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UNITED NATIONS  
ECONOMIC AND SOCIAL COUNCIL

PREPARATORY COMMITTEE  
of the  
INTERNATIONAL CONFERENCE ON TRADE AND EMPLOYMENT

Verbatim Report  
of the  
SIXTH MEETING  
of  
COMMITTEE IV  
held in  
The Hoare Memorial Hall,  
Church House, Westminster, S.W.1  
on  
Thursday, 31st October 1946  
at  
10.30 a.m.

Chairman:-

Mr. J.R.C. HELMORE (U.K.)

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

THE CHAIRMAN: Before this meeting commences I think perhaps it would be convenient to members of the Drafting Sub-Committee if I said now that I would like them to stay behind, when this meeting adjourns, for a few minutes' private conversation with myself.

We have now left on our agenda items 7 and 7a. 7a relates to the Commodity Councils and there we are referred to Article 47 of the United States draft charter.

PROF. de VRIES (Netherlands): Mr Chairman, under paragraph 1 it is said that "A Commodity Council shall be established under each inter-governmental commodity agreement involving the regulation of production, trade or prices of that commodity." I believe there are two ways open to us there. We could say that a Commodity Council shall be established for any inter-governmental commodity agreement, or we might choose another name for a body which can administer a commodity agreement, say, for research and propaganda and expansion of consumption, and so on. I would not like to make a formal proposal that we should choose one of those ways, but they should be the two things we can choose between.

MR QURESHI (India): Mr Chairman, I would like to point out that in Article 47, paragraph 1, the regulation of production should not mean restriction of production, otherwise the whole aim of the raising of the standard of living will be defeated; nor should it mean to discourage the production of certain commodities if certain countries find it necessary to do so and to expand their production in the interests of their country. The attention of the organisation should be mainly devoted to the orderly marketing of commodities, and decreasing the cost of production, and efforts should be made also to increase demand.

MR SCHWENGER (USA): Mr Chairman, we are addressing ourselves to paragraph 1 of Article 47, which is for the purpose of setting up the Commodity Councils. The remainder of the paragraph is merely to identify the kind of agreement for which it is required that a Commodity Council shall be established, and is derived from other Articles in the chapter; it does not stand on itself in any way, and therefore no modifications can be made of it here; and in this context it seems to me properly the relevant phrases elsewhere in the chapter may perhaps be subject to discussion, and if they are changed this phrase would change as a consequence.

THE CHAIRMAN: Yes. I take it that the point made by the Netherlands delegate was really this: that any inter-governmental commodity agreement needs a body to run it, and the point he was safeguarding was that the provisions of the remaining paragraphs of Article 47 should only apply to those agreements which are in a special character because, as in the words here, they involve regulation of production, trade or prices. I think that is a point that could be conveniently left to the Drafting Committee to work out - that they have got to provide somehow for a body to run any commodity agreement, and in the case of particular kinds of commodity agreements the body has to have a certain constitution. Whether the words "regulation of production, trade or prices" are the right words to describe the special kind of commodity agreement which needs a specially constituted body to run it is something, I think, which will come out in the wash of how generally the Drafting Committee feels that it could distinguish these bodies; and that Committee will take note of the point just made by the Indian delegate.

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(X) Mr J. MELANDER (Norway): Mr Chairman, we are now discussing the organisational methods by which the commodity agreements should be administered, and in the general discussion we indicated that we were not sure whether it would be the right method to establish commodity councils at all. It may well be that it could be arranged that the International Trade Organisation itself could administer those agreements. If we have special commodity councils established, that will necessitate the solution of organisational problems which will arise, namely, the relationship between the International Trade Organisation itself and the commodity councils. We feel that in order to try to obtain the most efficient administration of all these international agreements in this total field, namely, the general commercial policy principles, the principles regarding restrictive business practices and also the principles applied in regard to primary products, it would perhaps be the best way of solving these organisational problems if we left out the commodity councils altogether and left it to the International Trade Organisation to build up that organisation to administer the whole thing. I think it would perhaps be the right stage in our discussions now to discuss in principle whether or not the commodity councils should be established at all.

Mr. R.L. HALL (UK): Mr Chairman, as I understand the suggestion of the delegate from Norway, he is asking whether it would be advisable to have a specific commodity council to administer each agreement, or whether it ought to be left to the International Trade Organisation itself. While that seems to have some advantages from the point of view of simplicity, I think it might be a rather deceptive simplicity, owing to the fact that each specific commodity is almost certain to present its own peculiar problems, that the problems of one commodity are not at all likely to be exactly the same and in some cases they might be quite different from the problems of another commodity; and the United Kingdom has certainly

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envisioned the attack on this problem as really an attack on a series of individual problems, and we certainly felt that the countries which were primarily interested in one particular commodity would wish not only to participate, as has previously been suggested, in this document, in the formulation of the agreement, but also in the administration, rather than to hand over, as it were, a central body of principles and an agreement and leave that subsequently to be administered on general lines by a central organisation.

Dr. A.J. BEYLEVELD (Union of South Africa): Mr Chairman, the three clauses we are considering this morning all provide really for downward restrictions; they all refer to surpluses. What is said in (1) in effect refers to surpluses. 49 (1) excludes the distribution of commodities in short supply; and 66 refers to burdensome surpluses. Now, we have had all these problems about shortages. The question is whether we should not by sub-division give some indication to the Committee as to how to deal with these adjustments if shortages are to be covered.

THE CHAIRMAN: Could we leave the problem of shortages for the moment and try and give the Drafting Committee some idea, at any rate, of the two schools of thought, on whether there should be commodity councils to run these agreements or not? We will come back to the shortages point in a minute.

Mr. E. McGARTHY (Australia): Mr Chairman, the Australian view would be definitely that each commodity agreement should be administered by a body representative of the signatories to that agreement. The main reason for that view would be that any other body which is representative of the Organisation would not be sufficiently interested in the different products and would not have sufficient regard to the peculiarities of the individual products. I do not know that one could enlarge on that very much, but it is something upon which our opinion is considered, and our view would be that the body actually administering the agreement, should be

representative of the people who sign that agreement. They are the people interested and it could not be agreed that the representatives of other countries who might be on the Organisation would be involved in the day-to-day handling of that agreement. As to the other aspects of that, are we dealing with 47 (1) only?

