

FIFTH COMMITTEE: INTER-GOVERNMENTAL COMMODITY AGREEMENTS

STATEMENT BY THE CUBAN DELEGATION  
ON INTER-GOVERNMENTAL COMMODITY AGREEMENTS

The Cuban Delegation maintains that Chapter VI of the Charter, dealing with inter-governmental commodity agreements, should be based fundamentally on the following two principles:

First, freedom of the parties interested in a certain commodity to solve the problem relating thereto;

Second, defence of the producer.

These two principles have guided the conduct of the Cuban Delegation throughout the setting up of this Chapter, since its early stages in London, New York and Geneva, and up to the final phases in Habana. We admit that in regard to the first principle the evolution of the Chapter since the original proposal has been satisfactory and that at this moment the parties interested in a particular commodity, that is, its producers and consumers, have a practical procedure through which to study and solve their problems, which satisfies our just expectations, and which at the same time keeps up the necessary control through the Organization in order that the results may be consistent with the objectives of the whole Charter.

It is about the second principle that the Cuban Delegation is still greatly concerned, as it is our honest belief that an error in perspective is being committed in the way the whole Chapter has been drawn. Our thesis that this Chapter should be in all respects a defence of the producer's interest is based on the fact that inter-governmental commodity agreements come into effect when there is or is expected to be a burdensome surplus of a particular commodity or widespread unemployment as a consequence of said surplus. That is, the Chapter is designed to provide help in a situation in which producers are going to be in distress and where a consumers' market exists. Therefore, at that time consumers will have all the advantage and it is the producers who will need all the help that the Organization can give them to solve the problem then encountered.

It is true that from past experience consumers should know that if they strike too hard a bargain with their producers in distress, in the end they too are going to suffer the consequences of the disaster that may overcome  
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producers; but the temptation to solve an immediate problem by getting the commodity as cheap as possible may be too strong to be resisted by consumers; and if this latter result were achieved by consumers, both surplus and unemployment in the producing countries would become endemic and the aims of the whole Chapter to correct the situation would fail.

It is a great error in perspective, in our opinion, to try to obtain in the drafting of the Chapter a balance of forces between producers and consumers, because such a balance would be broken in the consumers' favour in any situation requiring the application of the measures envisaged in Chapter VI. Equality in voting, vagueness in the determination of the level of prices to be obtained, indications that the commodity should be acquired economically, are misleading guides from which commodity agreements may suffer in the future. What this Chapter wants is direct protection to the producer, who is the one who would be in trouble, in a very weak position and at the consumer's mercy.

Unfortunately Chapter VI of the Charter has been drawn in 1947, when consumers have only recently suffered commodity shortages and unwonted higher prices. If this Chapter had been drawn in 1933 it would be entirely different: It would be a straightforward defence of producers -- which is, for the reasons just given, the right attitude. That is why the Cuban Delegation concedes so much importance to the statement that the price must be remunerative to the producer. If it were not remunerative, the problem could not be solved and unemployment and surpluses would increase and spread.

We have not lost sight of the consumers' side and admit that if commodity agreements were to provide a remunerative price to every producer, no matter how inefficient, there would be no inter-governmental commodity agreement ever signed; but, on the other hand, if even an efficient producer does not get a remunerative price, it is no use to have commodity agreements because they would not help but instead aggravate the situation.

We have been consistently arguing that inasmuch as the Charter is envisaged to produce the maintenance of fair labour standards, the expression "efficient producer" cannot be construed as "cheap producer with low labour standards." Then a remunerative price is the price that an efficient producer who maintains fair labour standards needs in order to produce remuneratively and, if this is so, said price should also satisfy less efficient producers who compensate their shortcoming by not having to meet the high wages of the more efficient producers.

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It is a great error to believe that when prices are to be discussed in a future commodity agreement, producer will have to choose from among several high prices; the situation will be just the opposite. Producers will be offered very low prices. If in a situation of producers' distress, they are paid prices that would cover at least the cost of efficient producers and a reasonable remuneration under the circumstances, the situation would improve little by little, whereas if even efficient producers' prices are not met, producers could complain to the Organization that their prolonged distress is due to prices not even meeting efficient producers' costs. On the other hand, the meaning of the term "fair to producers and consumers" is going to be fixed in practice when the situation is bad for producers, and therefore no consumer would believe that it is "fair" to pay higher prices than he can get under the law of supply and demand when supply is excessive and every advantage is held by the consumer.

Consequently we believe that a "remunerative price for efficient producers" is the most that in a situation of excessive production producers can get from farsighted consumers, and that the Chapter should contain this indication to show to consumers that if less than this is achieved the problem is not going to be solved, but, instead, aggravated or perpetuated.

It is for all these reasons that the Cuban Delegation has been throughout the previous stages in London, New York and Geneva, a strong supporter of this expression. If this expression is included, we believe that in all the wording of the Chapter a certain balance is kept up between the interests of consumers and of producers, notwithstanding how dangerous we believe this balance to be; if it is deleted, the balance of the Chapter is entirely in favour of consumers and will give them extra help that they would hardly need when facing producers in distress.

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