

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

W.9/72

7 December 1954

Special Distribution

CONTRACTING PARTIES

Ninth Session

Review Working Party IV on Organizational
and Functional Questions

COMMODITY POLICY

Statement made on behalf of the Director-General
of the Food and Agriculture Organization
by Dr. Gerda Blau, FAO Observer

Mr. Chairman,

The objectives of the General Agreement, as stated in its Preamble, are well in line with those of the FAO Constitution. The FAO therefore generally welcomes the attention given by the CONTRACTING PARTIES, in their Review of the Agreement, to the maintenance and strengthening of its provisions, since such action may also be of material assistance to the FAO in attaining its objectives.

We are also following with much interest the discussions now proceeding on the possible extension of the scope of the Agreement and on related organizational matters and enabling provisions. In this connexion, we believe it may be of interest to the CONTRACTING PARTIES to have some comments on the functions and relationships of our Organization in the field of international commodity policy. But before proceeding with such an account, which the Director-General of the FAO has asked me to present to you, I should like to say, on his behalf, that it is our considered policy to offer our genuine cooperation to any new approach that holds out good hopes of working toward the solution of international commodity problems, which the FAO certainly cannot ever aspire to solve on its own. In our view, understandings on effective cooperation may also be a way of overcoming difficulties which may arise from differences in membership of different organizations concerned with similar or related problems. They may be of help, for instance, in view of the fact that only about one-half of FAO's seventy-one member nations are also parties to the General Agreement.

FAO's responsibilities in the field of international commodity policy are deeply anchored in its Constitution, and they have frequently been reaffirmed by its Conference, Council and other organs.

The FAO Constitution, in Article I, which sets out the functions of the Organization, states that:

"The Organization shall promote and, where appropriate shall recommend national and international action with respect to:

...

(f) the adoption of international policies with respect to agricultural commodity arrangements."

The functions of the Council of FAO, as defined in Article V of the FAO Constitution and pursuant Rules of Procedure, include the following:

Rule XXVI, 1:

"...(c)

...(ii) to examine current developments in proposed and existing intergovernmental agricultural commodity arrangements ... ;

(iii) to promote consistency and integration of agricultural commodity policies, national and international, with regard to (a) overall FAO objectives, (b) the inter-relationships of production, distribution, and consumption, and (c) inter-relationships of agricultural commodities;

(iv) to initiate and authorize groups to study and investigate agricultural commodity situations which are becoming critical, and to propose appropriate action, if necessary, under paragraph 2(f) of Article I of the Constitution;

(v) to advise on emergency measures such as those relating to the export and import of food and materials or equipment needed for agricultural production in order to facilitate implementation of national programmes, and, if necessary, to request the Director-General to submit such advice to appropriate governments of Member Nations for action;

"...(d) to perform the foregoing functions (ii), (iii) and (iv) in conformity with the Economic and Social Council's Resolution of 28 March 1947, relating to international commodity arrangements, and generally to act in close cooperation with the appropriate specialized agencies and intergovernmental bodies."

Next, there is the FAO Committee on Commodity Problems, which was established by the FAO Conference in 1949. The Committee's terms of reference, as reformulated and widened by a Special Session of the FAO Conference in 1950, are:

"To act as the instrument of FAO to analyse and interpret the international commodity situation and to advise the Council on suitable action",

and

"To address its attention to commodity problems falling within the competence of FAO to consider, whether arising from balance-of-payments difficulties or other causes."

The FAO Conference, in a Resolution passed in its Seventh Session in December 1953, requested the Committee on Commodity Problems to interpret its widened terms of reference in a broad sense, and to continue and extend its work in the light of various Conference recommendations. The Conference also reaffirmed the Committee's competence to set up Sub-Committees in which interested FAO Member Nations, not members of the Committee, can be invited to participate with full powers.

Under these terms of reference, the Committee on Commodity Problems established in June 1954 a Consultative Sub-Committee on Surplus Disposal which is open to all FAO Member Nations and which meets in Washington at frequent intervals, with a view to promoting suitable methods of surplus disposal and the observance of internationally desirable principles as recommended by FAO. Information on these principles and on the work of the Sub-Committee has been presented to Working Party III. At its June Session this year, the Committee on Commodity Problems also agreed on arrangements for intergovernmental commodity consultations under FAO auspices for two individual commodities - rice and olive oil. An FAO Working Party on Olive Oil has since been engaged in drawing up a draft agreement for that commodity. On Rice, a special FAO meeting on the economic aspects of the rice industry which concluded its work in Rangoon two weeks ago, decided:

- (a) that a comprehensive study be made of the various measures which might be adopted for the stabilization of the international trade in rice, including the financial implications of such measures; and
- (b) that the study should be circulated to Member Governments with a view to convening a meeting for its consideration after appropriate consultation with the governments of rice producing and consuming countries.

Another recent FAO action was the establishment by the Washington Consultative Sub-Committee of a special sub-group on dairy products, to consider proposals for multilateral arrangements for the orderly disposal of surpluses of skim milk.

The FAO also cooperates closely with existing independent Study Groups and with the two Commodity Councils administering agreements for agricultural products.

Through nominating one of its four members, the FAO is also associated with the Interim Coordinating Committee for International Commodity Arrangements. To promote cooperation, the FAO-nominated member in ICCICA is requested to attend regularly the Sessions of the FAO Committee on Commodity Problems.

