

E/PC/T/C.IV/PV/3

UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

PREPARATORY COMMITTEE
of the
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT.

Verbatim Report
of the
THIRD MEETING
of
COMMITTEE IV
held in
Hoare Memorial Hall
Church House, Westminster, S.W. 1.
on
Tuesday, October 22nd, 1946,
at 11 a.m.

CHAIRMAN: MR. J. R. C. HELMORE, C.M.G. (U.K.)

(From the Shorthand Notes of
W. B. GURNEY, SONS & FUNNELL,
58 Victoria Street,
Westminster, S.W.1.)

THE CHAIRMAN: The Committee agreed at its last meeting that we would try the simultaneous interpretation system during our meeting this morning. If any delegate at any point wants to have a subsequent translation, if perhaps some technical point does not come over clearly in the simultaneous translation, I would be grateful if he would catch my eye, because we have the other interpreters here as well and we can ask for that to be done.

Before we continue the general debate we have a letter from the World Federation of Trades Unions, which has just been circulated.

MR. J. MELANDER (Norway): Mr. Chairman, on a point of order, please, I observe from the programme that we are supposed to have three meetings today, at 11 a.m., 3 p.m. and 5 p.m. Now it is very difficult for small delegations like ours, for example, to be able to have many meetings like that. It means that we are continuing our discussions late in the evening, about 7 o'clock, and that makes it impossible for us to do any sort of preparatory work, to have any sort of drafting meetings among ourselves, and we would therefore very much appreciate it if it could be arranged that we have just two meetings, one at 11 and one at 3, and then continue until somewhere between 5 and 6 p.m.

THE CHAIRMAN: I might reply to that straight away. That is exactly what I had intended. I will confess I was not so keen on providing for the needs of small delegations on this occasion, but I had rather in mind that I did not want to be late in taking a drink from our American colleagues tonight, but of course if it has the same effect perhaps that is good enough. In any case, I am hoping that towards the end of this morning's proceedings I may be able to make

a suggestion which would further speed up our work and not press us too hard this afternoon.

I was saying that we have a letter from the World Federation of Trades Unions which raises practically the same point, in almost identical terms, as in the letter from the International Chamber of Commerce which we dealt with on Saturday, and if it would be generally agreeable to the Committee I would ask the Secretariat to handle this letter in the same way. If it helps the Committee, I could say these two letters, one from the W.F.T.U. and the other from the I.C.C., were both considered at Committee I yesterday, and they agreed to deal with them in exactly the same fashion.

Would that be agreed? (Agreed).

Then I will ask the Secretary to proceed in that way.

Now if we might continue the general debate, there was one delegate who caught my eye on Saturday and I did not call upon him because it seemed to me that lunch-time was approaching. I think it was the delegate of Brazil.

MR. J.N. GUILMARAES (Brazil): Cuba, Mr. Chairman.

THE CHAIRMAN: Then would you continue straight away?

MR. J. A. GUERRA (Cuba): Mr. Chairman, Cuba is a country which is primarily dependent on the export of a primary product. We have had a pretty long experience of the working of these commodity arrangements, and that experience goes a long way towards confirming the reasons and conclusions reached by the American delegation in putting forward for our discussion Chapter VI of the proposed Charter, and confirms in our experience how true it is that this particular problem needs some kind of international arrangement. We are therefore very grateful to the American delegation for offering a very sound basis for discussing this

subject and for its inclusion in the Charter in such a way that these commodity arrangements, which have so far only been a matter of agreement between isolated countries, will be made a general feature within the framework of the International Trade Organisation. In fact, the Cuban experience shows that the reasons put forward by Mr. Wilcox in his statement, which constitutes the basis for the inclusion of these commodity arrangements within the general framework of the International Trade Organisation Charter, are not only true, but in some cases it is not only a fact that the production is so inelastic as to make it necessary to establish certain particular or special ways of control, but also due to the fact that it is not very easy for the farmers to shift from the line of production which they are accustomed to carrying on. We know from experience that sometimes a reduction in prices not only does not bring a reduction in production, but as a matter of fact stimulates production, because the farmers try to make up by a larger volume of production the decrease in income resulting from the fall in prices. Therefore, we feel it is very important that commodity arrangements be made a general feature of our work, and be extended to many other products.

