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SECOND SESSION OF THE PREPARATORY COMMITTEE OF THE  
UNITED NATIONS CONFERENCE ON TRADE AND EMPLOYMENT.

VERBATIM REPORT.

SIXTH MEETING OF COMMISSION B  
HELD ON MONDAY, 9 JUNE 1947, at 3.35 P.M., IN  
THE PALAIS DES NATIONS, GENEVA

The Hon. L.D. WILGESS (Chairman) (Canada)

Delegates wishing to make corrections in their speeches should  
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CHAIRMAN: The sitting of Commission B. is open.

At our last meeting, we considered the parts of our annotated Agenda under the heading of General Comments. We now come to the various Articles of the Charter, commencing with Article 46.

Under article 46, the only proposal is one submitted by the Delegation of the United States. I have studied the United States proposal and, so far as I can judge, it most concerns drafting points or matters of form rather than matters of substance, so that after we have heard from the United States Delegate it might be satisfactory if we referred these questions of form to the Sub-committee for their further study.

I should like to hear from the United States Delegate if he agrees that this is largely a question of form rather than of substance.

Mr. R. B. SCHWENGER (United States): Yes, Mr. Chairman, I agree that this proposal is entirely a proposal of form and, as we see it, could appropriately be discussed merely on that basis.

CHAIRMAN: Unless there are any further observations, I will suggest that this United States proposal be referred to the Sub-committee.

M. PETER (France) (Interpretation): I apologise, Mr. Chairman, for not being quite in agreement with the United States delegate, because I think that his amendments bear on questions of substance, at least on two points.

The first is the question of "persistence", a word used in the first sentence of the amendment. It is an old saying in the medical world that it is better to intervene right at the beginning of a disease and not when the disease has already manifested itself in an acute form. Therefore, when lack of balance, of equilibrium, has appeared, it is necessary to intervene to prevent the evil from developing and becoming worse. On the other hand, how would it be possible to define this persistence and to state and ascertain exactly when it has started? For this reason, I prefer the original drafting, because I think that the introduction of this word "persistent" is likely to alter the substance of the Article.

My second remark deals with the last sentence, where it is said in the American draft that they agree that such difficulties may at times necessitate exceptional treatment of international trade. I do not think that the exceptional treatment should apply to trade only. It should also apply to the conditions of production and consumption. In my opinion trade is only one stage in the economic cycle and if we deal with trade only we leave aside such causes of disequilibrium as are due to production or consumption. Therefore I think that this sentence should be replaced by a fuller sentence covering the three points, namely, trade, production and consumption. For these reasons I think that these are not purely drafting or wording amendments but amendments of substance and I should like to state that the French delegation does not agree with these two points.

CHAIRMAN: The delegate of Czechoslovakia.

H.E. AUGENTHALER (Czechoslovakia): Mr. Chairman, gentlemen: The Czechoslovak delegation prefers the United States wording to the original wording. We think that it is more clear.

Now we would like to make two or three observations. The first would be the same as the delegate for France has made as to the word "persistence." If the word "persistence" may be deleted from the text we would find the text entirely suitable.

Then I would like to make clear, though it necessitates no change in the text, that by the words "They arise out of such conditions as the disequilibrium between production and consumption..." we understand not only if there is surplus but also scarcity; that something should be done also if there is short supply. But as I say it needs no change in the text.

Then the third is a small drafting point: of course I do not dare to correct my American colleagues as to English language, but it is known that Molière, when he was writing his plays, used to read them to his servant to see if they were quite clear. Now I do not try to do that with the Charter to my servant, because probably she would quit! But I should say that there are those words "disequilibrium between production and consumption, the accumulation of burdensome stocks," and so on, which do not characterise the trade in manufactured goods. Well, the man in the street would say that the crisis in industrial life is the same; disequilibrium between production and consumption, the accumulation of burdensome stocks and so on. So where is the difference? We know that there is a substantial difference between prime commodities and industrial goods, but it should somehow be brought to expression. So I would suggest for the consideration of the drafting sub-committee that they might add here something of this kind "fluctuation in prices different in their substance," something of that kind, just to show there is a substantial difference and not only the super-production or burdensome stocks.

CHAIRMAN: The delegate of Belgium.

M. MOSTIN (Belgium) (Interpretation): Mr. Chairman, the Belgian delegation is rather in favour of the New York draft, but my Czechoslovakian colleague has already made a remark which I intended to make, and I should like only to add this. We do not quite agree that the difficulties which are covered in this article are particular to primary commodities, but that means to solve those difficulties are different.

The United States amendment also states that agreements should only be concluded in exceptional or particular cases. This gives to those agreements an exceptional character.

CHAIRMAN: The delegate of Cuba.

M. J. A. GUERRA (Cuba): Mr. Chairman, I think that the draft put forward by the American delegation contains obviously some improvements in drafting, but we agree with the remarks of the French delegate that in certain cases, even if it has not been the intention of the drafters, there is a certain change that may affect the substance of the text.

We feel that the addition of "conditions under which some primary commodities are produced, exchanged and consumed are such that international trade in these commodities may be affected by" is an improvement on the previous text. Obviously we wanted to say the same thing when we had in the former draft the words "relationship between production and consumption", but I think that the text proposed by the American delegation is clearer and more specific and is, for that reason, an improvement.

