retained.

Article XIII

We think that the portion in square brackets should be retained.

Article XV

We are of the view that there should be a very close association between GATT and the Commodity Agreement, and we, therefore, think that the GATT secretariat should service the Commodity Agreement and that an independent secretariat for the Commodity Agreement is undesirable. Paragraphs 1 and 2 of the Article XV should be drafted to achieve this end.

Article XIX

We think that the portion in square brackets of this Article should be retained.

Note. Ceylon is a member of the Working Party on Commodity Problems, and the reference to it in paragraph 2 of L/388 should therefore be deleted.