

FIFTH COMMITTEE: INTER-GOVERNMENTAL COMMODITY AGREEMENTS

SUMMARY RECORD OF THE FOURTH MEETING

Held at Havana, Wednesday, 3 December 1947 at 4.00 p.m.

Chairman: Mr. George HAKIM (Lebanon)

Continuation of General Discussion of Chapter VI of the Draft Charter

Mr. J. J. DEDMAN (Australia) referred to the fact that the exports of Australia were largely primary products and gave reasons in support of the inclusion of a Chapter on inter-governmental agreements within the Charter of the ITO.

He pointed out that a commodity agreement must be based on practical operation. International arrangements relating to manufactured goods could best be dealt with by the generalization of changes generally in customs duties agreed to under bilateral arrangements. However, the problems of primary products could be appropriately treated by multilateral commodity arrangements. In an agreement covering a single commodity it was possible to take into consideration the special conditions of the particular commodity and to deal with many aspects of international trade in that commodity.

Prices of primary products had fluctuated so greatly in the past that periodically various industries were seriously disrupted and at various times producers and consumers were subject to serious hardship. In the case of important primary products the relationship of supply to demand was such that it was not possible under normal trading methods to preserve over a long period a reasonable return to the grower and a reasonable price to the consumer. Through international commodity agreements covering the major primary products it would be possible to bring greater stability to producers and consumers alike.

Mr. Dedman considered that importers should have a full voice in the framing of agreements, but should also accept a full share of responsibility for their administration. The Draft Charter gave the right to any country substantially interested to remain outside an agreement, but in considering whether it should participate in any agreement for a particular commodity, such as wheat, a country should take into account the long-term position and not be influenced only by the present market position of the commodity.

/Chapter VI only

Chapter VI only sets out principles under which agreements may be made. It would be of real value only if agreements are made and made without delay.

Mr. B. N. GANGULI (India) stated that his Delegation accepted without reservation the general principles and objectives of inter-governmental commodity agreements under the provisions of Chapter VI. Through such agreements national agricultural policies could be reconciled and a stable basis of international co-operation established. In particular, agreements designed to prevent the deterioration of the terms of trade of the predominantly agricultural countries would be particularly valuable.

The Indian delegation wished to express second thoughts on the relationship of the FAO and the proposed ITO and drew attention to the functions of the Council of the FAO which include:

1. to examine current developments in proposed and existing inter-governmental agricultural commodity arrangements; particularly those developments affecting adequacy of food supply, utilization of food reserves and famine relief, changes in production or pricing policies, and special food programmes for under-nourished groups;
2. to promote consistency and integration of agricultural commodity policies, national and international, with regard to (a) overall FAO objectives, (b) the inter-relationship of production, distribution and consumption and (c) inter-relationships of agricultural commodities; and
3. to initiate and authorize groups to study and investigate agricultural commodity situations which are becoming critical, and to propose appropriate action, if necessary, under Article I (2.f) of the FAO Constitution.

These covered practically all functions relating to agricultural commodities and were co-extensive with the proposed functions of the ITO with regard to these commodities. In order that the Charter of the ITO should not in any way restrict the activities of the FAO he suggested specific modifications to Articles 58 and 64 (see document E/CONF.2/11/Add.27).

To resolve differences between ITO and FAO provision may be made in the Charter for a suitable Co-ordinating Committee consisting of a chairman nominated by the Economic and Social Council and two members representing ITO and FAO respectively.

He also referred to Article 84 (Chapter VII) which he thought should also empower ITO to effect a transfer of functions to any other competent inter-governmental organizations.

/Mr. MANSOUR (Egypt)

Mr. MANSOUR (Egypt) stated that although Chapter VI represented a fair balance between the points of view of producing and consuming countries; he had certain amendments to put forward to Articles 56 and 62. The implication contained in article 56 was that only countries whose interest represented a substantial part of world production or consumption of a particular commodity could request the convening of an inter-governmental conference. He would submit, at a later date, a form of words clarifying the Article on this point. In Article 62, he suggested the substitution of four years for five.

The Chairman informed the meeting that the representative of the International Co-operative Alliance had requested an opportunity to make a statement. Reference was made to the Rules regarding participation by Non-Governmental Organizations. The Meeting agreed that the representative should be heard, but also decided to draw the attention of the General Committee to the desirability of setting up at an early date an ad hoc Committee which would enable Non-Governmental Organizations to make an effective contribution to the work of the Conference.