The main question in the change of sentences, as we see it, is the use of the word "persistence", because, as the French delegate pointed out, that will mean, in fact, that only when the difficulties

are already in existence - and not only in existence but are persistent - do we want the agreements to come into force, and that is obviously not the idea we had. I draw your attention to the fact that even when we were referring to the accumulation of surpluses, we used the words not only "has developed" but also "or is suspected to develop", which means that we were contemplating from the beginning the possibility of establishing agreements to prevent those conditions arising.

I think that it is purely a question of a drafting change. As I understand the American proposal, we could make a change in the wording and use such a word as "tendency", because that is really what we have in mind, so that it would read "special difficulties such as the tendency to disequilibrium between production and consumption, the accumulation of burdensome stocks and pronounced fluctuations in prices". Those tendencies are more pronounced in the case of primary commodities than in other manufactured goods. To that extent, even if only being tendencies, it is justified that we contemplate the agreement and try to prevent that these tendencies provoke or introduce the difficulties that we refer to. Therefore we would be in favour of making a change of that character, and of keeping the rest of the change introduced by the American delegation.

The other point I wanted to mention is the deletion of the words "adverse effects on the interests of producers and consumers, as well as". If we allow the adverse effects that the difficulties may have on producers and consumers, and refer only to the effects on the general policy of economic expansion, in the first place it would not be clear how that effect against the economic expansion will take place; in the second place it would almost look like a contradiction. If we do not refer specifically to the effects that the difficulties may have on producers' and consumers'

interests, it may mean that the restrictive character that this agreement will have on trade may not be justified, because being restrictive, it will run against the policy of economic expansion. But if we make clear, by a reference to the interests of producers and consumers, that it is in order to safeguard the interests of producers and consumers while we try to prevent or to solve the difficulties, then the relationship to a policy of economic expansion will become clear.

Therefore, we would be in favour of keeping the reference to the adverse effects on the interests of producers and consumers.

Finally, we think that the final sentence added by the American delegation is also an improvement of the text.

The French delegate referred to the question that reference was made only to the treatment of international trade, and he thought that we should refer also to production and prices, but that is obviously what we are dealing with. The agreements will affect this international trade if, in order to regulate international trade, we have to regulate internal production. That will be a need that will arise from the real objective, from the real regulation, that will be in international trade. That is the only thing that we are concerned with.

The regulation of internal production will come into the picture only as far as it is necessary, because of the regulation we are making regarding international trade.

Therefore, we do not think - while we agree with the French Delegate that the meaning is there - we think we do not need to put that into the text; because if we are referring to exceptional treatment of international trade, that will not preclude the use of internal control of production or trade in the cases in which such a thing may be justified.

CHAIRMAN: The Delegate of Australia.

Mr. DOIG (Australia): The Cuban Delegate has already tackled the point which I had to make, so I will make my remarks very brief.

We support in general terms the proposed change by the United States Delegation. Like the Cuban Delegate, however, we are unhappy about the elimination of the words "referring to the interests of producers and consumers", and we have noted, in relation to other sections of the Chapter and other Amendments, that those words may also be removed in other texts; and therefore we desire to call attention to that fact at this stage, and to add that we consider that it would be undesirable for a number of reasons to have those words deleted.

We definitely support the addition of the last sentence by the United States Delegation, and we consider that it introduces in its right place the subject of international commodity arrangements and we would therefore support the United States change, and the consequential amendments, with certain reservations that are necessary in Article 47.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. D. CAPLAN (United Kingdom): Mr. Chairman, I think I am in the happy position of being able to agree with what everybody has said so far! I do that not out of impishness, but because I really think there is no great point of substance at issue here, and I would support your suggestion that we remit this to the Drafting Committee.

My reason for saying that there is no real point of substance here is that Article 46 is the introduction to the Chapter. You have got to start with an introduction, and I think myself that it is very important it should be the best wording possible, and that is why we can do that in a sub-Committee. The real points of substance which have been touched on here are relevant to other Articles in this Chapter, such as Article 52, and therefore I myself feel with you, Mr. Chairman, that we might very well proceed and remit this particular Article 46 to the Drafting Committee.

CHAIRMAN: I want to thank the Delegate of the United Kingdom for having said what was going through my mind. I think we in the Commission should confine ourselves to discussing various principles underlying these Articles or underlying the proposals that have been put forward by the various Delegations; and not concern ourselves so much with finding the exact words in which to express the ideas - that is essentially a function for the sub-Committee.

If there are no other speakers, I take it that the proposal to refer the proposal of the United States Delegation with regard to Article 46 to the sub-Committee is approved. Is that agreed?

(Agreed)

We now come to Article 47, "Objectives of inter-governmental commodity arrangements". The United Kingdom Delegate suggests that the title of this Article should be changed to the following: "Objectives of Inter-governmental Action in regard to Primary Commodities." Is that agreed?

The Delegate of the Netherlands.

Dr. E. de Vries (Netherlands): Mr. Chairman, I think it would be preferable to return this question to the Drafting sub-Committee, as according to the Document under discussion the United Kingdom Delegation would like to put forward some arguments in favour of the introduction of the word "arrangements". On the other hand, this term already appears in the last sentence of the American proposal. That is why I consider it is better not to accept the specific text, but just principles, and discuss the matter later on in the sub-Committee.

CHAIRMAN: Any other comments? The Delegate of the United Kingdom.

Mr. D. CAPLAN (United Kingdom): Mr. Chairman, I am very happy to see it go to the Drafting sub-Committee.

CHAIRMAN: Is that agreed? (Agreed).