Since 1937 Cuba has participated in the International Sugar Agreement, signed in this same City of London, and even if we, speaking frankly, are perhaps not too satisfied with the working of the agreement with regard to price level, we nevertheless consider that in the long run it may be that for us stability is more important than taking advantage of certain high prices, as we had done in the past.

We are, therefore, very much in agreement with the general purpose of these commodity arrangements, and as a

matter of fact we have been in the forefront, if I may say so, in promoting this kind of arrangement in the commodities in which we are most interested.

I wish to say also that we agree with the statement of the Canadian delegation that we should not wait for surpluses to develop or begin to develop, but that we should agree on the principles and establish the necessary machinery for dealing with these surpluses when there is a reasonable probability that they will develop. I am inclined to think that present circumstances provide us with a very good opportunity and that we have sufficient time before us to enable us to agree on the principles, establish the machinery, and use these commodity arrangements not only as a corrective measure, but as a preventive measure for avoiding the development of this lack of equilibrium between supply and demand for certain products.

While agreeing on that, at first sight we are not inclined to think that there is any real need for haste in establishing a separate body, separate from the organisation we are now trying to frame, because we do not think that the time it will take to get agreement on this International Trade Organisation will extend further than maybe a three or four year period, and we have that time ahead of us to deal with this situation.

The last point I want to refer to is the emphasis laid by the Canadian delegation on the question of the flexibility of these agreements. We consider that to be a very important point, and we think that unless the agreements are sufficiently flexible they will not attain the objective which we are seeking. In our view, the way to achieve flexibility in the working of the agreements is

not by way of making the principles governing these agreements, as put forward in the suggested Charter, more ample than they are already. We think that they are sufficiently ample to give scope for flexibility, and the question of the flexible working of each particular agreement we view as a matter of organisation to be established between the International Trade Organisation as a whole and its Commodity Committee. In this we think lies the real means to achieve the high degree of flexibility for each agreement which we consider necessary.

Finally, so far as this general discussion has gone we believe that every point which has been raised by any one of the delegations is more or less capable of being fitted into the framework of Chapter VI of the suggested Charter. I do not mean by that that the Charter will not be changed or that the agenda will not be changed. We have accepted the agenda in a preliminary way, but I think any other point that may be raised could probably be fitted into the Charter, even if it meant making the necessary additions to an Article or group of Articles.

I desire to finish by saying that the Cuban delegation is prepared, given the opportunity and if it is in order, to move that Chapter VI of the suggested Charter be adopted as the basis for the work of our Committee.

MR. O. MORMSER (France) (speaking in French: interpretation):

Mr. Chairman, I should like to state very briefly the views of the French delegation on the problems which have been submitted to this Committee. They arise from two considerations which have been stated in the Plenary Committee by the head of the French delegation, Monsieur

Herve Alphand.

In the first place, France has declared herself in full agreement with all the fundamental points of the American proposals concerning trade and employment. The general agreement given last May by my country naturally extends to Chapter V of these proposals, because the French Government considers that the question of inter-governmental agreements on basic products constitutes one of the essential points of the proposals. A certain stability must indeed be maintained in the production, trade and consumption of basic products, If not, as Mr. Wilcox has pointed out, the task of establishing international commerce on a multilateral basis will be rendered more difficult and the attainment of full employment in countries producing raw materials as well as in importing countries will be relegated to the future.

It is impossible to envisage general economic prosperity if the mass of human beings who are engaged in the manufacture of basic products has to be content with a low standard of living. The experience of the last forty years would prove that the natural play of economic forces alone would not suffice to re-establish quickly, and in acceptable conditions, the necessary equilibrium in respect of a series of basic products. On this point, the French Delegation finds itself in agreement with the analysis given on Saturday by the American Delegation, and according to which the inflexibility of the demand for, and the supply of, certain basic products prevents a satisfactory adjustment of production and consumption. We therefore think it necessary to take measures to alleviate the difficulties which may arise.

