

PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE
ON TRADE AND EMPLOYMENT

INTER-GOVERNMENTAL COMMODITY ARRANGEMENTS

SUMMARY RECORD

COMMITTEE IV

Sixth Meeting
held on Thursday, 31 October 1946 at 10.30 a.m.

Chairman: Mr. J.R.C. HELMORE

I. Organizational relationships:

Commodity Councils and the Commodity Commission.

Professor de VRIES (Netherlands) quoted paragraph 1 of Article 47. He believed that there were two possible courses: either to establish a Commodity Council for any inter-governmental commodity agreement, or to choose another name for a body which would administer non-regulatory agreements.

Mr. QURESHI (India) said that "Regulation" should not mean restriction of production, as that would defeat the aim of raising the standard of living, nor should it mean discouragement of necessary production.

Mr. J. MELANDER (Norway) thought that it would be the right stage in the discussion to see whether the establishment of commodity councils was the best method of administering commodity agreements. Most efficient administration might be achieved, if the International Trade Organization was left to build up an organization to administer commodity agreements and other international trade arrangements.

Mr. R.L. HALL (United Kingdom) stated that each specific

commodity presented its own peculiar problems. Countries primarily interested in a particular commodity would wish to participate in the administration of an agreement as well as in its formulation.

Mr. McCARTHY (Australia) considered each commodity agreement should be administered by a body representative of the signatories to the agreement, so that due consideration should be given to the peculiarities of the individual products.

Mr. MELANDER (Norway) said that some agreements might have as many as forty members because of the great number of consuming countries. As such a large group could not administer an agreement efficiently, the administration could be placed in the hands of an executive body. For that reason he thought that the administration of the agreement could better be left to a small group of experts within the ITC itself.

Professor de VRIES (Netherlands) believed that the Commodity Commission should play a large part in setting up and safeguarding the general principles of the commodity arrangements but not in the administration of each commodity.

Mr. BEYLEVELD (Union of South Africa) pointed to the possibility of countries with small interest in a particular commodity having some voice in the Commodity Commission through the Executive Board.

Mr. JURESHI (India) said that each commodity raised a different problem, and would require a separate council.

Mr. SCHWENGER (United States) envisaged for each commodity agreement a council or central body representative of the countries participating in the agreement; representation would be in proportion to the interest of the various countries in the particular commodity with equality of voice as between importers and exporters.

Mr. MELANDER (Norway) reserved his views on the establishment of commodity councils until the relationship between ITO and the commodity councils was discussed.

Mr. McCARTHY (Australia) doubted whether countries without substantial interests in a commodity should be participants in an agreement. A high degree of autonomy should be left to the commodity councils. The Commission would be a co-ordinating body between the various councils. Any criticism by the Commission should be conveyed to the body to which the Commission is subject.

The CHAIRMAN pointed out that the position and constitution of the Commodity Commission would also come within the scope of Committee V and the matter might be reconsidered later.

Mr. MELANDER (Norway) said it would be the task of the organization, to ensure that commodity councils functioned in accordance with the principles set out in the Charter as a basis for commodity agreements.

Mr. SCHWENGER (United States) said that in the negotiations for the commodity agreements only members with substantial interests should be represented, in order to limit the numbers to wieldy proportions. Once the agreements were negotiated, all members who wished could participate, and would vote in proportion to their interests.

Mr. GUERRA (Cuba) stressed the vital importance of flexibility in commodity agreements.

It was indispensable that they should be administered by the participating countries. He agreed that commodity councils should have a large degree of autonomy. The International Trade Organization should have the right to decide in the last instance on disputes and questions of interpretation.

In connection with Article 47, paragraphs 3, 4 and 6, the Cuban Delegation had submitted specific amendments to the Draft Charter. He had doubts whether the rules of each commodity council should require approval by the Commission, and also whether the latter should provide Chairman and personnel. The decision as to allocation of votes should be made by the participants in the agreement.