We now come to the Preamble. We have two proposals, one submitted by the United States Delegation, and one by the United Kingdom Delegation. Perhaps we might have the comments of these two Delegations regarding their proposals.

The Delegate of the United States.

Mr. R.B. SCHWENGER (United States): Mr. Chairman, the change we propose in the Preamble is consequent upon, and associated with, the change in Article 47. We would like to

have it go to the Drafting sub-Committee with that Article. I believe it takes care of, or can be co-ordinated with, the change suggested by the United Kingdom Delegate. He whispers in my ear that he would be glad for his proposal also to go to the Drafting sub-Committee.

CHAIRMAN: It is proposed to refer the two proposals regarding the Preamble to the sub-Committee. Is that agreed? (Agreed).

Now, sub-paragraph (a). The New Zealand Delegation proposes the insertion of the words "and consumption" between the words "production" and "adjustments".

The Delegate of New Zealand.

Mr. G.D.L. WHITE (New Zealand): I would like to say just a word about this amendment, Mr. Chairman, before it gets sent along with the other proposals to our sub-Committee. We have put forward the amendment in order to preserve the sort of balance which we think has been achieved in the wording of Article 46. In Article 47 we speak about the disequilibrium between consumption and production, and we speak about the interests of consumers and producers, and it seems to us just a little inappropriate to follow this with Article 47A which refers merely to production and adjustment.

The main criticism to be levelled at our amendment is, I think, that it involves a bit of repetition because consumption adjustments are mentioned in Article 47 (b) and in several places later on in the Chapter. But we find that production and adjustments are mentioned in other places later on too, and it is only a matter of economy in the use of words and we think those two words should be added, because without their inclusion Article 47A, as it stands, seems to limit unduly the type of serious economic problems to which it is intended to refer.

CHAIRMAN: Are there any other observations?

Mr. R.B. SCHWENGER (United States): Mr. Chairman, I would just like to say that we think that the idea is sound, and would suggest it could be integrated better with the words "when the adjustments between production and consumption....."

M. STANISLAV MINOVSKY (Czechoslovakia) (Interpretation): Mr. Chairman, the Czechoslovakian delegation is of the opinion that the New Zealand proposal is justified, and my delegation associates itself with this proposal.

Mr. D. CAPLAN (United Kingdom): Mr. Chairman, may I form the motion, if I am in order, that we adopt the New Zealand proposal which I sincerely second. I think it is a very good idea. I do not think we need refer this to the Drafting Committee. I move its adoption.

CHAIRMAN: It is proposed by the United Kingdom delegate that the New Zealand amendment be adopted. Is that agreed?

Mr. L.D. MARTINS (Brazil) (Interpretation): Mr. Chairman, we are prepared to accept the New Zealand proposal with the amendment suggested by the delegate of the United States.

CHAIRMAN: Does the New Zealand delegate agree to accept the proposition of the United States?

Mr. G.D.L. WHITE (New Zealand): Well, Mr. Chairman, I am afraid that, if we continue to discuss this, it will have to go to the Sub-Committee.

Mr. D. CAPLAN (United Kingdom): Well, Mr. Chairman, I did move for the adoption of the New Zealand proposal, and I think that the words are not material.

CHAIRMAN: I would propose that we should now decide on the question of principle and leave it to the Drafting Committee to make any changes in the wording. Is it agreed that the New Zealand amendment can be accepted in principle? Agreed.

The Australian delegation has a proposal with regard to sub-paragraph (a). It also involves some drafting changes, but perhaps the Australian delegate could tell us the reason for their proposal.

Mr. W.T. DOIG (Australia): Mr. Chairman, we consider this as not only being drafting changes. The purpose of it is mainly to bring this sub-paragraph into line with Article 52, paragraph (a). We consider that the use of the words "as rapidly as the circumstances require" does not convey a very fine or exact meaning. It is unnecessary to introduce them at this early stage of the Chapter, and it is simply a statement of principle which is elaborated further in Article 52, paragraph (a). We therefore suggest, for the sake of economy of words and for clarity of meaning, that those words be deleted and that what appears to us to be an unnecessary repetition, be avoided. We would be quite happy to submit this to the Drafting Committee.

CHAIRMAN: In view of this explanation of the delegate of Australia, I think we could leave this also to the Sub-Committee, if the Commission agrees.

Dr. E. de VRIES (Netherlands): Mr. Chairman, I fully appreciate that the Australian delegate wants to change the text only and not the substance. There is a change of substance in the words he means to alter, but he did not mean that. A normal market alone may give production adjustments, but that may be an adjustment on the level

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that brings ruin to millions of farmers or to millions of consumers. He spoke about the persistence of this equilibrium. Well, that would be a persistent disequilibrium for many years, and then there might come out the production or consumption adjustment, but when the Australian delegate just says he only wants to change that in substance and not in words, I say it should be referred to the Drafting Committee.

CHAIRMAN: The Delegate of Cuba.

Mr. J. GUERRA (Cuba): Mr. Chairman, we associate ourselves with the remark of the Delegate of the Netherlands. The words "as rapidly as circumstances require" involve a change of substance and, I would say, a very great one, because, subject to the transitional adjustments that the agreement should provide for and which are contemplated in other parts of the Charter, the whole purpose of the agreement is to prevent or avoid the normal forces of the market in the sense that they can be made in a way that will ruin the producers or create very great difficulties for the consumers.

