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COMMODITY ARRANGEMENTS

Statement by the United States Delegation

Mr. Chairman:

The rôle which the new Organization to be established here should have in the field of commodities has been the subject of extended discussion. This matter has been considered in plenary, in Working Party IV and in a sub-group of that Working Party. During these discussions a variety of different views have been expressed and different proposals have been made.

Throughout these discussions we have expressed the considered opinion of our Government that extension of the scope of activities of the new Organization, or of the General Agreement, beyond the already extensive area in which it now deals with problems of international commodity trade, would be unwise for the future of the Organization and would present particular problems for my Government in connection with its participation in the Organization.

We have nevertheless listened with the closest attention and sympathy to the contrary points of view which have been expressed. We have, as you know, participated actively in the work of the commodity sub-group established by Working Party IV in an effort to explore to the full the implications of the proposals made by the United Kingdom delegation and the other proposals considered by it. We have considered all of these views in the delegation and have presented them to Washington where they have received ministerial consideration within our Government.

The conclusions at which my Government have arrived as a result of this study and consideration are as follows:

1. We recognize the vital rôle of commodity trade in the economic life of many countries. We recognize the harm that can be done by excessive price instability. We are aware of the intense and very understandable interest in this problem by producers of primary products. We share that interest, not only because of the importance to others of our trading partners of adequate

and stable prices, but also because excessive price fluctuations cause difficulties for our own citizens. The question is, therefore, not whether this problem is important. Of course it is. The question is what can be done about it and where and how this can best be done.

Our experience convinces us that if we as governments follow policies which will give our producers everywhere maximum assurance that their products will enjoy a full opportunity for steady and healthy growth in consumption and that their acceptance into international markets will be facilitated, then we will have gone far toward solving this basic problem of prices which so concerns us all. It is the United States belief that we as governments should reduce to a minimum the scope and duration of our own intervention in the fields of commerce and industry.

For example, the terms of trade are more favorable to raw materials producers today than they were ten years ago, or before the war.

No one can reasonably suppose that such a change in relative values could have been negotiated in advance, or that the new situation would have met with the same degree of general acceptance by importing countries if it had been a product of administrative decisions.

2. So much for general philosophy. I come now to the particular problem before us. My Government remains of the opinion that extension of the scope of the General Agreement to deal with commodity problems other than those aspects of such trade with which it already deals extensively, is unnecessary and unwise.

The terms of reference of this Review Session are

"(a) To review the operation of the General Agreement upon the basis of the experience gained since it has been in provisional operation;

"(b) In the light of this review to examine to what extent it would be desirable to amend or supplement the existing provisions of the Agreement, and what modifications should be made in the arrangements for its administration, in order that the Agreement may contribute more effectively to early progress towards the attainment of its objectives."

It is for these purposes that we are here assembled.

My delegation came here, as we have said, under the understanding that our common purpose was to try to achieve a simpler, stronger and more effective General Agreement, and to establish a permanent Organization to administer it. We did not come under the impression that the Organization we would create together would take on wide new responsibilities or take over work for which other international machinery, some only recently created and not yet even given a chance to show its mettle, already exists.

Such a too comprehensive project was tried not so long ago at Havana. It failed of acceptance. It should be our purpose not to have history repeat itself in this respect. The CONTRACTING PARTIES should not take action that would risk such repetition.

The United States therefore believes that the new Organization should be established to administer the General Agreement and that it should not extend its activities further into the commodity field than does the Agreement. This means, in our view, that the CONTRACTING PARTIES can deal under the General Agreement and in the new Organization with the governmental barriers which are creating difficulties to international trade in commodities. They can deal with quotas whether imposed for balance-of-payments reasons or other restrictive purposes. They can deal with discrimination in any form. They can deal with subsidies which affect the flow of trade in commodities. They can deal with state trading in commodities.

The area of activity of the CONTRACTING PARTIES in the field of commodity trade is as you can see very broad. For instance, if a contracting party were engaged in consultations with respect to balance-of-payments restrictions it might well advance, as a relevant factor, the situation with respect to the level and stability of the price of an export commodity on which it depended heavily for its foreign exchange earnings. The weight to be given to such a factor by the CONTRACTING PARTIES and the action, if any, which they might feel justified in recommending with respect to it would of course be for decision at the time and in the light of the facts then existing. We are quite clear, however, that neither the Organization nor the Agreement should get into the field of commodity conventions or commodity agreements.

A principal reason why the United States feels that the further venture into the commodity field which has been suggested for the Organization is unwise and unnecessary is because we believe that enough machinery already exists for dealing with commodity problems. The difficulty is that there are far too many different fora for dealing with such problems rather than too few. We should not like to see another body venturing into this field.

The Economic and Social Council has just established a new Advisory Commission on commodity problems. The United States opposed the resolution by which this Commission was established and has not so far developed a position with respect to United States participation in or abstention from the Commission's work. Nevertheless, the majority view must be carried out and the new Commission will meet next month to survey the current situation in international commodity trade, to consider proposals by governments regarding international commodity problems and to lay out its programme of work.

The terms of reference of this Commission deal precisely with the problem which most of the delegates who have spoken have expressed the principal desire to bring within the scope of our new Organization, namely, the examination of measures designed to avoid excessive fluctuation in the prices and volume of trade in primary commodities. This is the area in which the General Agreement does not now enter and into which our view neither the General Agreement nor the new Organization established to administer it should enter.