In the second place, M. Alphand stated in the Plenary

Committee that my country, less than any other, could think of isolating itself from the rest of the world since we must import a very great number of basic products which are converted by our industry and consumed by our people. As an importer of basic products France will look favourably on every proposal which will facilitate, as in the past, the free and regular acquisition of these products under reasonable conditions. Although we are first and foremost an importing and consuming country, we fully appreciate the gravity of the problems which may arise in producer countries and more particularly in those whose economic life is founded chiefly on the sale of a single basic product or of a small number of such products. All the more so since French overseas territories and territories and states associated with the French Union come into the latter category. My Government is naturally concerned with all their rightful interests. Our opinion is, therefore, determined both by the situation in France and by that of the territories and states associated with the French Union, so that our position has a number of points in common with that set forth by the delegate of the Netherlands. The interests that the French Delegation must take into account may be varied; they are all, however, perfectly consistent with the general effort towards maximum economic activity. Thus, it is because our country is the trustee of these diversified interests that the French delegation believes it is able to examine with the greatest possible objectivity the proposals which may be submitted by this Committee to the Preparatory Committee.

I wish to add no more today, except to offer a few general thoughts and ideas in relation to these proposals. The proposals foresee, briefly, two things. First, Rules of Procedure, and then certain fundamental principles which might govern future agreements, and the measures which might allow for eventual agreement between Governments presuppose the following stages: The realisation of the existence of the possibility of difficulties arising; an invitation by the organisation for a study group to be set up; the report of such a study group; the convening of a conference; intergovernmental agreement. Such procedure is logical. One might ask one's self if it might not seem rather slow, and whether the difficulties to be solved might not become greater and greater before agreement can finally be reached.

The proposals foresee also certain principles which might regulate these agreements. They foresee on the one hand introductory conditions which have to be fulfilled. To my mind, such conditions could be the subject of profound and prolonged discussion. I have in mind particularly the idea of burdensome surpluses. On the other hand, they do no more than just allude to regulations on production, trade or prices in the case of an agreement being reached.

We are convinced that the discussions of this Committee will allow us to formulate these ideas more precisely. The French delegation believes that the means of action cannot be the same for all commodities. It does believe, however, that past experience has shown certain points. It has shown, for instance, that it might be dangerous and contradictory to invoke relative insufficiency of natural resources in order to justify certain actions of governments, and to suppress and exhaust natural resources

without replacing them, as has been done in the past, in order to maintain the level of prices.

The complex problem of buffer stocks which has been mentioned by the United Kingdom representative must necessarily occupy a great deal of our attention, as will the many means through which we might obtain greater consumption of surplus commodities, and every effort must be made to ensure equitable treatment as between producer and consumer, for here we must think of the lives of many people.

MR. M.K. BALA (Czechoslovakia): Mr. Chairman, the Czechoslovakian delegation agrees with the views which the United States delegation express in their suggested Charter concerning intergovernmental commodity arrangements on a multilateral basis. Their Charter emphasises that special difficulties may arise in this sphere which are completely different from the situation in other spheres.

We also agree with the suggested Charter put forward by the Government of the United States of Brazil, in so far as they state that a disequilibrium of consumption and production of commodities has an injurious effect which the free working of the forces of supply and demand is unlikely to remove, and difficulties which may arise from this and other repercussions may jeopardise the effect of the general policy of economic expansion.

In addition, we should like to emphasise that it is necessary to make arrangements, not only for commodities whose production creates burdensome surpluses, but that in the same way, or even more so, we must try to find a solution in respect of commodities in short supply. The suggested Charter should guarantee for all States access

to the natural resources of the world in such a way that they could take part in economic expansion.

Not only should producers be considered, but also consumers, and for this reason.