THE CHAIRMAN: Yes, I think it would be convenient just to clear this point which has been raised by Norway first, and then return to others.

SEÑOR JOSE ANTONIO GUERRA (Cuba): The Cuban Delegation is definitely of the same opinion as that advanced by the Delegations of the United Kingdom and Australia, that each commodity agreement should be administered by the countries party to each particular agreement. When later we come to the organisational relationships between the commodity councils and the Organisation, I will give more reasons for this; but for the time being I content myself by saying that we entirely agree with the reasons put forward by the United Kingdom delegate and the Australian delegate.

Mr. J. NELANDER (Norway): Mr Chairman, this problem which we are discussing now seems to have certain different aspects. I understand from the remarks just made by the delegate of Cuba and the delegate of Australia that they envisage commodity agreements with comparatively limited membership. I think we agreed in principle when we discussed the commodity agreements in general that it would be open to any Member of the International Trade Organisation to join the agreement. That does not in itself mean that every Member of the International Trade Organisation would have the same interest in any agreement, and it may well be that certain Members of the Organisation do not want to join one particular commodity agreement because they have no interest at all in that particular commodity agreement. Generally speaking, I think, however, that most countries Members of the Organisation will join most of the commodity agreements.

be interested generally as consumers and as importers although the total quantity if I may say so, of votes of the consumers or importers, on the one hand, will equal the votes of the producers, we may really find that on the producers' side there may be, say, five members of a commodity agreement, and on the other side, the importers' side, it may be 40 or 50 members; and that shows that we cannot take it for granted that there would be say only 5, 6, 7 to 10 members on most of the commodity agreements. Well, if that is so, I think we can risk having commodity agreements with, say, up to 40 members perhaps - anyway in the main commodity agreements covering things like wheat, rubber and other commodities which practically every country will consume. Now, in that case I think it is quite obvious that it is impossible for a body as large as that to administer such an agreement in its day-to-day work. Consequently, one must try to form a sort of executive body. That is the reason why I suggest that it would be easier to administer these commodity agreements if it were left to the Organisation itself through its commodity commissions, containing experts from the countries mainly interested, but still it would be a small group within the Organisation of experts, and they would administer the agreements which, of course, would have to be so clear and distinct that they could be administered by the Organisation. I take it that that would be the aim of all Members, that agreements should be as clear as that, so that the daily supervision and the daily administration should be almost a matter of routine. That is the reason why I suggest that the easiest way to solve these problems would be to leave out the commodity council altogether and place the administration within the Organisation. How it should be organised, how the Organisation itself should organise the administration of each particular commodity agreement, would, of course, have to be first of all considered when we

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consider the question relating to the Organisation itself; and, secondly, of course, it is quite right, as the United Kingdom representative said, that the different commodity agreements are of different characters, and they would require the solution of different categories of problems. I can see that is no reason why the Administration should not administer them. We take it that the Administration will have experts on all these subjects, and that, consequently, although there may be up to 10 or 15 commodity agreements, they could all be administered by a small group of experts. I think those would be the main reasons why we suggest that that would be the easiest way and the most efficient way of running these commodity agreements.

Prof. de VRIES (NETHERLANDS): Mr Chairman, we have an idea

a definite idea that the proposals of the Conference should show how Cuba show the way which has been chosen in the rest and which has the best promise for the future. If we were to say that there should be a Commodity Commission consisting of representatives of 50 or 60 countries, which would have to consider all the commodities which would come under an arrangement, in the first place, it would mean having experts in several commodities and we feel that each commodity would need a lot of expert work. On the Councils which are now in existence and which were in existence before there was not just one expert; there were experts from different parts of the world.

The second part is that if you have such a commodity commission for administration we do not see how you can have good voting arrangements. There is a principle that producers and consumers should be equally represented but if you mix up several commodities under one body how can you make regulations on voting? For each problem you would have to have a new voting power for each country and I think that would be a very troublesome thing to do. On the other hand, we feel that the Commodity Commission should play a large part in setting up and safeguarding the principles of the whole thing but not in the administration of each commodity in itself.

Dr. BOYLEVELD (South Africa): Mr Chairman, would not the difficulty of the representative of Norway be partly met by article 60? The Commodity Commission in any case has to report to the Executive Board and that might be amplified - that the countries with lesser interests should have more specific communication with the Executive Board in order to present their points of view.

Mr. WELENDER (NORWAY): Mr Chairman, perhaps the Delegate for South Africa would try to explain in a little more detail what he had in mind on that particular subject.

Dr. BOYLEVELD (South Africa): Mr Chairman, article 60 provides for the Executive Board to which this Commission must report and the Executive

Board has some control over the actions of the Commission. Now, would it not be possible for the countries with small interest in a particular commodity to have some say in the Commission through the Executive Board?

MR. QURESHI (India): Mr Chairman, the Delegation from India would like to support the view that we should have a separate Council for each commodity. Each commodity has its own problems and requires thorough examination and handling by experts.

THE CHAIRMAN: I wonder whether perhaps this discussion would not be assisted if the Delegate of the United States would explain to us their ideas about the constitution of each Commodity Council and its duties; and perhaps we might here go on to paragraph 2 and hear how the interests of producers and consumers would be equally represented.

MR SCHWENGER (US): Mr Chairman, we had envisaged that each commodity agreement would contain a central body which by custom has come to be referred to as a Council in the agreements that have been essayed so far. Only the countries participating in the agreement would be directly represented, as Mr. McCarthy has said, and in which - and I think this is a point which may bear on the discussion - they would be represented in some proportion to their interest in the commodity. So that in the decisions on matters of substance relating to the commodity, to its production, its trade, its prices and related matters, the various countries would play a part that corresponded with their interest in the commodity, and the resultant decisions would therefore substantially represent a balance of these important interests. I believe that that is quite essential when you consider that these agreements are entered into voluntarily and concern trade which in many cases is vital to the participants. The equality of voice between the countries representing the importers and the countries representing the exporters can then be obtained by a process of equating the total export and total import interest as represented by trade in the commodity and as modified by the other points, consumption and production interests, as may be agreed, and

then divided within each according to the interest. I think an agreement of this kind, a voluntary agreement as to the regulation of production, trade or prices of a single commodity cannot be treated as part of an international administrative process. There has to be an agreement in the sense of an agreement between the parties at interest and its administration has to correspond to that essential structure.

