

**ECONOMIC  
AND  
SOCIAL COUNCIL**

**CONSEIL  
ECONOMIQUE  
ET SOCIAL**

PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE  
ON TRADE AND EMPLOYMENT

COMMITTEE IV

INTERGOVERNMENTAL COMMODITY ARRANGEMENTS

SUMMARY RECORD

Fourth Meeting

Held on Thursday, 24 October 1946 at 3 p.m.

Chairman: Mr. J.R.C. HELMORE

Vice-Chairman: Mr. J. MELANDER (In chair for  
part of the meeting)

1. Report of Agenda Sub-Committee:

The Chairman reported that the Sub-Committee appointed at the third meeting of the Committee had drafted an amended agenda which had been circulated to members. It was considered that at this stage no further discussion of Item 1 "Special difficulties relating to primary industries" was necessary.

2. General provisions which might be applied to all inter-governmental commodity arrangements:

At the suggestion of the Chairman, Mr. HELMORE, it was agreed that delegates should express their views on each of the principles set out in the agenda and that a Sub-Committee should then be appointed to draft a text for later consideration by the Committee.

(a) Participation in commodity arrangements:

Professor de VRIES (Netherlands) pointed out that different interpretations might be given to some of the terms used in the United States Draft Charter. Article 46 (1) appeared to allow all members to participate in an agreement irrespective of their interest in the commodity concerned. He thought that non-members with an interest in a special commodity should be able to come

into an agreement at the commencement. On the other hand, it would not be possible to force any member to become a party to an agreement. He raised the question as to what authority would decide the terms of participation.

Mr. SCHRENGER (United States) answered that the Charter had been drafted on the basis of an agreement in which the voice of a participant was measured by some objective criterion of his interest in the particular commodity. It might be fitting that a member whose interest was slight should be able to participate; but he should have relative little influence. It had been contemplated that non-members might participate. Article 45 (1) provided that the Organization might invite the participation of non-member countries having an interest similar to that of members, and Article 46 had been intended to include this possibility. It had been assumed that in such a case the Organization would consider the wishes of members already participating. No member would be forced to enter an agreement.

Mr. GUERRA (Cuba) asked for clarification of the distinction between the terms of participation of members and non-members. The agreements envisaged must be part of the general machinery of international trade.

Mr. DARRAR (India) suggested that any provision restricting import by members from a non-member country to the actual imports in a previous representative period might be considered separately for each agreement. Such a provision would be a burden during a period of shortage. Members could, however, be asked to see that their purchases conformed to an agreed price range.

Professor de VRIES (Netherlands) said that any member interested in a particular commodity should be entitled to enter into an agreement on equal terms. However members not interested should refrain from entering a particular commodity agreement. He asked whether the term "member" was used in the sense of Article 33.

Mr. WILCOX (United States) saw no difficulty in including customs territories within the term "member". Terms of adherence might be established by the Commission and not the Organization, and would be general terms applicable to all new adherents.

Mr. HILL (United Kingdom) said that the United Kingdom had in its jurisdiction a large number of small units, many of which had their own customs arrangements. Where a number of these each produced small quantities of the same commodity, it might be unduly cumbersome if each had separate representation irrespective of its output.

Mr. MCCARTHY (Australia) pointed out that there was a danger in including members whose interests were so limited that they might hamper the work of the agreement.

Mr. BEYLEFELD (South Africa) pointed out that if a major producing country did not join the agreement would probably be ineffective.

Mr. WILCOX (United States) said that the Charter assumed that entry would be quite voluntary.

Mr. MCCARTHY (Australia) said that if one or two major countries stood out it would not be possible to reach an agreement. He hoped that situation would not arise.

Professor de VRIES (Netherlands) stressed that the question of the application of Article 33 to Chapter VI was an important one.

It was agreed that this point should be considered later by a Sub-Committee.

(b) Representation of producing and consuming countries.

Mr. BROADLEY (United Kingdom) and Mr. GUERRA (Cuba) supported the proposal of the Charter that commodity agreements should provide for adequate representation of members substantially interested in the importation or consumption of the commodities concerned.

Mr. MCCARTHY (Australia) drew attention for the need of clarity as to the representation of exporting countries.

Professor de VRIES (Netherlands) hoped that the drafting committee would clarify a number of the terms used in this section. The wording should make it clear whether commodity agreements related to exports and imports or to production and consumption.

Mr. McARTHUR (Australia) distinguished between exporters, importers, and countries which were neither but were at the same time large consumers. Such a consuming country might be included because of the contribution it might make; each case should be decided on its merits.

Mr. WORMSER (France) suggested that the precise participation of a given country in a particular agreement would depend on the commodity concerned.

Mr. GUERRA (Cuba) supported the inclusion of consuming countries in agreements.

(c) Voting arrangements:

Mr. GUERRA (Cuba) said that his Delegation would later introduce a specific amendment on this point. The International Sugar Agreement had operated smoothly for a number of years. It was fair that consuming countries should be adequately represented in any agreement; but the Charter should not state as a general and inflexible rule that representation should be equal. Provision should be made for "adequate" representation of exporting, importing and consuming countries and the proportion of representation decided in each particular agreement.

Mr. BROADLEY (United Kingdom) attached importance to equality of representation between importing and exporting countries.