If a commodity is in short supply it is necessary in international commodity agreements to secure an equitable allocation of that commodity, and also to stabilise prices at a reasonable level. If there is a burdensome surplus of a commodity, we suggest that difficulties arising from this cause should be solved by higher consumption, and not by curtailment of production, in order to implement the principles of full employment.

We are fully aware that in maintaining stabilised prices in the production of commodities we shall also maintain the consumption of consumer goods, and thus raise the standard of living.

We should definitely like to find a way which would prevent the fluctuation of prices endangering the production of commodities.

The Czechoslovak Delegation at the F.A.O. Conference in Copenhagen approved the principal ideas of Sir John Boyd-Orr's Plan for the establishment of a World Food Board which should have a similar aim in the field of food and agriculture. We recommend that the work in this Commission should be co-ordinated with the work of the F.A.O. Committee of the World Food Board which has been called for the 28th October in Washington. We therefore agree with the views put forward by the British delegate that it is not satisfactory to make ad hoc arrangements only when difficulties arise but that it is necessary to prevent them in time by international economic arrangements. We therefore recommend that a solution should be found on an international multilateral basis in the field of commodities and particularly in the field of food and agriculture in a permanent organisation, which would consider not only questions of allocations of production and consumption but also of financial help to the states which without this help cannot fully take part in the policy of economic expansion and therefore cannot raise the standard of their people in a satisfactory way.

MR MELANDER (Norway): Mr Chairman, the Norwegian Delegation agree in general with the United States proposals relating to the International Commodity Arrangements as set out in Chapter 6 of the suggested Charter. We would emphasise, however, that these special provisions relating to primary commodities should be regarded as exceptions from the proposed rules relating to general commercial policy as outlined in Chapter 4 of the suggested Charter. It seems to us that if we go too far in the way of creating special Commodity Arrangements this could undermine the basic principles for the expansion of international trade at which we are aiming. One should therefore, in our opinion, be careful only to include a commodity within the scope of the proposed Commodity Arrangement

system in very special circumstances. Further, we would like to emphasise those points of the United States proposal which lay down that the Commodity Arrangements aim at assisting one or more primary producing countries in a transitional period and under circumstances where the normal play of competitive forces cannot reasonably correct the necessary adjustments in production and consumption. Secondly, we stress that the proposals of the United States, as far as we understand them, relate to commodities of which there has developed or is developing a burdensome surplus.

Finally, there may be some points of the U.S. proposal which seem a bit doubtful to us. Thus we should be inclined to think that the structure of international organisations could be simplified by leaving it to the International Trade Organisation itself to administer such Inter-governmental Commodity Arrangements instead of creating special Commodity Councils. Such a procedure would in our opinion be likely to make for better co-ordination, and we also think that such a procedure would make it clearer that the administration of the combined sets of rules relating to commercial policy would include not only the general principles outlined in Chapter 4 of the U.S. proposal but also these provisions contained in Chapter 6.

Some delegations have referred to the possibility of creating buffer stocks of some commodities and other delegations have also referred to the proposed World Food Board which the Food and Agriculture Organisation discussed at its Conference in Copenhagen in September last. We have not yet had the time to study the proposals of this kind which, so far as we can see, go very much farther than the U.S. proposals as contained in the suggested Charter, and we are therefore not in a

position at this stage to express any opinion on these points.

MR CHANG (China): Mr Chairman, the valuable opinions expressed by the representatives of various delegations who spoke before me have touched, I think, nearly all the fundamental phases of the question on hand. I shall therefore limit my remarks to a few points which the Chinese delegation deems fit to add after hearing the statements of other delegations.

The Chinese delegation considers the provisions set forth in Chapter 4 of the American suggested Charter are in general suitable for the basis of discussion of this Committee. Although somewhat limited in scope, they do provide for the setting up of a workable machinery for achieving solutions relating to the difficulties relevant to most of the primary commodities, including the chief items of Chinese export, which are suffering heavily as a result of the post-war maladjustments. The proposal by some of the delegations that the scope of the future commodity organs shall be widened so as to include more measures is agreeable to the Chinese delegation, if the concrete measures which are yet to be discussed are proved tractable and workable. It is certainly desirable that more shall be done to tackle the difficulties which all countries are experiencing now.