Mr. HALL (United Kingdom) agreed that the function of the central body is to see that everything that is done conforms to pre-agreed general principles but the Commodity Council should have the remaining autonomy. He saw no danger in the Commission providing a Chairman and staff. In voting there was the problem of providing representation of countries which are substantial consumer-producers but do not enter into international trade. It was difficult to find a more acceptable formula than fifty-fifty.

Mr. McCARTHY (Australia) agreed in principle that the voting should be on a fifty-fifty basis; but thought that it would be better if the principle, having been laid down by the Charter, did give some scope for the arrangement of voting according to the special circumstances that might exist in respect of a particular commodity.

Mr. WORMSER (France) said that the Organization itself must be watchful to see that the several Commodity Councils observe, in their decisions, all the rules laid down by the Charter. However, autonomy should be granted to these councils so that they might function freely. Producer-consumer countries not participating in world trade should have representation.

Mr. MELANDER (Norway) was in general agreement with paragraphs 3, 4, 5 and 6 of Article 47 because they would make for closer

liaison between the ITO and the councils. The principle of equal votes for importers and exporters should apply without exception.

However, some clarification was required concerning the position of countries which produced and consumed commodities that were not released to the world markets. Commodity agreements would be of special interest to countries in this category; and it might be necessary to give them votes as producers and consumers.

2. The next meeting was arranged for 1 November 1946 at 10.30 a.m.
3. The meeting rose at 12.45 p.m.

SUMMARY RECORD

COMMITTEE IV

Seventh meeting
Held on Friday, 1 November 1946 at 10.30 a.m.

CHAIRMEN: Mr. J.R.C. HELMORE
Mr. J. MELANDER

1. Organizational relationships:

(a) (b) Commodity Councils and the Commodity Commission (con-
tinued from sixth meeting)

Professor de VRIES (Netherlands) asked that in establishing the relationship between Commodity Councils and the ITO, a procedure should be found which would enable prompt action. He asked the United States Delegation to clarify the reference to Article 45 contained in Article 55, paragraph 6.

Mr. SCHWENGER (United States) explained that the purpose of paragraph 6 in Article 55 was to make clear that the determinations referred to therein would not be by the ITO as an administrative organization, but that they would be related to the consultation among members provided for in Chapter VI. He thought that this was a point for Committee V to consider.

(c) United Nations agencies (including FAO)

Professor de VRIES (Netherlands) referred to Article 71, paragraph 2, which made special reference to "food and agriculture".

The CHAIRMAN reported that Committee V had discussed this Article and the general view had been that it would be better not to specify any particular organization.

Professor de VRIES (Netherlands) thought that in such case a specific reference might be made in Chapter VI to food and agriculture.

Mr. MCCARTHY (Australia) spoke of the relation of the FAO to the ITO. It was clear that the FAO Conference at present sitting in Washington and the Preparatory Committee of the ITO were both discussing

commodity agreements. If no attempt was made to reconcile the different points of view which might arise in these discussions, difficulties and perhaps confusion would arise. The Australian view was that commodity agreements must be linked up with the ITO. This was because there were certain general principles applicable to all commodity agreements whether for foodstuffs or non-foodstuffs, and these should be administered by one body. The problem was to reconcile the two points of view:

(a) that food commodity agreements should not be divorced from other commodity agreements, and

(b) that the FAO, being interested to an important degree in food agreements, should have a voice in their negotiations and administration.

He wished to make the following tentative suggestions as to how to effect this reconciliation;

- (i) that early next year an Interim or Provisional Commodity Committee be set up to work under the aegis of the Preparatory Committee of the ITO to decide upon the commodities which might be the subject of immediate institution of negotiation for agreements, and to arrange prompt commencement of such negotiations;
- (ii) that the FAO should decide which foodstuffs should be the subject of immediate negotiations for commodity agreements, and that it should draw up the conditions which, from its point of view should be included in such agreements;
- (iii) that the FAO should be represented in any negotiations under the ITO Preparatory Committee for such agreements.