Therefore we think that in the way the Australian amendment is drafted there is not this possibility of the agreement trying to prevent the problems which may arise in regard to production adjustments. That is what we want to prevent. We all recognise, also, the need for providing the agreement itself with the possibility of having this adjustment made rapidly, in the long run, in order to avoid adverse effects on producers or consumers.

We are very strongly against the deletion of the words as proposed in the Australian amendment.

CHAIRMAN: The Delegate of Canada.

Mr. J. J. DEUTSCH (Canada): Mr. Chairman, I agree with the previous speakers, that the deletion of the last phrase "as rapidly as circumstances require" would involve a change of substance, and we do not support the deletion of the words.

CHAIRMAN: In view of these remarks, I think this question can now be referred to the Sub-committee. There has

been enough discussion to indicate the views of various Delegates and I think the Commission is agreed that the question be referred to the Sub-committee.

(Agreed).

We now come to sub-paragraph (c). We will leave for the moment the words in square brackets and first of all take up the suggested wording proposed by the United States Delegation. Will the United States Delegates please explain the purpose behind these changes?

Mr. R.B.SCHWENGER (United States): Mr. Chairman, the words in brackets in the New York Draft received a good deal of support from a number of Delegations and for that reason I think we rejected the thought that they were not required in this sub-paragraph. We have re-considered them and propose here an inclusion of them in the previous text in a way which we find more acceptable than exactly as they were presented, and we withdraw our objection to the substance of them.

CHAIRMAN: The Delegate of Cuba.

Mr. J. GUERRA (Cuba): Mr. Chairman, the sentence in the square brackets was inserted in the New York Draft on the proposal of the Cuban Delegation and, as the United States Delegate says, was greatly supported. I think that a large majority of the countries represented there were ready to accept the substance of the amendment. I only wish to add that we accept the proposed change made by the United States

Delegation and suggest that, if it is accepted by the Commission, the words in square brackets should be taken out.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. D. CAMPBELL (United Kingdom): Mr. Chairman, I feel also that the United Kingdom Delegation had some reserve about the words in brackets. On reflection, we have reconsidered our opinion, but we feel that if we leave those words in their present form, or adopt the United States proposal, the sentence is perhaps, if I might say so, a little clumsy, and the United Kingdom Delegation would like to propose the following amendment to take the place of Article 47(c), which reads as follows:-

"(c) to moderate pronounced fluctuations in the price of a primary commodity in order to achieve a reasonable degree of stability on the basis of prices fair to consumers and remunerative to efficient producers."

CHAIRMAN: The Delegate of Chile.

Mr. J. M. MUNOZ (Chile): Mr. Chairman, we would like to associate ourselves with the text which the United States Delegate has proposed, as it conveys exactly the thought we had in mind when we made an amendment to Article 47(c), which will be presented later on, and therefore we rather support this United States amendment.

CHAIRMAN: The delegate of Cuba.

MR. J. A. GUERRA (Cuba): Mr. Chairman, I think that, since the British delegation has, in fact, withdrawn its proposed deletion of the words in square brackets and only proposes a change in the wording; we have reached the point where the matter may be proper to be referred to the Drafting Committee.

CHAIRMAN: The delegate of the Netherlands.

DR. E. de VRIES (Netherlands): Mr. Chairman, I also will join the Cuban delegate who thinks that this could be referred to the Drafting Committee, but only wish to say that the Netherlands delegation prefers the United States text that has been proposed here, because we think that it clearly expresses what we want, and think that it is better than the New York draft.

CHAIRMAN: As the delegate of Cuba has pointed out, there is substantial agreement in the Commission as to what we wish to express in this paragraph. Therefore, I think/<sup>the time</sup> has now come when we can refer the question of the United States delegation to the sub-committee, who can also take into account the form of words that has been proposed by the United Kingdom delegation.

Agreed.

We now pass on to sub-paragraph (d). The United States delegation suggests the possibility of a separate Section dealing with conservation agreements.

MR. R.B. SCHWENGER (United States): Mr. Chairman, our comments on this sub-paragraph are closely linked with our comments on Article 59, and they are also closely linked with the whole problem of re-arrangement. Since we discussed it at our

previous meeting, I would suggest that the substance of our suggestion be deferred until that matter has come up.

CHAIRMAN: The question of re-arrangement of the Chapter was referred to the sub-committee at our last meeting. Therefore I should suggest that we should take into account the observations of the United States delegation with regard to this sub-paragraph (d). The question will also be taken up again when we come to Article 59.

We now pass on to sub-paragraph (e). We have two proposals with regard to this sub-paragraph, and I think it would be logical to take up first the proposal of the United States delegation that the objective given in this sub-paragraph does not appropriately belong to Article 47.

The delegate of the United States.

MR. R.B. SCHWENGER (United States): Mr. Chairman, Article 59 exempts from Chapter VII arrangements relating to the equitable distribution of commodities in short supply. Therefore, we feel that for agreements which do relate to commodities in short supply, it is not appropriate to include an objective in the Chapter. Here the question relates to what is done with Article 59, but it remains in its present form.

CHAIRMAN: Is the proposal of the United States delegation agreed?

The delegate for the United Kingdom.

MR. D. CAPLAN (United Kingdom): Mr. Chairman, I do not really want to anticipate my Czechoslovakian colleague, because he has put forward a specific amendment on this Article 47 (e), but I can hardly agree with the United States delegate, because I think

there are two conceptions here. One is a commodity which is in short supply - that is a matter of serious prejudice; and the other is a commodity which is not in very plentiful supply, the expansion of production of that commodity being a matter of considerable value to consuming countries and to the producing countries of the world generally, and it is the second point that I, myself, would like to see more especially emphasised here in Article 47(e). I cannot agree that we should have nothing on that subject of expansion of production of commodities which could, with advantage be expanded. However, I would rather like the Czechoslovakian delegate to speak to his own proposal.