China, whose items of export mainly consist of agricultural products and some specific mineral products, and whose export trade is seriously crippled at present, will certainly cooperate with other nations to solve the difficulties arising in respect of the primary commodities. There is another point the Chinese delegation would like to make clear. Modern scientific invention has made it possible to substitute some important primary commodities with synthetic products, and consequently the market prices and production of these

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commodities are very much affected. The Chinese delegation thinks therefore that when these commodities are being studied their substitutes should be considered as well and, whenever technically possible, they should be studied together as one category rather than separately as two distinct items. For example, the question of silk can hardly be dealt with satisfactorily if it is separated from the question of rayon. These are the few remarks I have to make at this time.

THE CHAIRMAN: I think the Committee would probably agree that it would be suitable that at some point (and I am rather inclined to suggest now) we should invite the representative of the Food and Agriculture Organisation to make any remarks he wishes to make to us. The Rules of Procedure do provide that the representatives of the Inter-governmental Agencies should attend our Committees and (I paraphrase) speak on matters within their competence. There have been several references during this general debate to the F.A.O., and, if there is any contribution which the representative of the F.A.O. would like to make, I think now might be a suitable moment to invite him to do so.

DR. S.L. LOUWES (Special Adviser to the Director-General of the F.A.O.): Mr Chairman, as the subject under discussion is closely related to the work which the Food and Agriculture Organisation of United Nations has undertaken, I will gladly follow your invitation to make a short statement. The real reason why the late President Roosevelt took the initiative in regard to F.A.O. was to create a weapon in the war against want in the midst of plenty. This want in the midst of plenty not only prevents a reasonable level of nutrition of the people of the earth but is, at the same time, one of the most important causes of the recurrent economic crises.

The initiative of President Roosevelt led first to the Conference in Hot Springs, where 44 states decided to create F.A.O.; and then to the work of the Interim Commission, and through it to the Conference of Quebec, where the Charter of F.A.O. was signed. The first thing F.A.O. did after its birth was to prepare a general world food survey. The intention was not only to get an insight into the present position but in the first place to get an estimate of what would be needed if the world was to reach an acceptable level of nutrition. A conference during the food crisis of the Spring, held in Washington, led on the one side to the creation of the International Emergency Food Council, charged with allocations during the time of shortage, but at the same time that meeting, where 29 nations were represented, charged the Director-General of F.A.O. with making proposals for a long-term agricultural and food policy before its next Conference. These long-term proposals were discussed at the F.A.O. Conference in September of this year in Copenhagen, where 46 nations adopted the following resolution: "The Conference approves the Report of its Commission on the proposals for a World Food Board and accepts the general objectives of the proposals, namely, (a) developing and organising production, distribution and utilisation of the basic foods to provide diets on a health standard for the peoples of all countries; (b) stabilising agriculture prices at levels fair to producers and consumers alike; and, considering that international machinery is necessary to achieve these objectives, resolves to establish the Preparatory Commission to consider further the proposals and submit recommendations regarding the necessary machinery."

This resolution is divided into two parts, both of which have a bearing on the discussions of this Conference; and one

has a special bearing on the discussion in this Committee. As part of its World Food Survey, F.A.O. made a World Food Balance Sheet on the basis of an acceptable level of nutrition for 1960. This study showed that, given an increase of 25 per cent in world population, increases in agricultural production ranging from 12 per cent to 163 per cent will be needed. 12 per cent is for sugar and 163 per cent is for fruits and vegetables. To take two other items, wheat will demand an increase of 46 per cent and milk an increase of 100 per cent. These figures also indicate the lines on which F.A.O. believes that the problem of unemployment has to be tackled - not by restricting production but by improving consumption.