MR HELANDER (Norway): Mr Chairman, I would thank the Delegate of the United States for his explanation which I think covers some of the points I have particularly in mind. Of course, what we are particularly interested in is to arrange that these commodity agreements, which in principle will be open for any member of the organisation, shall be administered by representatives of the Governments which are interested. As I said some countries would have much larger interests in particular commodity agreements than other countries but if we take it, to use an example, that the five producing and exporting countries shall equal in voting power say the 30 consumer or importing countries it is to my mind essential that it should be possible to administer the commodity agreements in a way that will maintain the balance between exporters, on the one hand, and the importers, the consumers, on the other hand. That was the reason why we in our Delegation considered it to be most efficient to leave the administration to the organisation itself as the organisation would, of course, have on its staff experts on all commodities and also it would have an international Secretariat. They would have an essentially objective view of the whole thing and if the agreements are clear and distinct the administration should be very easy.

One particular point which the United States has just made may perhaps throw another light on the subject, namely, the point that the commodity agreements would, of course, be voluntary. That means that we should not have all the members of the organisation as participants in all the commodity agreements, and I admit that that would perhaps make it a little more difficult for the administration to cover the whole thing.

but if we accept in principle the establishment of commodity councils to cover each commodity agreement then I think it should be essential to establish the relationship between the commodity councils and the organisation. It is quite obvious that the organisation, as the policy-making body, the main body, would have so to say to direct the commodity councils and supervise their administration. It is obvious that the commodity agreements are only part of the whole structure regulating the international trade and therefore I think perhaps I would agree to leaving open this question of establishing commodity councils right now and we will take that as a basis for discussion, that those commodity councils will be established, but I would definitely reserve my view when we consider the relationship between the commodity councils and the organisation itself and thereunder, of course, the Commissions which the organisation will establish. When we have seen the whole thing in its full aspect I think it will be easier to say which would be the easiest way in which to solve this particular problem.

Mr McCARTHY(Australia): Mr Chairman, there are one or two aspects which I suggest the Delegate from Norway might consider. In the first place, it is not our conception that everybody who wants to come into an agreement should come in. It will be remembered that we discussed, I think at some length, the question as to who should be included and some emphasis was placed upon the participants having a substantial interest. I think it is rather doubtful whether countries where the interest is not substantial should be members of the organisation and I would visualise that in many products it would be found that quite a lot of countries should not be members. I know in our case there are quite a few products with which we would not wish to be associated, or commodity agreements with which we would not want the responsibility. I certainly could not recommend that Australia should take responsibility in voting on cotton or on coffee or other products that I could name and, on the other hand, we might be just a little chary of having a country which has a very small interest in wool voting on wool and it will probably be a part of the negotiations.

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for commodity agreements to decide what countries should be members. Definitely we visualise people with substantial interests either as consumers or producers being members but certainly not to have everybody in. It can certainly be agreed that even if the numbers party to agreements are substantial, the commodity council will not carry out executive work, but it should not pass its work upwards to some Commission the functions of which are distinctly general. I would visualise that the commodity council itself would appoint an organisation under it which would carry out the day to day functions of the commodity council. It would be almost certain that there would be an executive body which would receive its directions from and have its functions defined by the commodity council itself.

The other point which might be considered in connection with the organisation of the commodity commission is this. It is not stated here but it seems to be inferred that the commodity commission would be an executive body as distinct from a representative body. I think our view would be that a pretty big degree of autonomy has got to be left to the commodity council and that the supervision which the Commission would exercise over the Council would be on a fairly narrowly defined line.

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The Commodity Council would certainly have functions which could not be supervised, or should not be supervised or subject to supervision, by the Commission, particularly as a commission is an executive body. We visualize more the commission being a co-ordinating body between the various councils, somewhat in the direction of defining principles and seeing that principles are being carried out in a fairly uniform way, but that if any disciplinary action or any criticism is considered necessary of the Commission that it should be conveyed to the body to which the Commission is subject. I think it is this executive body which is a representative body. We have to have it fairly clearly in mind that the direct representatives of countries on a council could not be subjected to supervision and discipline by an executive body of the Conference. I think, in the last analysis, it is the higher representative body that has got to exercise discipline, which is the executive board. That last view might be questioned; it is one that we have not yet discussed, but we had contemplated discussing it later on when we came to this matter of general organization. But there might be room for a difference of view as to the authority of the commodity councils. Our considered view is that their authority has got to be on the full side, and that the review to which their work should be submitted should be limited.

THE CHAIRMAN: I do suggest that this Committee is going to run into a difficulty if we attempt here to lay down a general theory of the organization of the I.T.O., which is a matter for another body. Obviously the work of the various committees of the Preparatory Committee must be reconciled at the end, but I think that we would be wise at the moment to take as an assumption that we are talking about this on the basis that the I.T.O. is organized roughly as set out in the United States draft Charter, and if Committee V alters that then we may have to reconsider some of the things that we have said.

MR McCARTHY (Australia): With respect, I would point out that Article 47 (3) brings up the subject of the relationships between the Council and the Commission.

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THE CHAIRMAN: I was about to suggest an amendment on which we could discuss that without intervening in the subject matter of another committee. As I see it, we ought here to say that what we are interested in is the relationship between the commodity council and the I.T.O. as a whole. How the I.T.O. chooses to organize itself to carry out its function is a matter which is for somebody else; and I would have thought the sensible assumption to make was that the I.T.O. will consist of what is called I think the Conference in the Organization chapter, which works through an executive board. Those bodies have upon them members representing their governments. If they choose to set up commissions to carry out certain functions for them, however constituted, I do not think that it matters very much to us at this stage; and the point to which we ought to direct our attention is what is the relationship between the commodity councils and the superior body. So that, when we come to look at Article 66, which deals with the functions of the Commodity Commission, need we at this moment bother very much who are the members of the Commodity Commission? Surely we have to assume that they are going to work within the general framework of the organization, that is to say, when Article 66 says: "The Commodity Commission shall have the following functions," I think the right way for this body to look at it is to put the Commodity Commission rather in square brackets and to think of it as: "Whatever superior body is set up, it shall have the following functions in relation to the commodity councils." There are, for the comfort of the Australian delegation, plenty of words there which imply that the Executive Board will have control over the commodity commission, and I do not see the commodity commission anywhere operating as a rather independent body of experts that rush about the world.