CHAIRMAN: The delegate of Czechoslovakia:

MR. Z. AUGENTHALER (Czechoslovakia): Mr. Chairman, as I have already stated, we understand already in Article 46 the word "dis-equilibrium" not only to mean surplus, but also to mean shortage,

Now, as to Article 59, it says "to inter-governmental commodity arrangements which relate solely to the equitable distribution" with the word "solely". But here we are speaking about expansion in the production of a commodity and so on, and so that is why we thought it would <sup>be</sup> suitable to conclude here those words "and equitable distribution at fair prices".

CHAIRMAN: The Delegate of Brazil.

Mr. MARTINS (Interpretation): The Brazilian Delegation agrees with the proposal made by the United States representative and is of the opinion that it would be preferable to delete altogether paragraph (e) of Article 47, because this paragraph can be interpreted in very different ways. The simplicity of its wording may lead to the prejudicial interpretation with regard to the initiative that may be taken by countries that should develop their own resources. For these reasons we are of the opinion it would be preferable to reserve and postpone discussion of this point until we come to the discussion on Article 59.

CHAIRMAN: The Delegate of Cuba.

Mr. GUERRA (Cuba): Mr. Chairman, this question was very much discussed in London, and at that time we thought we had reached an agreement, and an understanding of what we were dealing with. The insertion of the word "solely" in Article 59, which very rightly the Czech Delegate called attention to, was inserted in Article 59 just for the purpose of making it clear that when we were dealing with an agreement directed<sup>on</sup>ly to the distribution of commodities in short supply in an emergency condition, as was the case during the war - and we still have some of these cases - those agreements will be excepted from the operation of Chapter VII.

With that purpose, the word "solely" was inserted in Article 59, and another thing was to try to remove in the long run the situation that called for that special agreement regarding shortage.

In that sense the Committee in London felt that to have as

the objective of the agreement provision for expansion of production - so that the remedy of long run effects could be found - was a very justifiable objective; because there are two different things: an agreement that only meets an emergency situation (and that should not come if it relates only to shortages in the distribution of the supply of the different countries); and another thing is, we should not provide <sup>in</sup> agreements of an emergency nature provision for expansion of production - so that we could find a permanent remedy that will make unnecessary the other type of agreement.

So we do not see any contradiction between both things. We think it should be clear. Under (a) of Article 47 we are not contemplating agreements that only take care of the distributing of commodities in short supply, but we are putting, as one of the objectives of all agreements, to increase production so that those other conditions will not arise; and I thought until now that insertion of the word "solely" in Article 59 took care of making very clear that we were dealing with two different things.

CHAIRMAN: The Delegate of Canada..

Mr. DEUTSCH (Canada): I wish to associate myself with the remarks made by the Cuban Delegate. I agree with him that the matters dealt with in Article 59, and in this Article under discussion were directed to two entirely different things; and if we drop Article (a) now we are changing the substance from what we agreed in London. That should not preclude us from making a change, but I think it is very desirable to retain the purpose of this subparagraph in this Chapter, and I would not support the American proposal for its deletion.

CHAIRMAN: The Delegate of the United Kingdom.

Mr. CAPLAN (United Kingdom): I find myself in full agreement with what the Delegate of Cuba has just said.

I think there is an important point to be covered here, that should definitely be covered in this statement of the objectives of the inter-Governmental commodity agreements.

I think, perhaps, that for the introduction of a conception of equitable distribution of fair prices, this may not be the best place - and with that in mind I would like to put before the Commission the following suggested wording for Article 47(e):-

"To provide for an expansion of the production of primary commodities of which the supply could be increased with advantage to consumers and producers."

CHAIRMAN: The Delegate of Czechoslovakia.

H.E. Z. AUGENTHALER (Czechoslovakia): Mr. Chairman, I have just a remark to make and that is what in the French text the words "fair prices" in our amendment are translated as "prix normaux". I think the right translation would be "juste prix".

CHAIRMAN: The Delegate of France.

M. PETER (France) (Interpretation): Mr. Chairman, like my Czech colleague, I should like to refer<sup>to</sup> Article 46, where it says that disequilibrium can be due to production as well as to consumption, and therefore there can be surplus as well as shortage. If we desire to intervene in the case of disequilibrium, I think that the intervention should take place both in the case of disequilibrium due to excess or to surplus and in cases where it is due to shortage. Otherwise, we could not be in a position to remedy all cases of disequilibrium, and Article 47 itself would suffer from such a disequilibrium, if it does not take into consideration cases where there is shortage. For these reasons, I associate myself not only with the amendment made by the Czechoslovak Delegate but also with the remark made regarding the translation into French of the word "fair".

CHAIRMAN: The Delegate of South Africa.

Mr. S.J. de SWARDT (South Africa): Mr. Chairman, I would like to support the proposal made recently by the United Kingdom Delegate, because I think it takes us out of the difficulty in which we were placed by the amendment of the United States, in that

it gives the impression that we do not wish to countenance the consideration of any scheme which envisages an increase in production. I do not think that that is the object of the majority of us here, and I could almost wish that the United States would withdraw that amendment, because, as was pointed out by the Delegate of France, it is also contrary to the object enunciated in Article 46. I would not like to see us do anything in Article 47 which gives the impression that we do not want to entertain at all any scheme whereunder one would, for some good reason, endeavour to obtain an increase in production.

