

FIFTH COMMITTEE: INTER-GOVERNMENTAL COMMODITY AGREEMENTS

SUMMARY RECORD OF THE NINTH MEETING

Held at Havana on Tuesday, 30 December 1947 at 10.30 a.m.

Chairman: Mr. George HAKIM (Lebanon)

1. REPORT OF SUB-COMMITTEE 'A' (document E/CONF.2/C.5/9)

The CHAIRMAN congratulated the Sub-Committee on the excellent work performed and he called on Mr. de Vries (Netherlands) to present the report of the Sub-Committee in the absence of its Chairman, Mr. Schwenger (United States).

Mr. de VRIES (Netherlands) stated that a number of representatives not members of the Sub-Committee had participated in the discussion of particular amendments and had greatly contributed to the degree of agreement reached. On behalf of the Sub-Committee he paid tribute to the untiring efforts of Mr. Schwenger as Chairman.

Referring to the amendment to Article 67 proposed by the United States delegation, the Sub-Committee agreed that the Charter should provide for an exception to inter-governmental commodity agreements designed to meet the essential requirements of national security, and that that exception should be drafted as narrowly as possible consistent with its purpose, but felt that the decision on drafting and appropriate place in the Charter could best be taken in connection with the discussion on Article 94.

The CHAIRMAN then called for general comments on the report of the Sub-Committee before proceeding to the second and final reading of Chapter VI.

Mr. JIMENEZ (El Salvador) and Mr. ZAFRA (Philippines) stated that they would ask for further discussion of the proposed amendments to Article 54 (c) on the question of remunerative prices.

Mr. de GAIFFIER (Belgium) felt that the condemnation of cartels in Part II of the Sub-Committee's Report was an unfair judgment. He thought that this reference should have been confined to a statement that agreements might have unfavourable results for the users of the equipment. He was not in agreement with the addition to sub-paragraph (b) of Article 54 recommended by the Sub-Committee.

/Mr. CAPLAN (United Kingdom)

Mr. GAPIAN (United Kingdom) declared that his delegation was ready to accept the revised text of Chapter VI since it provided for three necessary essentials, namely: (i) a statement of clear and desirable principles, (ii) a simple and practical procedure and (iii) general flexibility to meet special circumstances. The revised Draft Chapter also provided for a just balance between the varying types of interest in the commodity field.

Mr. CHRISTENSEN (Denmark) stated that his delegation was prepared to accept generally the revised text of Chapter VI. However, the proposed additional sentence to Article 54 (b) might cause difficulties for countries whose economies were based on highly processed goods for the production of which great quantities of primary products were required. Article 58, paragraph 5 did not appear to be drafted in clear and precise terms.

Mr. KENNEDY (United States) declared that his delegation was willing to accept the amended text of Chapter VI which he recognized was an improvement on the London and Geneva drafts.

Mr. COREA (Ceylon) was pleased that the revised text incorporated a number of points that he had raised, but he regretted the retention of the word "efficient" (producers) in relation to an agreement designed to moderate pronounced price fluctuations. He thought this might cause difficulties for the Organization and would like to see it deleted. He welcomed the new preamble to Article 59, but thought that the drafting still needed clarification.

Mr. IGONET (France) was completely satisfied that the requirements of metropolitan France and her overseas territories were reflected in the present text of Chapter VI.

Mr. STEWARD (Uruguay) emphasized his regret that none of the amendments presented by his delegation had been accepted by the Sub-Committee, although they had received some support in the main Committee. The Charter provided little opportunity for development in Uruguay.

Mr. KUNEFER (Turkey) agreed that the term "efficient" was too vague in spite of all assurances that the expression was sufficiently flexible to include all proposals.

## 2. SECOND READING OF CHAPTER VI

The Committee then decided to proceed to the second reading of Chapter VI Article by Article.

### Article 52 - Difficulties Relating to Primary Commodities

This Article was agreed to without comment.

### Article 53 - Primary and Related Commodities

#### Paragraph 1

Mr. STEWARD (Uruguay) maintained his revised amendment for the addition of a second sub-paragraph to paragraph 1, namely:

/"(b) the standard

"(b) the standard mechanical equipment required for producing the products referred to in paragraph (a) of this Article."

Mr. REICHERT (Argentina) appealed to the Committee to find some formula which would cover the substantial principle presented by Uruguay, which had the full support of Argentina. Industrial equipment was closely related to expansion of trade and distribution of essential products and its inclusion as a primary commodity was justified. The amendment of Uruguay would represent a valuable contribution to the success of future inter-governmental commodity agreements and to the attainment of the objectives of the Charter.

The definitions in Article 53 were already wide, reflecting the advances in the scope of agreements. He referred to the expansion of production and other objectives of agreements and stated that the inclusion of the Uruguayan proposal would aid in reaching these objectives.

Mr. CAELAN (United Kingdom) was firmly convinced that Article 53 would become less effective by the adoption of the amendment of Uruguay. Hardly any article of such equipment existed which could really be called standard. There were very few governments which exercised effective control or direction over industrial production. The only possible way to secure multilateral action was to get the producers of the equipment together and this would strengthen their bargaining powers against the agricultural primary producer.

Mr. STEWARD (Uruguay) pointed out that the revised amendment was limited to the concept of the standard equipment necessary for the production of primary commodities. The aim of the amendment was (1) to provide for standardization of industrial equipment for the production of primary commodities, and (2) for recognition of the principle involved in the expansion of world trade.