MR McCARTHY (Australia): Article 47 (3) says: "subject to the approval of the Commodity Commission," which is something that I think would have to be left open until we knew the relationship between the Commodity Commission and some other representative body.

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THE CHAIRMAN: I think that is a perfectly fair point, and I would like to suggest to the Committee that when we come to this in the drafting committee the words "Commodity Commission" there could appear in square brackets, because we simply do not know yet, until Committee V finish, whether there is going to be a Commodity Commission. What we are interested in is the supervisory function, whoever it is exercised by, and if we stick to defining the supervisory function and not to a rather narrow argument about who should exercise it and how that body should be constituted, I think we would probably make progress here, without upsetting another Committee, and would reserve to ourselves the right to reconsider this if they came to a decision which seems wrong in relation to our subject matter.

MR MELANDER (Norway): I would wholeheartedly support what you have just said. I think it is essential to work on the assumption that where we are talking about the Commodity Commission we are in fact talking about the Organization. The Organization will have a general assembly consisting of all the members constituting the Conference. It will establish an executive body and the Conference will establish commissions. That is just on the same lines as the General Assembly of the United Nations Organization, so that the commissions mean really the Organization itself. What we are interested in, I certainly agree with the Chairman, is the relationship between the Commodity Council and the Organization as such. There I think it is essential that it should be established that the Organization will supervise and control in order to see that the Commodity Council carries out its functions in the light of the Charter, namely, in the light of the principles which are set out as a basis for these commodity agreements. So that I think the Organization's job will be to control and to see to it that the Commodity Council exercises its administration of commodity agreements in accordance with the principles laid down in the Charter relating to commodity agreements.

That was one point. Another point was that the Australian delegate suggested that he did not consider it right that every member of the

Organization should have the right to join in the commodity agreements.

Well, there I think we are agreed in principle, when we discuss Item 2A of our Agenda and in particular when we refer to Article 46 (1) of the suggested Charter - that the commodity agreements should be open to participation by any member of the Organization. When it is a question of deciding whether any member would attend that, of course, means whether any member considered itself to have a substantial interest in the particular commodity in question. It should, in other words, be left to member governments to decide whether they will take part in a commodity agreement. It should not be open, for example, to a big producer or exporting country to say, "Well, we consider that out of 30 consumers, or countries importing, only, say, ten, ought to take part." Take coffee, as an example. Norway has only three-million inhabitants, and, of course, the quantity of coffee consumed in Norway is just a fraction of the total consumption of the world, but I say say that coffee is to us a national drink even more than tea is to this country; so that, you see, we have a definite and a substantial interest. I just make that point to make it quite clear that it is, to my mind, in principle, agreed that any country will be able to take part in commodity agreements and consequently be a member of the Commodity Council. On the other hand, I take it that we all agree that not all countries shall have the same votes; that is obvious, as we have agreed that the exporting group and the importing group shall have equal votes.

MR GUERRA (Cuba): May I ask a question, Mr Chairman, on a point of order, as to whether we should discuss the commodity councils now, because it seems to me that we have jumped to the question of the organization and relationships which is contemplated in paragraph s 3, 4 and 5 of Article 47 of the United States Charter. Paragraph 3 deals with the question of equality of voting. I want to know whether we are going to discuss the whole thing altogether or whether we are now going to discuss the organization of relationships. From the point of view of the Cuban delegation all these matters are closely related, and we have no objection to taking

the discussion together. What I want to make quite clear now is that as far as I understand it has not been agreed yet about the subject of equality of voice and that is the question that will be discussed later. We shall then take it have a general discussion regarding the principles set out in the previous Article, that is to say, in Article 46. I repeat that we consider these matters are all closely interrelated and we are quite ready to discuss them now. We want to know whether that is the idea behind the discussion.

THE CHAIRMAN: I think we ought to be very grateful to the Cuban delegate for reminding us that we are straying over a rather wide field, and I am inclined to suggest myself that Article 47 (2) is a special aspect of this, getting down to the detail but a detail which raises obviously important points of principle. Would the Committee agree that we should discuss, in a general way, the commodity council and its functions together with the relationships to the I.T.O., however it happens to exercise that supervisory function, and then return to the precise point which I think the Cuban delegate wants to raise, which is: What is the exact meaning of the words "have together a voice equal." If we could split our discussion in two in that way I think probably it would be better. I do not know whether that meets the Cuban point.

MR GUERRA (Cuba): As I said before, from our point of view, both these are very closely related, because in fact our point of view is that the voting arrangements within each commodity agreement should be determined by the countries party to that agreement; so that that brings up necessarily the organization of relationships to a degree of autonomy that the commodity council will have, and whether that will include or not the arrangement of the voting power. Therefore, from our point of view, we are quite ready to discuss the two matters together.

THE CHAIRMAN : I think, in view of that, we had better discuss it altogether.

MR SCHWENGER (USA): I wonder if I could say a word on the question of participation, which is closely connected with voting and upon which two points of view have been expressed, and both of which we had in mind I believe in drafting this Charter and between which we tried to find a resolution.

On the one hand, we felt that it was necessary, as the delegate from Norway has said, that any member feeling that it has an interest in a particular agreement should have the right to participate; and on the other hand, as the delegate from Australia has said, we felt that it would be undesirable and inefficient in a sense - certainly not entirely representative - if a large number of the voices in the administration and substantive decision connected with a particular agreement should be held by countries which, if I may use the apt example with which he provided us, have the kind of interest in cotton which Australia as a great wool producer might have. The formula that we have used (if I may repeat it here, although I am sure you all have seen it) was to open the agreements to participation, once they are formed, once they are completed, on the part of all members who wish to participate, it being understood from the rules that we have here that their participation should be proportioned to an objective measure of their interest; so that there might be, in an extreme case, a majority of countries which did not have a substantial interest in a commodity participating in the agreement, but their collective voice would not be very large because it would be proportioned to their objective participation. Now, on the other hand, in the negotiation and early consideration of a prospective agreement we provided that the right to participate should be reserved to any member having a substantial interest, and we hoped that restraint would be exercised - as I am sure it would be and will be - so that the negotiations and discussions leading up to agreement could be of a wieldy size.