Through the medium of ICCICA, the FAO is associated in some measure with the procedures established under ECOSOC Resolution 296 (XI) for the convening of Commodity Conferences. This arrangement is of an interim character and further thought will have to be given to more permanent procedures. Whatever the future arrangements which may be agreed upon, it would seem essential for the FAO, in accordance with its constitutional mandate, to be associated in some measure with the responsibility for decisions concerning the convening of Commodity Conferences.

On the whole, whatever the imperfections of the interim set-up of ICCICA may be - and they may be many - the arrangement does contain some elements of a basic idea which we regard as a very sensible one; namely, that of recognizing some joint organizational responsibility and some need for inter-organizational coordination in commodity policy matters. We believe that some such coordinating arrangements should be continued and strengthened and that their constitutional set-up should be brought well in line with the requirements of coordination. Such coordination might perhaps also be given further support by some joint servicing arrangements at the secretariat level. We believe that this is a matter on which consultations of the three main organizations concerned could be very useful. More generally, we welcome the suggestion made by the Australian delegate earlier this week that a review be set in train for the clarification of respective responsibilities of the various organizations concerned with commodity policy matters.

Such consultations would obviously have to take account of the new situation which has been created by the establishment of the ECOSOC Commission on International Commodity Trade. The Economic and Social Council, in paragraph 3(e) of its Resolution on the establishment of the new Commission, states that:

"... in the interpretation of its terms of reference and in the organization of its work, the Commission shall consult on a continuing basis with various specialized agencies and their subordinate bodies having responsibilities in the field of

international commodity trade and in particular with the FAO Committee on Commodity Problems so as to ensure that the most effective use is made of the work already being done in that field and to prevent duplication or overlapping with the activities of these agencies."

In all such arrangements for cooperation, the FAO is always conscious of the fact that under its terms of reference it concerns itself with agricultural products only. No doubt, trade in those products forms an important share of trade in all goods, and a very large share of trade in primary commodities. Yet, it is but one sector of a larger whole. It would certainly be futile to maintain that it would be sufficient to look for solutions to agricultural commodity problems within the sector of agricultural trade itself. In considering the inter-related problems of production, consumption and trade of agricultural commodities, some account must obviously also be taken of overall commercial and trading aspects and obligations, of balance-of-payments questions, employment policies and various parts of overall national development programmes, to cite only some of the more important aspects. The work of FAO does, of course, within its terms of reference, take some account of these matters. In particular, the FAO Conference and Council have often stressed the Organization's responsibility also to concern itself, in the recent words of the Council, "with all those more general aspects and problems of national and international commodity trade situations, policies and arrangements which must be regarded as an essential part of the effective discharge of FAO's mandate." Nonetheless, in their entirety, the consideration of all aspects of international commodity problems transcends by far the capacity of the FAO.

Looking at the other side of the picture, one can also state some weighty reasons why the consideration of international commodity policy questions has been made an integral part of FAO's constitutional mandate. Clearly, problems of international commodity trade must be viewed in the closest possible relation to patterns, prospects, and policies of production, consumption, and prices for the commodity concerned and for related products. They must also be seen in relation to agricultural development generally, both technical and economic. Moreover, domestic agricultural production and price policies, though at times exercising very marked effects on world trade, are often instituted for reasons entirely divorced from international market considerations. In such circumstances, intergovernmental trading arrangements may be of only limited value, unless they also deal with, or at least take account of, the underlying causes of agricultural policies and of the consumption prospects for the commodities concerned. To concern itself with such relationships is one of the basic functions of the FAO. In addition, just as it is generally recognized that there are some good reasons for singling out primary commodities as a special products group because of its special characteristics and problems, so is there probably also some justification for speaking of some joint characteristics and problems of agricultural products as distinct from those of other primary commodities.

On the whole, the record to date of practical achievement resulting from intergovernmental activities in the field of international commodity policy is not perhaps exactly what might be termed a "success story". It is probably fair to say, however, that the main obstacles are to be sought in some deep-seated difficulties and in the reluctance, for various reasons, of governments to act, rather than in any lack of machinery. The main need would seem to be for the effective use and coordination of existing machinery.

On the question of approach, the FAO Conference at its Seventh Session a year ago, while generally endorsing the commodity-by-commodity approach as being realistic, particularly in the initial stage, recommended that other approaches to the objective of price stability should also be actively explored. Ideas on matters of commodity policy are in a state of flux. In the circumstances, it is difficult to meet all requirements in that field by any one standard set of principles fashioned primarily on the basis of lessons from an earlier period. On the whole, FAO experience tends to support the views expressed by some delegations to this GATT Session who feel that it has become difficult to adhere to some of the provisions of Chapter VI of the Havana Charter in their present form. As regards one of these provisions, namely, that concerning the existence of burdensome stocks as a condition for the conclusion of Commodity Control Agreements, the FAO Conference, in a Resolution passed three years ago, called the attention of the Economic and Social Council of the United Nations to the need for reconsideration. Other examples of logical difficulties encountered in applying some of the provisions of Chapter VI might be cited from the experiences gained in recent FAO consultations. At the same time, the FAO regards some of the basic ideas underlying Chapter VI as very important. The FAO, as an Organization concerned with the interests of producers and consumers alike, would want to exercise great caution in considering any changes of approach which might be construed as affecting this balance of interests. There may be need, however, for more flexibility in various regards. With respect to any consultations which may be held on principles or procedures or related commodity policy matters, the Director-General has asked me to state that he would be glad to participate in such discussions.

In conclusion, Sir, the Director-General has asked me to state that he would like to do his best, within the means of the Organization, to give to any joint endeavours, or coordinated machinery, the support of FAO's secretarial services.