Mr. THORSTEEN ODHE (International Co-operative Alliance) stated that although his organization was generally pleased with Chapter VI there was a fear that the control agreement provision might encourage monopolies to the detriment of small producers. He therefore made the following suggestions which his organization felt would further reduce this risk:

- (a) to insert a provision for the previous investigation of monopolistic combinations before commodity agreements were made;
- (b) to insert, in addition to Article 84 paragraph 3, specific provisions in Chapter VI for consultation with ICA and other non-governmental organizations in Category A in study groups, commodity conferences and councils;
- (c) a provision to be made to make it obligatory for exporters to sell to all buyers willing to pay the market price and meet other terms of trade, thus to prevent discrimination.

Mr. LING (China) announced that his delegation had made no reservations concerning Chapter VI during the Geneva discussions and had no new proposals to put forward now.

Mr. KUNBER (Turkey) agreed in general with the principles of Chapter VI but felt that more precision could be given to certain of its conditions. He suggested the inclusion of a list of the outstanding primary commodities in Article 53 (1). In Article 55 (3) he suggested the insertion of a time limit with respect to the length of study group investigations. He was not
/in favour of

in favour of full publicity being given to inter-governmental commodity agreements until after their conclusion for it might give rise to speculation. Article 61 (8) needed further clarification so that it would be understood that expenses should be related to the interest of the country in the commodity.

Mr. PARGA (Colombia) felt that Article 59 clearly implied that inter-governmental commodity agreements would only be negotiated in exceptional circumstances. It also seemed that considerable time would be needed for preliminary study before an agreement could be concluded. Those, and other conditions, as for example the danger of speculation which had been mentioned by the Turkish representative, would have a detrimental effect on producing countries.

In his opinion, countries producing primary commodities should not be impeded from combining together so that their producers would not suffer through speculative practices. His delegation would submit an amendment to that effect at a later date.

Mr. MUNOZ (Chile), in reply to the Turkish representative, explained that Article 53 (1) had been the subject of much discussion during the London and Geneva meetings. It was not practicable to list all the primary commodities and for this reason the definition in paragraph 1 had been agreed.

Mr. VOGLIOLO (Italy) announced that he agreed with the principles of Chapter VI and that he had no proposals to put forward to the substance of it. He reserved the right, however, to submit a formal amendment to the phraseology of Article 53.

Mr. PETER (France), in connection with the remarks of the representative of India, agreed that the problem of the relationship between ITO and FAO was a difficult one. Article 58 provided that inter-governmental commodity control agreements could only be initiated by ITO, and with that principle Mr. Peter agreed. Should such agreements be negotiated by organizations other than ITO the principles and objectives of the latter Organization might not be observed. The formal relationship between the two organizations would have to be drawn up in conformity with Article 84, and that Article was in no way contradictory to the constitution of the FAO.

The Indian representative had also mentioned the need for a co-ordinating committee. A preliminary Interim Co-ordinating Committee concerning inter-governmental commodity agreements was already in existence and FAO was participating in its work.

In reply to the representative of Egypt, Mr. Peter explained that it was for each country to decide if it were directly concerned with a
/particular

particular commodity and in that connection any country's request to participate in the work of the conference would be granted. As regards the Egyptian representative's proposal concerning Article 62, Mr. Peter expressed the view that a period of five years would make for greater flexibility.

In regard to the remarks of the Turkish representative Article 61 (8), he mentioned that the contributions to the expenses of the Tin study group were based on the proportional interests of the countries concerned. In connection with the suggested time limit for the work of the study groups, he expressed the view that that should be left to their discretion.

The Preparatory Committee had decided to give full publicity to inter-governmental commodity agreements and at the same time, to avoid speculation, had agreed that both importers and exporters should be present.

Mr. MARTINEZ LACARRA (Mexico) reserved his right to present certain amendments at a later date. As the Charter was now drafted, the countries producing primary commodities would find themselves faced with a highly controlled market, while, at the same time, they would be forced to buy manufactured goods in a free market.

Mr. PAPATSONIS (Greece) fully endorsed the suggestion of the Turkish representative to include a list of primary commodities in Article 53 (1).

Mr. USHANI (Pakistan) wished for a further explanation as to why no list of primary commodities had been included in Article 53 (1). He also wished to know the exact meaning of the words "efficient producer" in Article 54 (c). Would it be possible, for example, to draw a distinction between a wheat producer in Canada and one in Australia, or a cotton producer in Pakistan and one in Egypt.

Mr. CHANEZ (Peru) stated that he proposed to submit an amendment regarding the question as to whether countries taking part in a study group or commodity conference should be obliged to relinquish any unilateral measures taken with respect to the commodity.

Mr. CAPLAN (United Kingdom) expressed the hope that delegations would put forward any amendments as soon as possible and suggested that careful study be given to the explanatory document issued by the Secretariat (document E/CONF.2/C.5/1).