Now, it may be quite true that with that type of arrangement, you may be faced with much greater difficulties than with the other type of arrangement; but that is something to be considered at the time, first with the study group and then when you hold your Conference. I do not think it is something to which we should devote too much attention now. We should only keep the door open for that type of arrangement.

CHAIRMAN: As I understand the position, the United States have not proposed an amendment involving the deletion of this sub-paragraph, they have simply expressed the opinion that this objective does not appropriately belong to Article 47. I am wondering if in view of the course the discussion has taken the United States Delegation, and also the Brazilian Delegation who supported the United States Delegation, could not now agree to permit this Czechoslovak amendment to go forward to the sub-Committee and to withdraw their objections to the inclusion of this sub-paragraph.

Mr. R.B. SCHWENGER (United States): Mr. Chairman, for our part we agree that it would be appropriate to have it go to the Drafting Committee. We would like to say, however, in case there were any doubts, <sup>that</sup> we really question the appropriateness of the objectives stated here, <sup>that</sup> / we certainly are emphatically for the type of expansion of consumption and production which I believe was well expressed by the United Kingdom suggestion, and we were very much impressed by the arguments of Mr. Caplan's remarks about the need for using agreements for the purpose of expansion whenever it is appropriate to do so. As to the question of what happens to agreements of the kind that were described we will all presume we have to wait for the outcome of the rearrangement work that we have already sent to the Drafting Committee, and on that point we would have to reserve our point of view.

Mr. L.D. MARTINS (Brazil) (Interpretation): We also wish to associate ourselves with the proposal made by the Chairman to withdraw what we said before regarding the necessity of deleting paragraph (e) of Article 47, but we would like to stress, that in our opinion the United Kingdom representative has, so to speak, put his finger on the most interesting point, namely that it is not only the interest of the consumers that should be taken into consideration, but that the consideration should also be given to the interest of producers when it is contemplated to increase the production of primary commodities in those countries that are in a position to produce them. We therefore agree with what has just been said by the United Kingdom delegate, and we also agree that the matter should be referred to the Sub-Committee.

CHAIRMAN: I think we are now in a position to refer the matter to the Sub-Committee along with the Czechoslovakian amendment and the suggestion of the change of wording proposed by the United Kingdom delegate. But before doing so we have to give consideration to another amendment which has been proposed by the delegation of India. This is given in paper W/178 and the Indian delegation have proposed that, at the end of the paragraph, the following words be added: "or where expansion is required to aid in the achievement of internationally approved consumption programmes". Will the delegate of India explain the purpose of his amendment?

Mr. B.N. ADARKAR (India): Mr. Chairman, it became necessary for us to suggest this amendment because sub-paragraph (e) of Article 47 as it stood in the original draft spoke only of expansion of production in the case of primary commodities in short supply. It seemed to us that, in the case of basic foodstuffs, it might be necessary to maintain the production or even expand production after surplus conditions have been reached. It is true that, in a strictly commercial sense, basic foodstuffs might attain a surplus position, but even then there will still remain large classes of the population which will need the foods although they will not be able to afford the commercial prices. The principle of accepting in the FAO Preparatory Commission was that, under such circumstances, it should be possible for producers of foodstuffs to maintain or expand production while they are able with the concurrence of the FAO, to reach agreement with importing countries whereby the original output could be sold to importing countries at special prices and the importing countries will agree to distribute the supplies they receive to classes which will not be able to pay the

prices. It seems to us necessary that arrangements of this sort should be recognised in this Charter and provided for. It is for that purpose that we suggested this amendment. I would also point out that one reason why it became necessary to suggest this amendment was the reference to shortage which occurs in the original draft. But happily the new amendment which the United Kingdom delegation has just now proposed speaks of the desirability of expanding production of primary commodities whenever such expansion is of advantage to producers and consumers. If I understood him correctly, that is probably the position. I would hesitate, without further consideration, to say that an amendment in that form would quickly cover the point we have raised, but we would like the Sub-Committee to go into this matter, keeping in view the objectives we have suggested, namely to make it possible for arrangements to be gone into with regard to basic foodstuffs and with regard to conditions of surplus, in order to facilitate the conclusion of special price arrangements.

There is one other point I would like to raise. It might be a point of clarification, but it is one on which we are in considerable doubt. It relates to agreements concerning commodities in short supply. The provision in Article 59, as well as the corresponding provision in the Czechoslovakian amendment, speaks only of arrangements for the equitable distribution of commodities in short supply. Now in the arrangement which is designed to ensure equitable distribution, we find it to be multilateral in character, but it is possible that, in certain circumstances, it might not be possible to reach multilateral arrangements.

In the case of certain essential commodities like wheat, if multilateral arrangements for the distribution of the world's wheat surpluses are not realised, then it might be necessary for countries which are vitally dependent on imports of wheat to try to reach agreements with producers of wheat, agreements which might be only bilateral in character, agreements to which only two or three countries might be parties. Such agreements will promote orderly marketing of wheat; they may give a certain assured market to producers of wheat, and will no doubt ensure regularity of supplies to the consumers of wheat.

We would like to know whether arrangements of this sort are at all permitted under this Charter, and, if they are permitted, whether such arrangements are covered by Article 47.