The CHAIRMAN said that apart from the substance of the proposal there was the question of its location in the Charter. He pointed out that paragraph 1 of Article 53 in its present form simply gave a definition of primary commodities. He drew the attention of the Committee to the logical difficulty of including machines and equipment in the definition of primary commodities.

Mr. LACARRA (Mexico) endorsed the Uruguayan representative's statement and said that the fact that there was a considerable variety of prices and types of mechanical equipment did not present an unsurmountable difficulty. While very few governments at present controlled agricultural or mining production, the Charter nevertheless envisaged inter-governmental agreements for those commodities; if that were possible he saw no reason why  
/similar procedures

similar procedures could not also be used in the case of commodities covered by the proposal. It was the aim of the amendment to induce machinery producing countries to establish greater standardization of types and models as well as prices. While it was not easy to reconcile the text of Article 53 to include standard mechanical equipment, the fundamental principle had to be stated in the Charter that countries producing primary commodities needed assistance in acquiring essential equipment. He supported the Uruguayan amendment and urged that the difficulties in wording the amendment should not prevent the acceptance of the principle behind it.

Mr. McCARTHY (Australia) opposed the amendment because of its impractical nature. His country's interests were in many respects similar to those of the delegations supporting the Uruguayan proposal, and the high cost and difficult importation of mechanical equipment was of serious concern to Australia. He was, therefore, sympathetic to the idea of simplifying the acquisition of agricultural equipment but he could not see any hope of drawing up multilateral inter-governmental agreements to achieve that end. To take account of such a new departure, the whole Chapter would have to be changed fundamentally. This applied particularly to Article 59 because the contingency of "a burdensome surplus" could never arise in the case of mechanical equipment, as factories would simply shut down when a surplus developed. Such a situation did not obtain in real primary commodities where the producers would, on the contrary, try to produce more and thereby to make up for the lower price of their products. That was the reason why Article 59 had been written into the Charter.

Inter-governmental agreements or price controls on manufactured goods were impossible to achieve or to carry out. The supporters of the amendment had apparently overlooked the details of working out their scheme in practice. The controls necessary to cover agricultural or other mechanical equipment went far beyond that needed for primary commodities, and experience had shown the difficulty of administering such controls. There were considerable difficulties to be expected even in the conclusion of agreements on certain primary commodities, as he had had occasion to observe, but they would become insurmountable when it came to machinery.

Finally, Mr. McCarthy observed that international action for standardization of agricultural machinery was not prevented by anything in the Charter, and full scope was left open for action in that respect.

Mr. HAUSWIRTH (Switzerland) agreed with the Belgian representative's statement regarding the reference to cartels in the Sub-Committee's Report. As to the Uruguayan amendment he sympathized with the idea behind it, but could only endorse the Australian representative's objections to it.

/His country was

His country was demonstrating its belief in greater freedom of trade by removing wartime controls. As regards suggestions made about increased standardization of processing equipment, he had observed no such trend in Switzerland. On the contrary, most countries wanted very specialized equipment suitable to their own special needs. The Uruguayan amendment was lacking in realism and should be rejected.

Mr. de VRIES (Netherlands), in supporting the Australian representative's statement, said that the countries favouring the Uruguayan amendment might stand to lose more than they would gain from it. He argued that the conditions set out in Article 59 could not apply to agricultural machinery. Nothing in the Charter, however, would obstruct governmental or non-governmental efforts to obtain a higher degree of standardization and efficiency in the production of agricultural equipment. He drew attention to Article 43 II as offering a possible means of meeting the problems raised by the Uruguayan amendment. His delegation, however, did not approve wholly of that Article particularly as regards its time limit and would propose amendments to it.

Mr. USMANI (Pakistan) felt that the amendment was opposed to the spirit of the whole Draft Charter. It was true that Chapter VI was an exception to the principles of the Charter, but for that very reason it should be confined to those primary commodities which all governments were interested to control. Manufactured goods should be excluded from the provisions of Chapter VI as otherwise the spirit of Chapters IV and V would be violated. The whole question of equipment needed to be considered in the context of economic development.

Mr. STEWARD (Uruguay), in summing up, said that it had been due to the standardizing influence of England in the last century that his country had had to adopt her production. Farms and herds had to be modified so that the meat and wool produced would be in line with English standards. A similar aim had been in the minds of his delegation when submitting the amendment, namely to bring about a more standardized type of equipment and a greater uniformity of price. His country was small and was being exploited by world industry. The increase of agricultural production, which the world sought, could not be achieved without an adequate supply of equipment. Ploughs and tractors could be standardized, in his opinion, and thereafter inter-governmental agreements could be made.

The CHAIRMAN then established that the consensus of opinion of the Committee was to reject the Uruguayan amendment.

/Paragraphs 1, 2 and 3

Paragraphs 1, 2 and 3 of Article 53 as drafted (see E/CONF.2/C.5/9 pages 12 and 13) were adopted.

The Chairman then referred back to the statement by the representative of Belgium regarding the reference to cartels in the Sub-Committee's report and pointed out that the explanatory text in Parts I and II of that Report was not subject to adoption by the Committee as it was only a statement of the considerations underlying the decisions of the Sub-Committee.

The meeting rose at 1.15 p.m.

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