

GENERAL AGREEMENT ON TARIFFS AND TRADE

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CONTRACTING PARTIES

Thirteenth Session

Working Party on Commodities

FUTURE ACTIVITIES OF THE CONTRACTING PARTIES PURSUANT TO THE RESOLUTION OF 17 NOVEMBER 1956

Draft Report

1. As instructed, the Working Party has considered the future activities of the CONTRACTING PARTIES pursuant to the Resolution of 17 November 1956 on Particular Difficulties connected with Trade in Primary Commodities, and the invitation of the Economic and Social Council to participate in the next Session of the Commission on International Commodity Trade. These two questions have been considered in the light of the discussions on commodity problems and on the trends in international trade in the plenary meetings.

2. Discussions in the Working Party centred largely on the implementation of the basic Resolution of 17 November 1956. It was generally felt that the annual review of trends and developments in international commodity trade have been too vague and in large degree have duplicated the discussions held in other organizations. However, the review at the Twelfth Session did lead to the inclusion in the terms of reference of the experts designated to prepare a report on trends in international trade of the question of "excessive short-term fluctuations in the prices of primary products". The report of the experts has been widely recognized as a valuable contribution and the CONTRACTING PARTIES are now proposing to establish a programme of action directed to the further expansion of international trade in the light of the experts' report and of the general discussion at the present Session. Many of the problems of trade in primary products will be pursued in this broader programme, but there will remain special difficulties and situations which warrant special attention and separate treatment.

3. The Working Party, therefore, considers that these general discussions, under paragraph 1 of the basic Resolution, have been useful and could become more so. On the other hand, it is clearly desirable that these discussions, as well as other activities of the CONTRACTING PARTIES in this field, should be related precisely to the particular competence and responsibilities of the CONTRACTING PARTIES. It is therefore suggested that the review provided for in paragraph 1 should henceforth be entitled "The impact of commodity problems upon international trade". According to the Resolution, this annual review is to be based upon a report by the nominee of the CONTRACTING PARTIES as Chairman of ICCICA and other relevant documents. Hitherto, the discussion has tended to be confined to the report of the CONTRACTING PARTIES' nominee and it may be useful

to indicate here that "the relevant documents" include the annual report of ICCICA and documents and reports of the CICT, FAO and other intergovernmental agencies. Whilst the CONTRACTING PARTIES should thus take advantage of the documentation produced by other agencies, it would be appropriate and desirable that reports and records of the CONTRACTING PARTIES' discussions in this field be made available to the other intergovernmental agencies. However, if future reviews are to be more fruitful, the Working Party considers that the CONTRACTING PARTIES should appoint a Working Party at the last session in each year to meet a week or so before the last session in the following year, at which the review is to take place, to examine the documentation. This Working Party should submit a report to the CONTRACTING PARTIES indicating the extent to which commodity problems have hampered international trade, in particular by affecting the export earnings of primary producing countries and causing them to apply restrictions on imports. In this report it would be open to the Working Party to make suggestions directed to the alleviation or solution of problems in the field of international trade, having regard to the competence of the United Nations and other inter-governmental organizations as provided for in paragraph 4 of the basic Resolution.

4. At the Twelfth and Thirteenth Sessions contracting parties have expressed their great concern about many problems in their trade in primary products and, in particular, about the wide fluctuations in prices. They felt that the basic Resolution could be regarded as satisfactory so far as its provisions are concerned, but that its implementation should be made more effective. For example, paragraph 2 of the Resolution has had no noticeable effect on the consultations on balance-of-payments consultations under Article XII. In future, when undertaking consultations on balance-of-payments import restrictions, the CONTRACTING PARTIES should address themselves to problems affecting international trade in primary products whenever these are particularly relevant as "factors affecting the balance of payments" (see paragraph I(1) of the proposed plan for consultations under Article XII(4)(b) and Article XVIII(12)(b)). In this connexion the CONTRACTING PARTIES would examine not only the factors affecting the import demand for primary products, but also factors affecting the supply of such products for export, including any measures applied by the consulting contracting party which tend to limit exportation in competitive conditions.