I would just add one word: that, although bilateral arrangements of this sort may be objected to as being slightly inconsistent with the general tenor of the Charter, they do pave the way for multilateral arrangements in due course, and we should do nothing to hamper the conclusion of such arrangements. Therefore we would suggest that any procedure which may be

prescribed for such arrangements should be less stringent than the procedure contemplated for regulating arrangements.

We would like the Sub-committee to enter into discussions and provide clarification. We do have very serious doubts as to whether the Charter understands the purpose of such arrangements.

CHAIRMAN: The Delegate of the Netherlands.

Dr. E. de VRIES (Netherlands): Mr. Chairman, if I may first say a word on sub-paragraph (c) as it has been proposed by our eminent friend, I should like to start by saying that the Netherlands Delegation in Washington and in the Preparatory Committee Meeting in London was of the same opinion as the Indian Delegation here, that such internationally approved consumption programmes may be very good things for regions which have too low purchasing power to buy in the commercial market. But I think that the words he is using are, in a sense, too narrow, because he asks only where expansion is required to aid the achievement of these programmes. But it may be that these programmes are good to prevent a restriction of production. Then they are just as good for human consumption as expansion.

On the other hand, it seems to me that nothing in Article 47 as it stood would prevent such schemes. For instance, they come under (b) because they provide a framework for the development of measures designed to promote the expansion of consumption. That is what it means. So, without any offence, I would ask for a framework of those measures to promote expansion of consumption and in all the

other provisos, from (a) to (e), I cannot see a word which would prevent them.

If we adopt the United Kingdom amendment, I think that would be a good thing - though I have not the actual words before me. Then at least the objections to the words "in short supply" are taken away.

I hope, after consideration, our eminent friends will feel with me that these words are not required in Article 47, but these programmes can be done if the nations want to do them under article 47 as it stands now.

DR. E. de VRIES (Netherlands): As to the second point, Mr. Chairman, I would like to give an explanation of what was asked by the Indian delegate, but it is up to you.

In the London draft of this Chapter, commodity arrangements were assigned to be concluded by two or more governments. The Lake Success Drafting Committee deleted these words "two or more". I believe that that was done in the Legal Drafting Committee, not in full Committee, because I was not aware of the deletion of these three words. The London Drafting Committee began by saying "two or more governments". That, even in bilateral arrangements, commodity arrangements, provided that it was open for everybody to join. If it is a bilateral contract that is not open to join, then it comes under state trading. If it is state trading, then it is exempted from this Chapter and has now been put in article 59, Section E of Chapter V. So, bilateral contract, which is state trading, comes under State Trading. So, whatever we do to promote that or not promote that, we have to deal with that under Chapter V.

Now, we have another bilateral arrangement, which might be possible, which is not state trading and which is not open to everybody. In my opinion then, it comes under Restrictive Business Practices, and we have to deal with that under Chapter VI and see whether it has harmful effects or not.

I hope that that gives the clarification that our Indian friend has been asking for.

CHAIRMAN: The delegate of France.

CHAIRMAN: The Delegate of France.

Mr. PETER (France) (Interpretation): The French Delegation, Mr. Chairman, considers the Indian Amendment with sympathy for the reason that the French Union is formed mostly of countries which are young and insufficiently developed, and which, like India, require to increase their food standard, and which also have not the financial means to buy all that is necessary for their consumption; and therefore we envisage with sympathy the spirit of the Indian Amendment, but I find some difficulties, especially in connection with the comments made by the Indian Delegation. In particular when they referred to additional output available at special prices. This is a desirable purpose, but we may wonder whether this is consistent with the provisions in Chapters V and VI of the Charter, which prohibit discriminations or agreements that are harmful to international trade.

I admit that these reservations are made in connection with the comment, and not with the actual text of the Amendment; and therefore my remark is less serious than it may appear.

In conclusion I associate myself with the Amendment, but I suggest that the Sub-Committee be asked to find a formula more in conformity with the provisions of Chapters V and VI of the Charter.

CHAIRMAN: The Delegate of China.

Mr. CHEN (China): Mr. Chairman, the Chinese Delegation is inclined to think that the proposal made by the Indian Delegate is already included in the proposal made by the Czech Delegation, as amended by the Delegation of the United Kingdom. It seems rather superfluous to have this Amendment, and it is also

difficult to interpret what is exactly the meaning of international approval there. Is that by the Organisation, or only by the actual agreement? If it is a bilateral agreement, it means preferences against the other countries, which is not quite in the spirit of the Charter.

So we are inclined to think that is quite sufficient - that the Indian proposal is already covered by the Czech Delegation's proposal as amended by the United Kingdom.

CHAIRMAN: The Delegate of India.

Mr. ADARKAR (India): Mr. Chairman, I am very grateful to the Delegate for the Netherlands for the exposition of issues that he has given.

It might be possible to make the idea we have in mind quite clear in the manner we have suggested; or, alternatively, to recognise in the Report on this Chapter that special price arrangements are permitted under either sub-paragraph (b) or (c), as now proposed to be reworded by the United Kingdom Delegation; but the reason why we suggested this Amendment was the fact - I speak subject to correction - that at certain earlier Conferences some of the Delegates present had doubts as to whether special price arrangements of this sort were at all consistent with the purposes of the Charter. Some of the Delegates felt it involved an element of discrimination between different buyers in the same commodity.