Mr. McARTHUR (Australia) agreed with the principle of equality of voting. Exporters should not be in a position to out-vote importers on vital matters such as prices. For agreements to continue successfully, importers must be satisfied and must co-operate to see that

the decisions of the controlling body are carried out.

Mr. WORMSER (France) asked for an examination of the possibility of finding a system of voting which would include consuming countries who did not have a large international trade in a commodity.

Professor de VRIES (Netherlands) agreed that the ratio of representation might well be different for different commodities. The sugar agreement had worked well without complaint from either consumers or exporters.

(d) Expansion of consumption:

Mr. McCARTHY (Australia) suggested that expansion of consumption need not necessarily arise out of the idea of avoiding production restriction. When production was stimulated, the increase should come from areas producing economically.

The Chairman (Mr. HELMORE) suggested the deletion of the words "In order to minimize the need for production restriction".

Mr. GUERRA (Cuba) said that the EAO might have the primary function of expanding consumption of certain products.

Professor de VRIES agreed that consumers should be given the responsibility of expanding consumption by reducing tariff barriers and fiscal burdens. A central commodity authority might have difficulty in expanding consumption of competing commodities.

(e) Increasing opportunities for "efficient production":

Mr. GUERRA (Cuba) thought that the wording of this section should not put difficulties in the way of certain countries which had suffered from dislocation produced by the war. An amendment would later be suggested taking into consideration the historical participation of supplying countries.

Professor de VRIES (Netherlands) desired that technical as well as cost aspects should be taken into consideration determining efficiency of production.

Mr. WILCOX (United States) interpreted "most effectively" as meaning "with the lowest unit cost". Re-location of production might involve serious problems of adjustment and the problem must be met by easing the burden of transition over a period. The social cost in terms of standard of living would, however, be serious, if the Charter did not recognize the long-term objective of producing commodities where they could be produced most cheaply, so that more consumers could get more goods with less effort.

Professor de VRIES (Netherlands) objected that the logical pursuit of the policy might cause widespread social dislocation, and urged that social interest and the employment aspect should also be taken into account.

Mr. MCCARTHY (Australia) supporting the Delegate of the United States, said that increased consumption should be met by low cost producers.

Mr. HALL (United Kingdom) attached great importance to the principle of satisfying world requirements from sources which could do so most effectively. Although this principle applied to the export trade, special circumstances would undoubtedly arise in which countries might need to maintain some part of their requirements from production within their own territories.

Mr. WILCOX (United States) observed that Article 46 (5) applied only to action under a commodity agreement; it would not interfere with domestic agricultural programmes outside a commodity agreement.

Mr. MCCARTHY (Australia) believed that importing countries should have full representation; but they should also accept their full share of the obligations under the agreement. It would be wrong for a country to limit production over a certain period while the total imports in the world were being narrowed by the action of high cost importing countries in increasing their own output. If the paragraph were construed as applying only to exporters, he must reserve approval.

Mr. WILCOX (United States) explained that it was intended that the provisions of Article 46 (5) of the Draft Charter should apply to domestic programmes where a commodity agreement had been concluded.

Professor de VRIES (Netherlands) raised the question as to whether "transitional changes" would cover all cases of economic and social dislocation which might arise under the agreements.

Mr. WILCOX (United States) said that it was recognized that violent sudden change was undesirable. There must be gradual adjustment to fundamental economic changes.

The CHAIRMAN suggested as a satisfactory compromise "with due regard to the need during the period of change for preventing serious economic and social dislocation".

(f) Non-discrimination.

Mr. DEUTSCH (Canada) asked whether, in an effective agreement involving prices of exports and imports among a number of countries, there must not necessarily be discrimination against non-members.

Mr. BROADLEY (United Kingdom) suggested that under an agreement fixing maximum and minimum prices, parties could trade on an ordinary commercial basis within those limits, and variations could occur between particular deals with particular buyers.

Mr. DEUTSCH (Canada) suggested that, for the purpose of enforcing a minimum price, there would necessarily have to be an undertaking that members of a commodity agreement would not buy at a lower price from anyone else.

Mr. McARTHUR (Australia) feared that this paragraph might prevent the insertion of legitimate clauses in an agreement fixing, for example, a special price for a certain area.

Mr. SCHWENGER (United States) stated that the clause would not prevent members of an agreement from enforcing their decisions in regard to the price of the commodity. They would merely be applying to a non-member a condition which they imposed upon themselves.

Professor de VRIES (Netherlands) asked whether members were prohibited from making bilateral treaties on quotas or special preferences.

It was agreed that the Delegates of the United States, Canada, Australia and the Netherlands should confer on this section and submit a draft for consideration by the Committee.

(g) Adequate supplies to meet world needs.

The Committee agreed to accept the text of Article 46 (7) as a basis for drafting.

(h) Publicity.

Professor de VRIES (Netherlands) asked at what stage agreements should be given full publicity. Publicity at an ill-chosen time might be dangerous, and early reporting of projected agreements might encourage speculation.

It was agreed that this point should receive consideration by the drafting Committee.

3. Next Meeting:

The next meeting was tentatively fixed for Monday, 28 October at 11 a.m.

4. The Committee rose at 5.40 p.m.