5. Paragraph 3 of the basic Resolution has also proved a dead letter. Perhaps this has been due to a lack of understanding of the potentialities of the General Agreement in this field. Therefore the Working Party has thought it useful to describe the manner in which contracting parties may have recourse to the facilities of Articles XXII and XXV for dealing with problems in their trade in primary products. Article XXII provides for consultations between contracting parties on any matter affecting the operation of the Agreement. At this Session the CONTRACTING PARTIES have adopted procedures whereby these can be broadened into multilateral consultations and it should be noted that there is nothing in the Article which would prevent the participating governments from inviting non-contracting parties to take part. However, there may be situations in which joint action by the CONTRACTING PARTIES under Article XXV would be more appropriate, for example, where a developing situation might lead to measures being taken by one or more

contracting parties which would be injurious to others unless it is dealt with through co-operative action. For a consultation to be initiated under Article XXIV, there must be a prior decision by the CONTRACTING PARTIES which could, if they wished, invite non-contracting parties to participate. Thus under these two Articles there are procedures, for initiating action and a search for solutions, which are well adapted for dealing with many of the special situations arising in the trade in primary products, indeed perhaps better adapted for this purpose than the lengthy procedures involved in the negotiation of commodity arrangements as usually conceived.

6. Accordingly, the Working Party recommends that contracting parties, when contemplating action on problems arising in commodity trade, should consider the possibility of initiating consultations under Article XXIII with a view to arriving at mutually acceptable solutions, thus avoiding the need for unilateral action. The CONTRACTING PARTIES are reminded that, when special circumstances are likely to affect the trade in a primary product and to threaten disruption of the market and to cause special difficulties either to exporters or to importers which might lead to commercial policy action being taken by one or more countries, they may, at the request of an interested party, decide to arrange for consultations among exporting and importing countries with a view to finding a solution which would avoid resort to measures which would restrict or disrupt trade. These consultations might be arranged pursuant to the provisions of Article XXV which entitle them to act jointly with a view to furthering the objectives of the General Agreement. Further, when the CONTRACTING PARTIES consider that there exists in the commodity field a situation which has or is likely to have adverse effects on international trade generally and for which collective action outside their competence is required to find a solution and to promote expansion of trade, they should bring this situation to the attention of the agency competent to take the required action.

7. Concerning participation of the CONTRACTING PARTIES in the work of the Commission on International Commodity Trade, the Working Party recommends that the CONTRACTING PARTIES should instruct the Executive Secretary to accept, on their behalf, the invitation of the Economic and Social Council to participate in the work of the next Session of the Commission to be held at the Headquarters of the United Nations in March 1959. In accepting this invitation the Executive Secretary should assure the Secretary-General of the great interest of the CONTRACTING PARTIES in the work of the Commission and of their desire to assist in every way possible. When attending the next Session of the Commission, the Executive Secretary or his representative should assert the continuing interest of the CONTRACTING PARTIES in the problems of trade in primary products in so far as they affect the operation and the attainment of the objectives of the General Agreement, and the special responsibilities of the CONTRACTING PARTIES under Article XX(b) of the Agreement. He should also describe the rôle of the CONTRACTING PARTIES in terms of the Resolution of 17 November 1956, as interpreted in this Report, and should take part as appropriate in the work of the Session.

8. Finally, the Working Party recommends that the Executive Secretary be authorized to pursue, in consultation with the executive officers of other interested intergovernmental agencies, the suggestion that the managers of commodity agreements now in force and the permanent officers of commodity study groups be associated in an appropriate manner with one or other of the international bodies concerned with commodity problems so that their practical experience of the negotiation and operation of commodity arrangements shall be available to all the agencies concerned.