THE CHAIRMAN: I wonder if I could ask at this point for a straight Yes or No from the protagonists on either side as to whether that middle way is broadly satisfactory.

MR McCARTHY (Australia): I am not sure of your point. Do you mean the middle way of discussing it?

THE CHAIRMAN: No, the middle way of meeting this point of participation - that in the stages of formulation it is the principally interested countries, and that when the agreement is made it is open to adherence by all - if I understand the United States proposal aright.

MR McCARTHY (Australia): I would agree with it. I am more worried about the stage of negotiation than any other, because it is going to take a lot of negotiation, and if you have the small fry, as we have been described, on some committees, they can hold things up.

THE CHAIRMAN: I would like to ask the same question of Norway.

MR MELANDER (Norway): Well, Mr Chairman, I would certainly agree with the suggestion of the United States delegate, and in fact the reason why we have not ourselves raised this question when discussing the initial paragraphs of Article 42, concerning special commodity studies and the calling of a commodity conference, was that we fully appreciated the point that it would be natural that countries which have substantial interests in one particular commodity would take the initiative. For instance, a country like Brazil would be likely to take the initiative in establishing an agreement in regard to coffee. But what we consider as essential is that when the agreement is made up then it shall be open to any member to enter; and then, to use the same example again, we might find that in respect of a coffee agreement Brazil would have the votes of, say, thirty other importing countries. That, I think, is the principle, and I understood that we in fact agreed on that principle with the United States, but, if it is thought we should discuss it now, I am quite open.

MR McCARTHY (Australia): With all due modesty, we would say that

if Australia did not come into a wool agreement there probably would not be a wool agreement. On the other hand, if Australia took any sort of stand on coffee, nobody would worry very much.

THE CHAIRMAN: I think we ought to let the Cuban delegation explain in more detail the point of view which affects the whole of this discussion.

MR GUERRA (Cuba): Well, Mr Chairman, we consider that the question of the setting up of Commodity Councils has been apparently decided, at least for the time being. We pass now to the organisational relationships between the Commodity Councils and the Organisation; and I will take now the point of view expressed by the Chairman, that we should not worry very much about the type of body but about the relationships between the body and the Organisation. We think that this question of the organisational relationships is the most important of all matters concerning the possibility of success of the agreements for achieving the objectives that we have all agreed. At various times during the discussion in Committee IV the Cuban delegation has stressed the question of flexibility of the agreements as one that we consider vital for the success of every agreement; and this question, in the last analysis, is directed to the organisational relationships between the Commodity Councils and the Organisation. From the discussion which has taken place at the beginning of today's session on the question raised by the delegate of Norway, it is clear that most of the delegations consider it indispensable that the agreements be not only agreed upon but also administered by the countries which are participants in each particular agreement. The Australian delegate made some reference to this point when he referred to the question and said that the Commodity Councils should have an ample and

well defined degree of autonomy in carrying out their functions. We are in entire agreement with the view that has been evident throughout all our discussions here, that the I.T.O. should aim in this chapter of the charter at making it possible to incorporate particular commodity agreements within the framework of the Organisation, making sure that each of these agreements will be carried out in accordance with the general principles of expansion of world trade and, more particularly, in accordance with the specific principles set out in the chapter relating to these agreements, to which I do not think I need refer at this moment as it has been discussed at considerable length; and we have all shown what amounts to general agreement as to what the principles and the objectives should be, and as to what methods should be used for attaining these objectives. We feel that it is entirely indispensable that the administration of each agreement should be organised in relation to the Organisation in such a form that it will make it possible to deal effectively with the particular problem that each commodity presents. In this connection we see very much difficulty, as we have indicated already, in administering the agreements in too rigid a form. Every commodity has peculiar problems, and even if the principles and the aspects of a concrete policy are agreed upon by different countries regarding any particular commodity and the methods are very clearly stated, I do not think the question of the administration of a particular agreement should or could in any sense be made a matter of routine. We should remember and have in mind all the time that these agreements are not fixed. The rules that are set out in each agreement will have a general application, but the methods of working out an agreement so as to reach certain objectives will be constantly changing, if not in the character of the methods themselves, in the degree of application of them.

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Many, or, at least, some of the agreements will require the setting up of export quotas and production quotas, and in general they contemplate as an objective the balancing of supply and demand within the limits of the objectives to be obtained. That will require a very expert knowledge of the condition of trade at any time in a particular commodity. That will require the adjustment of supply and demand to reach the objective of stabilisation of price, which is one of the main ends that we propose to reach. That is why in our view the administration of an agreement can never be made a matter of routine. It will be requisite that every agreement should be administered by the countries who are parties to the agreement which have not only the main interest in the trade in the commodity, but which also, because they have the greater interest, may be reasonably expected to have also the richer experience.

All these matters have a bearing on the question of the autonomy that the agreement should have in the framework of the Organisation. The Cuban Delegation feels that it is very important and really vital for the success of the agreements that a great degree of autonomy should be established for the administration of the agreements. We think the Organisation should have supervisory powers and faculties to establish the general principles to be followed, to see to it that these principles are adhered to and carried out in every particular case and at every particular time. Furthermore, the Organisation will have the right to decide in the last instance on disputes and questions of interpretation. The interest of the Organisation in co-ordinating the functioning of these agreements and taking care that they do not interfere with, but, on the contrary, that they really co-operate in the general objectives of the expansion of world trade and the specific objectives for which the agreements are supposed to be made, will amply guarantee that these agreements will not be administered in such a way as to

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be contrary to the interests of the Organisation as a whole or against the expansion of world trade. In our view this function of the Organisation in establishing certain principles, taking care that they are carried out and in deciding disputes and questions that will arise in the actual function of the agreements, should be amply sufficient, and that it will not be at all necessary to establish a very tight organisational relationship that will not contribute at all to this general purpose but will in fact create great difficulties in the attainment of the objectives that every particular agreement is supposed to reach.