In addition, a body now exists under the aegis of the United Nations, authorized to convene study groups and to recommend to the Secretary-General the convening of commodity conferences. Many other organizations such as the Food and Agriculture Organization are at work in this field.

The statement of the FAO observer, quoting the FAO Constitution, expressed willingness to coordinate its activities with whatever this Session might do in this field. But that statement clearly delimited a position in the field which FAO could not surrender, thus indicating immediately another area involving difficult coordination. It is the case, for example, that a study of the problem of price fluctuations in rice and of a possible commodity agreement in olive oil are at the moment under way under the auspices of the FAO. The Economic and Social Council has had a special panel of experts which made an exhaustive analysis of the problem of commodity agreements.

Regional commissions such as the Economic Commission for Latin America have embarked on studies in this field. The Inter-American Economic and Social Council has occupied itself on many occasions with this problem. And at the conference of American Finance and Economic Ministers just concluded at Rio de Janeiro, specific studies were authorized with respect to the price of coffee and with respect to special problems relating to bananas. That same conference also, by resolution, called upon governments to support the work of the Economic and Social Council Advisory Commission

Moreover, it is, in our view, unlikely that international action to stabilize commodity prices through agreements is more likely to be taken if the GATT Organization embarks on this task. Commodity agreements come into being only if it is in the interests of the producing and consuming countries involved that they should do so. The presence or absence of an organization does not alter these fundamental interests or the facts upon which they are based. The tin agreement, for example, was negotiated and came into force because a sufficient number of governments believed it was in their interest to have it. A rubber agreement was studied. An agreement was drawn up which all agreed was technically workable. But it did not come into force because the governments involved were not sufficiently in agreement that it was necessary or desirable to do so. If that negotiation had been sponsored by the GATT the facts, relevant considerations, national policies and outcome would have been precisely the same.

The problems of cotton have been studied, and the possibilities of an agreement considered for years in the most exhaustive and expert fashion in the International Cotton Advisory Commission. That no agreement has developed is not because the nations could not meet together, nor for lack of study. It is because the countries concerned have not found such a result to be practicable or desirable. If this problem were brought into GATT the facts and the result would be the same.

It has been a timely thing to have this review of the Agreement. One of the lessons which has emerged most clearly from it in our view has been that the deficiencies in the effectiveness of the General Agreement have been as much in the manner of its administration as in the content of its substantive provisions. There is clearly need for clarification, simplification and some filling out as, for example, in the field of subsidies, some strengthening, as for example, in the field of balance-of-payments quantitative restrictions, and some added flexibility, as in the case of provisions for the special problems faced by under-developed countries.

But by and large it is a good agreement. It would have been better if we had made it work better. If we succeed in establishing a new Organization to administer this agreement and if we devote to its administration the proper energy, time, and manpower, it will have been a tremendous achievement. The task the CONTRACTING PARTIES have to do within present terms of reference is, in the United States view, big enough as it is. Let us learn to do it well before we add to our burdens and expense and diffuse our energies.

There is nothing in the agreement that would prevent another review later on, as was suggested by the delegate from South Africa.

These are the views of my delegation which will guide us in the debates to come.

I would like now to refer to the specific suggestions made by the United Kingdom and supported by several delegations, that it would be desirable to negotiate at this Session a separate convention along the lines of Chapter VI of the Havana Charter. The reasons which have led us to feel that no additional machinery is necessary in the field of commodities lead us also to feel that such a convention is not necessary and that such a negotiation would be undesirable. This conviction is supported in our minds by the practical difficulty of negotiating such a convention at this Session and the added burden of work for an already overburdened conference which such an enterprise would entail.

If other contracting parties, however, having considered the matter, come to a different conclusion and feel that the establishment of such a working party would be desirable, they are, of course, entirely free to do so. We would only say that we assume that the principle enunciated so

frequently around this table that sponsorship of a new activity by the CONTRACTING PARTIES or by the new Organization leaves any individual contracting party free to decide whether it will or will not wish to participate is actually in force. In the exercise of this freely conceded right we would state now that we would not wish to participate in any such negotiation.

We would also add, and we consider this point to be of major importance, that if such a convention were to be negotiated, it should be entirely separate from the General Agreement and the new Organization. It should have its own governing body and administrative group, its own budget and its own secretariat. Neither the CONTRACTING PARTIES nor the new Organization should have power over or responsibility for the administration of any such convention, or any agreement negotiated under it. Their only function should be to see that participation by any contracting party in such a convention or agreement did not involve any unpermitted deviation from such contracting party's obligations under the General Agreement. I believe provision for such safeguarding of the integrity of the General Agreement itself need provide no difficulty, since it was explicit in the presentation of the United Kingdom delegate and appeared to be accepted in principle by the other members of the sub-group.

Finally, as has been made abundantly clear by my Government, I would stress the fact that a close association of any new convention with the new GATT Organization, or its administration in any way by that Organization or by its staff, or the extension of the scope of activities of the new Organization into the commodity field beyond the trade aspects which are already within the scope of the General Agreement, would endanger the full and firm participation of the United States in the new Organization under explicit Congressional approval which my Government and my delegation so earnestly hope to see accomplished.