He made the further suggestion (although it might be considered premature) that when any food commodity council was eventually set up, the FAO should be given representation. He also thought that a joint meeting might be arranged between the suggested interim-commodity-committee of the ITO and a committee representative of the FAO.

The VICE-CHAIRMAN referred to the importance of the statement just made by the Australian Delegate and stated that the Secretariat would arrange for distribution of papers relating to the proposals for a World Food Board.

Mr. HALL (United Kingdom) agreed that conflict between the FAO and the ITO should be avoided. He stated that, as regards the long term question of the competence of the two bodies, the United Kingdom view was that commodity agreements and agreements for introducing stability into the prices of agricultural products were clearly a matter of trade and as such should come under the ITO. There would of course be many matters of interest to the FAO and some arrangements might be worked out for consultation. On the interim problem, he suggested tentatively that some preliminary arrangements might be made in the case of particular commodities where the FAO took the view that it was its duty to recommend immediate action.

Mr. WORKSER (France) thought that the FAO ought to have the power to co-ordinate problems concerning policies of food and agriculture. Trade in all primary commodities should, however, come under the commodities commission of the ITO. The latter might call upon the FAO for advice and information about agricultural products. The FAO, for its part, might call the attention of the commodities commission to any threatened surplus. It might also co-operate with the commodities commission in elaborating commodity agreements on agricultural produce.

Mr. SCHWENGER (United States) agreed that the FAO had an important concern in commodity agreements and that it should be closely in touch with all agreements relating to agricultural products. If the reference to food and agriculture in Article 71 was deleted, an effort should be made to restore the basic thought to a more appropriate place in the Charter. It might be desirable to specify the exact relationship of the FAO to the commodity commission, whether this should be by the naming of a member or an observer, or whatever might

be the best functional relationship in order to ensure that the interest of the FAO was adequately represented.

Mr. GUERRA (Cuba) felt that it should be possible to state very clearly a distinction between the functions to be carried out by the FAO and those to be performed by the ITO. He agreed that regulatory agreements as envisaged in the Charter should definitely come under the ITO. The FAO should be given every possible help, and provision made for inter-relation with the work of the ITO at all levels including the commodity commission and possibly the Commodity Council.

Mr. CHANG (China) referring to article 47, paragraph 1, asked that this should be revised so as to allow for the possibility for including both a primary commodity and its synthetic substitute in one and the same commodity agreement.

Professor de VRIES (Netherlands) supported Mr. Chang and suggested that in some cases the whole group of commodities and synthetics might come within one commodity arrangement.

2. Exceptions to provisions relating to inter-governmental commodity arrangements:

Professor de VRIES (Netherlands) asked the United States Delegate to clarify the reference to Chapter V in Article 49.

Mr. SCHWENGER (United States) pointed out that Chapter V was being dealt with by Committee III and it was therefore premature to discuss this reference until Committee III had done its work. Committee III might be asked for their advice on this point.

Mr. MCCARTHY (Australia) questioned the reference to commodities in short supply. He could conceive circumstances in which it might be appropriate for a commodity council to undertake work arising out of a shortage. He would therefore make reservation against the complete passing of this Article, which otherwise seemed quite acceptable.

Mr. GUERRA (Cuba) said that he would like to make a similar reservation on this point.

Mr. DAVIS (New Zealand) referred to the possible need for inter-governmental agreements regulating the release to markets of seasonally produced goods which in the absence of such regulations was subject to seasonal peaks and troughs in marketing. If such agreements were not permitted under the Charter, he wished to suggest to the Drafting Committee that they should be admitted.

Professor de VRIES (Netherlands) supported this suggestion.

The VICE-CHAIRMAN (speaking on behalf of the Norwegian Delegation) thought that the reference to shortages in article 49 should remain. He was not certain that commodity agreements ought to cover resources in short supply.

3. Drafting Committee:

It was agreed to ask the Drafting Committee to proceed immediately with its work and report back as soon as possible.