In this connection the Cuban delegation has certain specific amendments to the draft Charter. They relate to the faculty given in paragraphs 3 and 4 of Article 47 to the Commodity Commission. In paragraph 3 it is stated that the rules of procedure and regulations regarding the activities of each Commodity Council shall be subject to the approval of the Commodity Commission. Paragraph 4 provides that even the non-voting chairman of the Commodity Council shall be appointed by the Commodity Commission; while paragraph 6 provides that even the secretariat of each Commodity Council will be also appointed by the secretariat of the Organisation. If we contemplate that these agreements should in the future cover a much wider field of international trade than they have so far, they will probably include some foodstuffs, forests and even minerals. We have very strong doubts as to the suggestion that the personnel for the administration of every agreement should be provided by the Organisation. In this sense we think that the American draft Charter should be amended: that once the general principles have been approved, that the agreement itself has been approved by the Organisation, which will have the power to supervise in a general way the functioning of each agreement, then the parties

to each agreement should have the actual administrative power in regard to the agreement in which they are interested.

The whole spirit of Chapter VI of the American draft Charter is that the agreement should provide for the protection of the interests of countries substantially interested in the international trade in any particular commodity. We feel that this general principle will be very much departed from if the countries party to each agreement do not have the power to set up their own rules of procedure, to set up and appoint their own personnel for the administration of the agreement, and in general to carry out the functions of the agreement within the scope and framework of the Organisation.

Our point of view is here connected with the question of equality of voice within each particular agreement. We think that not only the rules of procedure, the appointment of personnel and in general the administration of the agreement, but also the question of voting arrangements should be decided upon by the countries that are party to the agreement. The other day in the general discussion of this principle of equalisation of voting as between importers and exporting countries, we advanced some arguments and reasons as to why we opposed such a general rule; and now I would like to state them again. We entirely agree with the point made by the delegation of the Netherlands that it will not be possible within the general organisation to achieve a proper balance of interest between different countries. It is obvious that a country will have to have a certain voting power in a particular agreement in which its interest amounts to so much, while the same country will have to have a different voting power in other agreements in which its interest is greater or smaller. Now, coming really to the question of equality of voice, we feel that if we agree that the interests of countries as among themselves constitute a question that should be decided according to the substantial or non-substantial interest that a

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particular country has in the international trade of a commodity, the same principle should apply to the general equilibrium as to the balance of voting powers as between importing and exporting countries.

The reasons for this are several: in the first place, a commodity may be generally considered to be very important from the point of view of importing countries if the import of that commodity happens to be concentrated in a few countries, and, one may add, if the commodity constitutes the raw material of some vital industry of those countries. On the other hand, the supply of that commodity may be so widely distributed among different countries that for any of those countries it will not have such a substantial importance as it has for the producing country. In such cases the just and fair thing will not be to give equality of voice but to give greater voting power to the countries whose interest is more substantial. Inversely, the production and export of a particular commodity may be so concentrated in certain countries and may to such a degree constitute the basis of their economies, that it will be for them vital, while at the same time that commodity from the point of view of consumption may not be so vital. In such a case I would say that the proper balance should be in favour of the supplying countries.

We think that we cannot take seriously as a basis or criterion for defining this question of voting power the mathematical principle of the import and export balance. In general throughout this Charter the principle of substantial interest is very much stressed, and we see no reason why, if this is the real criterion for judging the voting power that any country should have within any particular agreement compared with other countries, the same principle should not be applied to consuming and exporting countries as a whole.

Finally, it may be possible that in any particular agreement some countries, say consuming countries or say exporting countries, may not take part. We should not forget that the agreements are voluntary. If some important consuming countries do not take part in an agreement why should the voting power be in any way equally distributed? The reverse case is the same. Therefore, our concrete suggestion and proposed amendment is that the Commodity Councils should have a greater degree of autonomy than is contemplated in the Charter. That will refer concretely to the question that the rules of procedure and regulations and the appointment of the personnel should be subject to the approval of the Commodity Council, or whatever organization is set up for that purpose, if the Commodity Council so request the organization or find it necessary to do so, or otherwise they will have freedom to choose the people who will administer the agreement and to set up their own rules of procedure. The Commodity Commission and the organization in general should have the right of supervision, but not real control, direct control of the activities of the Commodity Councils.

Finally, we feel that if we set up a principle that the interest of consuming and exporting countries should be equally balanced and justly balanced, within that principle each

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Commodity Council or the countries participating in an agreement should have the right to set up their own voting arrangements, always remembering that the final decision will be in the hands of the organization, because the agreement in general will have to be approved, and that will be an opportunity for correcting any lack of balance or any unfair treatment that a group of countries may have extended to others in any particular agreement.

MR. HALL (United Kingdom): Mr. Chairman, the very interesting and thoughtful speech of the Cuban delegate raises a large number of different points, but I think they fall broadly into three heads. First, that of the relations of the Commodity Council to the central organization; secondly, questions concerning the starting of the Commodity Council and the actual rules which it may establish for itself; and, thirdly, the question of voting.

On the first point, that of the relations of the Commodity Council to the central organization, the United Kingdom delegation is very much in agreement with the point of view set out by the Cuban delegation. As we see it, the function of the central body is to see that everything that is done conforms to pre-agreed general principles. The central body has first to provide machinery through which the study groups can be brought together and the possibilities of an agreement discussed. Clearly, the power of initiation there has to lie somewhere, and it seems obviously logical and convenient that it should lie with the central body.

Secondly, it has to see that the actual agreements conform to the general principles which have been laid down for the guidance of all agreements.

Thirdly, that when the agreements come to be administered and carried out, the actual administration again conforms to the principle, on the ground that it is not sufficient merely to lay down rules, but that someone has to see that those rules are

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looked at.

Fourthly, I suppose that there is a general duty on the central organization to see that everything that is done under its aegis should conform to the general spirit of the whole Charter, and I would imagine that particular countries which feel themselves aggrieved on particular issues might have in all these cases some right of appeal.

But when you come to the actual operation of the Commodity Council it does seem to us that it would be a duplication of function and would make for bad and ineffective administration if the Commodity Council did not have all the remaining autonomy; that is to say, all the duties which were not duties dependent on the general agreed principles, simply because if you actually do get the Commodity Agreement working, its operations partake of the nature of commercial operations. As the Cuban delegation (and I think previously the Netherlands delegation) pointed out, it is not operating in a vacuum; it has to take decisions from time to time which are of vital importance to the participating countries, setting quotas, regulating production, and we feel that if on those points there has to be reference back to a central organization the effective operation of the Council might be very largely frustrated. On all those points we are very much in agreement with what has already been said.