It is futile for us to just satisfy ourselves that such arrangements are covered by the wording of the Charter, and still entertain mental reservations that they may be inconsistent with other provisions of the Charter. Therefore, the Sub-Committee, I suggest, should go into this question, and should come to a definite decision as to whether such arrangements are permitted under

the Charter or not. If the Preparatory Committee on which the same countries were represented approved, in the light of that it seems reasonable that the present Preparatory Committee should also provide for the same principle underlying the Charter.

Since you have been kind enough to give me this opportunity to speak, I would add a few more words on the second point I had raised, and on which the Delegate of the Netherlands offered some comments. That is, concerning bilateral arrangements.

If bilateral arrangements are permitted under this Charter, the only thing we would like to ensure is that the procedure applicable to such arrangements should not be as stringent as contemplated here.

That is to say, it should be possible for the countries interested to enter into such arrangements without the necessity of a previous investigation or without having to discuss the matter in a Conference, because only two or three countries are interested. It is a Conference which interests the countries to which it seems most necessary.

The other question was about arrangements entered into between the two State-trading enterprises. If arrangements of that sort for the exchange of a commodity are not under this Charter, but come under the State-trading provisions of this Charter, that should be made clear, otherwise somebody is bound to say that because it is a case of inter-Governmental commodity arrangements it is under the provisions of Chapter VII and not Chapter V.

That is all I wanted to say.

CHAIRMAN: Is the Commission agreed that the point raised by the Indian Delegate in his amendment be referred to the sub-Committee to study if it is adequately covered by the wording suggested by the Czechoslovak Delegation or by the wording suggested by the United Kingdom Delegation, and if not, to see if it could not be covered by some other form of wording? (Agreed).

Then we will refer to the sub-Committee the various proposals in relation to sub-paragraph (e). We will now take up the suggested Article 47A proposed by the Delegation of the United Kingdom. Since this additional Article relates to the suggested re-arrangement of the Chapter <sup>we</sup> which/discussed at our last Meeting and which it was decided to refer to the sub-Committee, I would propose that this suggested additional Article also be referred to the sub-Committee without further discussion. The Delegate of the United Kingdom.

Mr. D. CAPLAN (United Kingdom): Mr. Chairman, I would only like to say two things. First, in putting forward this suggestion, the United Kingdom have in mind a drafting improvement of the Chapter and no alteration of the substance of the Chapter. Secondly, I would like to say that I entirely agree with your procedure, subject to our right to re-open this when we see how the re-arrangement of the Chapter goes on in the Drafting sub-Committee.

CHAIRMAN: The Delegate of Australia.

Mr. W.T. DOIG (Australia): Mr. Chairman, we regret that we consider that in one respect this proposed amendment by the United Kingdom Delegation does imply a change in principle, which we regard with some concern. I would like to have recorded the fact that though we are in agreement with the idea of

re-arranging the whole Chapter, we do not like the emphasis which is placed in paragraph 2 of the proposed amendment on the Study Group. It seems to us that it suggests that study of the commodity must be made before a commodity conference is called, and we simply wish to have noted our reservation on that, as we consider that the matter is covered adequately in the present draft Article 49.

CHAIRMAN: Any other comments? If not, I propose that the suggested Article 47A be referred to the sub-Committee along with the other proposals for re-arrangement of the Chapter. Is that agreed? (Agreed).

There are certain circumstances which I think lead Members of the Commission to wish that we should break up sharply at 6 o'clock today, so I do not propose to take up any further Articles of the Chapter; but before breaking up, I think it would be desirable that we should nominate our sub-Committee. We have already gone through the Articles and we have referred a sufficient number of questions to the sub-Committee as to make it desirable that they should get to work as soon as possible. I therefore propose to name as Members of the sub-Committee the representatives of the following Delegations: Australia, Canada, Czechoslovakia, France, United Kingdom and the United States. The sub-Committee will elect its own Chairman, and any other Delegations who are not represented on the sub-Committee, but who may wish to present views to the sub-Committee, could get in touch with the Chairman of the sub-Committee, who will give them the opportunity of expressing their views.

Mr. J.A. MUNOZ (Chile): Mr. Chairman, would it be possible for the members of the delegations which are not members of the Sub-Committee but who wish to attend, to be circulated with the procedures of the procès verbal because, in the Sub-Committee on Chapter VI, we were not given any minutes or amendments proposed, and it was very, very difficult for us to follow the discussions.

CHAIRMAN: The Secretary informs me that, while the actual minutes are taken of the meetings of the Sub-Committee, he will see to it that the other delegations are informed and provided with all relevant documents.

H.E. Z. AUGENTHALER (Czechoslovakia): Mr. Chairman, I do not know if it is usual to have exactly six members in the Sub-Committee. If it is not a general rule, I would suggest that Cuba be included in the number of members of the Sub-Committee as they were very actively participating in the commodity agreements raised before.

Mr. J.A. MUNOZ (Chile): Mr. Chairman, I would like to support the suggestion of the delegate for Czechoslovakia.

CHAIRMAN: I might say that it was my intention to nominate the representative of Cuba for the Sub-Committee, but I understood from Mr. Guerra that he was leaving Geneva later on this week, and he could not be available for the discussions of the Sub-Committee. But if there is somebody who could substitute for him I am sure I would be very glad to add Cuba to the Sub-Committee. Is that agreeable to the delegation of Cuba?

Well, I take it that the delegation of Cuba is added to the Sub-Committee, which is now composed of seven members. The Sub-Committee will meet tomorrow at 10.30 a.m. Any objections? The place of the meeting will be notified in time.

The meeting stands adjourned.

The meeting rose at 6.10 p.m.

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