Appointment of Drafting Sub-Committee

The CHAIRMAN referred to the recommendation of the General Committee regarding explanatory notes to the Charter (document E/CONF.2/BUR.5). He proposed the establishment of a Drafting Sub-Committee to undertake the preparation of any text for the consideration of the Committee, including drafting changes which would incorporate the sense of the explanatory notes into the text of the Articles.

/After some

After some discussion of the timing of the work of such a sub-committee it was decided that the work on any particular Article would be done after the Committee had discussed that Article. The following were appointed as Members of the Drafting Sub-Committee:

Argentina	India
Australia	Netherlands
Colombia	United Kingdom
France	United States

Article 52

The SECRETARY commenced the first reading of Article 52 and footnote (see Annotated Agenda, document E/CONF.2/C.5/3). France, supported by the United States, suggested withdrawal of the footnote. There were no objections and this was considered agreed. As there were no further comments, Article 52 was adopted on the first reading.

General Statement by IFAP

At this stage Mr. CAIRNS (Representative of International Federation of Agricultural Producers) was given permission to make a statement. Mr. Cairns said he appreciated the opportunity of making a few general observations on behalf of the IFAP before his departure for Washington for the meeting of the International Wheat Council. The IFAP comprised the representatives of the organized farmers of twenty countries and hoped soon to include representatives of farmers in many more countries. He congratulated the Preparatory Committee on their achievement in putting before this Conference a comprehensive and agreed draft Chapter on commodity agreements. The Federation had been formally established at the Hague in May 1947. At that Conference, a resolution had been unanimously adopted supporting strongly the proposed international wheat agreement, and regretting that such an agreement had not been concluded at the recent International Wheat Conference in London.

Mr. Cairns emphasized the importance attached by the IFAP to the all-important role which the FAO must play in all agreements on agricultural products. The Federation appreciated the explicit recognition given to the functions, and the initiative expected, of the FAO, in Article 64 of Chapter VI of the Draft Charter. However, the Federation still held firmly to the conviction that the role envisaged for the FAO in the Draft Charter was insufficient. The FAO was the first of the United Nations specialized agencies to be established and its constitution charged it with far-reaching responsibilities regarding agricultural production, nutrition, the welfare of agricultural producers, and international commodity agreements.

/He hoped

He hoped that a decision would be made to establish the present Interim Co-ordinating Committee for International Commodity Arrangements on a permanent basis. Effective collaboration between the FAO and the ITO would be essential. Mr. Cairns expressed disappointment at what he considered to be insufficient recognition in the Draft Charter of the constructive and expansive role which commodity agreements could play in regard to a number of commodities of which the world was now in sore need. He illustrated his point with a reference to wheat. The Draft Charter clearly indicated that the draft wheat agreement would be a so-called control agreement, and set forth pretty stringent conditions to which all such agreements must conform. Yet there was an excellent case for a wheat agreement even if it were proved that fears of an eventual surplus of wheat were not well founded. In order to expand and maintain production of wheat and certain other basic agricultural commodities, producers must be assured of reasonable prices for a period of some years. Such assurance could best be provided within multilateral inter-governmental commodity agreements.

Article 53

Article 53, paragraph 1 and the proposed amendment by the delegation of Chile (document E/CONF.2/11/Add.30) were read.

Mr. MUNOZ (Chile) proposed that in the first line the word "Chapter" should be replaced by "Charter" so that there would be uniformity in the definition of "primary products" throughout the Charter. The Committee was in general agreement as to the desirability of a uniform definition but thought that the matter should be considered by a general Drafting Committee concerned with the whole Charter which might consult other Committees concerned with Articles using the term "primary products".

Article 53, paragraphs 2 and 3 were read and some discussion took place as to whether it was desirable to clarify the present text. Article 53 was approved on the first reading, on the understanding that the question of the uniformity of definition of the term "primary products" would be considered by the appropriate general committee.

Article 54

The Preamble and the amendment proposed by the Chilean delegation were read and considered. The delegate of Chile explained that his proposal to change the word "may" to "shall" in the preamble was designed to give greater force and dignity to the Chapter. After some discussion it was agreed that the word "shall" was not acceptable but it was decided to ask the Drafting Sub-Committee to attempt to find a compromise wording.

Article 54, paragraph (a) - read and approved.

/Article 54,

Article 54, paragraph (b) - approved after discussion regarding the meaning of the words "shift of resources and manpower".

Article 54, paragraph (c) - discussion ensued regarding the use of "efficient producers". There was some objection to the retention of this phrase and the delegate of Cuba stated that he would propose an amendment for later discussion.

Article 54, paragraphs (d) (e) and (f), were approved after comment by the delegate for the Netherlands that Article 54 was mostly positive and that the sequence of paragraphs has no intended significance.

The CHAIRMAN declared the text of Article 54 approved at first reading except for the preamble and paragraph (c).

The meeting rose at 7.30 p.m.