I would like also to touch briefly on the other two main points: that of the procedural rules of the Commodity Council, and what we might almost call the staffing of it. On those points we have not seen quite so much danger perhaps as the Cuban delegation seems to see. It seems to us that Article 47, 3, is merely a sensible statement that the Commodity Council should make its own rules, and we would have been very much surprised if the Commodity Commission had chosen to interfere with those rules, unless it had a fairly good case, referring back to the general principles again. In the same way with

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regard to provisions for a non-voting Chairman and for a Secretariat to be provided by the Commodity Commission. Well, it depends very largely, it seems to us, on whether the Commodity Commission is going to behave sensibly or not, but surely we must assume that it is going to behave sensibly. It is an extremely difficult matter to provide an adequate staff and a good Chairman for any commodity agreement. I am sure that all of us who have had experience on those points would agree that the personality of the Chairman and the efficiency of the Secretariat are matters of very great importance, but whether the Commodity Commission is going to regard the staff and the Chairman as its watch-dogs, and as people placed out, so to speak, on all these Commodity Councils to watch their moves, I had not myself felt that there was all that danger. It seems to me to be a matter for discussion, but I would have thought that in many cases the Commodity Council or the Commodity Commission would both have been driven inevitably to select on the whole the same persons, simply because there were not very many people in the world who were qualified for those important posts.

On the third question, the question of voting, I must confess, Mr. Chairman, that I had felt we had already discussed this in the discussion on Article 46, Sec. 3, and that this was one of the problems with which the unfortunate Drafting Committee was now struggling. I can see the force of the various arguments advanced by the Cuban delegation, and it might be possible, I suppose, to arrive at some form of words which would give that degree of elasticity which the delegate of Cuba so rightly suggests will be required, but on the whole it is very difficult to see any other general principle - if you must have a general principle, and perhaps here we must - than equality of the two interests. I think that the general argument applies with particular force there, that whatever objections are raised against the fifty-fifty principle are raised, a fortiori, against any other statement, -

simply because anything that you can say against that you can say with more force, with more vigour, against any other explicit formulae. The difficult problem, and the problem, I must confess, on which the United Kingdom has not yet made up its mind, is that of the representation of countries which are substantial consumer producers, but which do not enter into the export trade. On that I can only say that we are hoping to have some brilliant suggestion put forward at the Drafting Committee which will commend itself to this Committee when it is brought forward, but we have an open mind there, to the extent that it is governed by what I have already said, that we cannot think of any principle, other than the fifty-fifty one, which will stand up.

MR. DE VRIES (Netherlands): Mr. Chairman, the Netherlands delegation's view is very much in accordance with the views of Cuba and the United Kingdom, which do not differ so much, I believe. On one point I should like to support especially the view of Cuba in the amendment which their delegation has already put on paper, that the Secretariat and the Chairman should be provided for by the organization or by the Commission, if requested. I think that covers the field. If there is no necessity they will not make a request. If they find it useful they will ask for that, and of course if it has been asked for by the Commodity Council or by the members proposing a Commodity Council, the organization cannot leave it in a vacuum.

As regards the method of voting, I should like to support the idea of the United Kingdom.

I should like to put it

I should like to put it in this way. We have discussed it on general principles, and it seems to me no useful purpose would be served - indeed, it would be duplication - by putting it again under the administration rules. When you put it under general principles there may be some flexibility. If you put it under administration rules again you give it a ragged character. Maybe we can put it in some way in the general principles and leave it out under the administration rules. Why put it twice in the same chapter?

MR McCARTHY (Australia): Mr Chairman, I think that I have covered most of the points at one time or other this morning, but I would like to have a word on this voting question. It is always a vexed question, of course, and I agree that the principle should be 50-50; but I think 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. I can conceive that there will be probably rather small commodity agreements; the commodity might not be a very great one and the number of countries party to the agreement respecting it might be limited. It might be such commodities as eggs and apples where you might have four or five countries only, but very representative countries, and they might in the course of the work under an agreement perform very valuable functions. I do not think we should rule out a commodity agreement where there are no importers represented, provided the importers have the opportunity of coming in, and I do not think that if, having been given the opportunity, they say, "No, it is not very big and we are satisfied that the agreement should be amongst four or five exporters," it should be disqualified, or ruled out of approval, under the Charter, if it meets the other demands made by the Charter. In that case, of course, equal representation and voting just would not work, if it were too binding, and this is rather binding. Again, I would suggest that the drafting committee attempt to draft a clause which states the principles but which gives a certain loophole for

Variation of the principle in speed of some sort is

MR CHAIRMAN: Surely in order to assist the drafting committee you add to that suggestion after "in special circumstances," and with the approval of the Organization?

MR McCARTHY (Australia): Yes.

MR WORMSER (France) (Interpretation): Mr Chairman, in regard to the statement which has just been made by the United Kingdom delegate, we think, as he does, that the Organization itself must be very watchful to see that the several commodity councils should observe, in their decisions, all the rules which may have been laid down by the Charter, but we are also convinced that this task, the task of the Organization, must be limited only to this work and also the work of seeing to it that the initiative and the work of the several commodity councils should be directed more or less in the same way and towards the same objectives, so that the action taken by these different councils should not be contradictory. Having said this, we are deeply convinced that a vast autonomy should be granted to these agreements so that they might function freely. But it is certain that day by day routine work once accomplished will be done by them when this work is of a purely technical nature; and, as has been brought out by the Cuban delegate, we shall be faced with problems which will come up again and again, and we shall be faced by problems which will repeat themselves perpetually. Therefore, the French Delegation thinks that it would be wise to leave it to those commodity councils and to give them as much freedom of action as is possible within the general provisions of the Charter. On the other hand, with regard to the proposal which is here submitted to us, particularly Article 7 (3), (4) and (5), I admit that we have had from the French side certain difficulties in sharing the viewpoints which have been stated here by the Cuban delegate. We believe rather that the drafting committee will easily be able to agree upon formulae or clauses which will be very close to those here suggested to us by introducing into their work a little less rigidity, particularly in such a direction.

as has been suggested by Professor de Vries. I believe that there exist, even now, certain agencies whose experience would be lost to us if we were not allowed to consult them. Finally, I was very happy to hear the declaration of the United Kingdom delegate. Members will remember that when the Committee examined Article 46 I mentioned that a few of the countries could be both producers and consumers without becoming ipso facto participants in world trade in any special or substantial degree. I believe, and I repeat it, that it is necessary that those countries be represented on the commodity councils and that the right of voting be granted them on an equitable basis. I believe as has been remarked in the course of these latest discussions, that if we mean to establish, in writing, certain principles concerning the right to vote, there are none others to be seen except the ones which would say that producer and consumer countries will have equal voting powers. I, for one, am not quite convinced that this necessarily means that these two groups must between them represent the total of votes within the Committee.