The need for better food is very great, but everybody agrees that there are tremendous difficulties to be conquered before the goal can be reached. One of the factors necessary to make the realisation of these ideals possible is industrialisation of the so-called undeveloped countries - one of the items on the agenda of this Conference.

The second part of the Copenhagen resolution, which was accepted by 46 nations, including all the nations here represented, was that the goal of better nutrition could not be reached by starving the farmers. Therefore the resolution asked for agriculture prices "fair to producers and consumers alike". The fact that 70 per cent of the world's population is made up of farmers, millions of whom are in a permanent state of malnutrition, forbids immediately every attempt to solve the problem through low prices of farm products. On the contrary, one might say that if the problem of fair prices for farm products were solved, the whole problem of malnutrition and unemployment would cease to be the main danger for mankind.

The second part of the resolution, in (b), charged a Special Committee to study the possibility of international

machinery to achieve this. In all the discussions, from Hot Springs onwards, commodity agreements have been on the agenda as one of the means towards solving the problem. In Copenhagen much attention was given to a World Food Board which would play a leading role in this matter and which formed part of a plan formed by the Director-General of F.A.O. This is the point so far reached by F.A.O., and we now have to wait for the results of the Preparatory Commission which will meet in Washington next Monday. One indisputable fact results from all this, and that is that F.A.O., for the whole of its work, is very much interested in these questions, and it has to play an important role in this matter if it is to fulfil the wishes of its members. The result cannot be stated before the next Conference of F.A.O. has taken a decision on the point. This next Conference will meet when the results of the work of the Preparatory Commission are known.

In Chapter 5 of the proposals which form the basis of discussion here there is a special paragraph on commodity studies. Part of the work of F.A.O. has been such a study in relation to agricultural products. F.A.O. may therefore be regarded as a permanent study group for agricultural commodities. I believe that it would be a violation of the decisions of the nations members of F.A.O. if for agricultural products special study groups outside F.A.O. were created. The discussion at this Conference and at the Conference in Washington will give the answer to the question as to which is the best way to bring recommendations for special commodities into operation. I have tried to make clear that in the field of agricultural products a lot of work has already been done by F.A.O. and that the terms of reference of F.A.O. give the organisation the duty of taking not only a lively interest in this matter but also an active part in

its practical solution. I should also like to underline what has already been said by several speakers - that the need for organisations like the commodity councils may arise much sooner than many people think. It may be, therefore, of the utmost importance not only to work as quickly as possible but, as the I.T.O. is not yet in being and the necessity of co-operation in this matter between F.A.O. and I.T.O. is a foregone conclusion, to find a temporary way to achieve this. Thank you very much.

THE CHAIRMAN: Would any delegation like to comment shortly on any particular point that has been brought up during our general debate before we leave it?

MR BEYLEVELD (South Africa): Mr Chairman, the representative of Holland raised a question as to what are primary products, and the representative of Norway referred to the same problem in a sense when he said that this should be a restricted field. Now, it seems to me that we can either work to prepare the rules for this section on the assumption that the objective would be to provide a set of rules which could be applied for any and every primary commodity, without even defining primary commodities - and if we were to work against such an indefinite background every member of this Committee would probably have certain specific commodities in mind and each one would to a considerable extent consider the basic rules in relation to those particular commodities - or, on the other hand, we can attempt to define primary products and to consider the rules in relation to such a restricted field. I think it would be of assistance to all of us if we had some indication as to the scope of the field to which it is intended that this particular section of the proposed Charter should apply.

Then, finally, I would like also to stress the point raised by the delegate from China in connection with the

position of synthetic products as against natural products. There are a number of these: there is artificial and natural rubber, and there are various artificial fibres in addition to natural fibres.

MR BROADLEY (U.K.): There was one other point, if I might refer to it. At the meeting on Saturday, I think it was the representative of Holland who referred to the commodity arrangements which are already in existence, some of which have been attended by no small measure of success; and he felt that it would be useful if those who had been concerned in the working of those arrangements could come and tell this Committee something about the way in which they had worked, because it would be helpful to us in the consideration of the problem.