MR QUERSHI (India): Mr Chairman, in regard to paragraph 2 of Article 47, dealing with voting, we would like to point out that if a country is both an exporter and an importer of a commodity it should get adequate representation and votes for both those interests.

MR MELANDER (Norway): Mr Chairman, I think we would, in many respects, agree with the statements of the United Kingdom and the French delegates in this respect, and I think also that in many respects we would agree with Cuba. To take them in order: First, as regards the relationship between the Organization itself and the Commodity Council, we think it is essential that the Organization shall supervise and control and see that the Commodity Council exercises its administration and its functions in accordance with the rules which have been laid down in the Charter; and for that purpose it is obvious that the Commodity Council will have to report to the Organization, giving the Organization all the facts and all the information that it requires. That being said, I would also

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agree with the point made by the Cuban delegate and certain other delegates, that the daily administration of the Commodity Council will have to be autonomous within those limits which I have just set: that I think follows from the fact that if we agree at all to establish a Commodity Council the Commodity Council will have really to run the agreements and to administer them. As regards the proposals of the suggested Charter, Article 47, paragraphs 2, 3, 4, 5, and 6, we would generally agree with the United States proposals. I think that it would be advantageous to the Commodity Council as well as the Organization that the Organization should provide the staff for the Commodity Councils, with a non-voting Chairman and so on. That would also I think make it easier for the Organization to provide each commodity council with information as to how other commodity councils are operating, and it will be useful to all the commodity councils to have on their staff people who know really what is going on in the other different commodity councils; as they are being informed through the Organization, ~~which~~ each staff will, of course, be in close contact with the Secretariat and the administration of the International Trade Organization, and that makes possible the maintenance of close liaison which I think is very essential for the practical operation and the close integration of the whole scheme. As regards the voting on the commodity councils, I think that it is essential that we should stick to the 50-50 rule and that we should agree, without exceptions, to the principle that the votes of exporters should equal the votes of importers. That is a basic principle, which I think should be laid down in the Charter and which should apply to all the commodity councils and agreements. Otherwise we shall risk creating difficulties which we would not like to see created. It is obvious that when we do decide to set up these commodity agreements and the commodity councils we shall have in mind certain problems stated in Article 41 of the suggested Charter; and I would also particularly draw attention to Article 44 of the Charter. It is to my mind obvious that if we are going to fit the

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rules of the commodity agreements into the whole Charter it is essential that we should try to establish a balance between exporters and importers. I agree with the point made by the French delegate, that it would be useful to introduce representatives of producers and consumers who are not exporters and importers, but I am not quite sure how that could be covered, though I think that is a point which we ought to consider further. It is quite obvious to my mind that if one big country is a producer and a consumer but not an exporter and not an importer, in any case the decisions and the rules laid down by the commodity agreements and exercised on the world market will be

of interest to the particular country which is neither an exporter

nor an importer, but is a producer and consumer.

In order to facilitate the economic policy of the particular country I think it is definitely a good suggestion that we should see how those interests could be fitted into the commodity agreement scheme; but I think that in principle it should certainly be fixed that the votes of the exporters and the importers should be equal. Whether those votes should be the total voting power of the Commodity Council, I agree, is another matter, and I think the French delegate perhaps had in mind that we could, for example, find that the total votes of the exporters and the importers would make, for example, 80 per cent, and that 20 per cent would be given to countries which are big producers and consumers but not exporters or importers. I think that that is perhaps a point that we ought to consider further.

THE CHAIRMAN: The time is now getting on. I do not know whether the Committee feel that this matter has been sufficiently discussed to leave it to the Drafting Committee or whether you would sooner go on.

MR GUERRA (Cuba): I think that in general it has been sufficiently discussed, but I only want to clear two points I have had in mind throughout the discussion. In the first place, I agree with the delegate of the United Kingdom that -----

THE CHAIRMAN: I think if we are going on with speeches we must put this off until the next meeting and withhold it from the Drafting Committee. I have promised certain delegations I would finish this meeting by a particular time. At any rate, the Drafting Committee, if they meet before we meet again, might make a preliminary study of this, remembering that one or two points are not yet clear.

Now, what do the Committee feel about the next meeting?

I myself would hope that the remainder of our agenda could be got through very quickly and/<sup>I think</sup> that we would be right to try to do so, so as to leave the future clear for the Drafting Committee which, as we have said, have a rather difficult job to do.

MR McCARTHY (Australia): I think at an earlier discussion of Committee II a reference was made to shifting into this Committee the matter of subsidies related to primary products.

THE CHAIRMAN: We have not heard officially from Committee II about that. When it arises we can be ready for it.

MR McCARTHY (Australia): As long as we do not slip between the two of them.

THE CHAIRMAN: I might perhaps have a word with my brother Chairman.

The future programme put down in the Journal contemplated that our Drafting Committee might meet tomorrow morning at 10.30. There is a Heads of Delegations meeting at 11, but if this Committee would agree to let me go to that and that the Vice-Chairman should take the Chair, I would hope that this Committee as a whole could finish its first round at a fairly early time tomorrow morning, if we met at 10.30, and then the field would at any rate be clear for the Drafting Committee to get to work on what we have done and bring us back a document which we can then proceed to discuss again in full Committee. Would that be generally agreeable?

MR MELANDER (Norway): Would that mean a full Committee meeting of Committee IV tomorrow morning at 10.30?

THE CHAIRMAN: That would be the idea. Then we stand adjourned until 10.30 tomorrow morning. If members of the Drafting Committee would stay for two minutes I have something to say to them.

(Before the meeting adjourned an official photograph was taken.)

The meeting rose at 12.37 p.m.