

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## COMMODITY POLICY

Statement by the Ceylon Representative

Sir Claude Corea

on 3 December 1954

I think it is opportune and even necessary at a time when we are examining the scope of the application of our Agreement, to examine as well the importance we intend to give in this instrument to the question of commodity problems. Ceylon has a particular interest in this question and it is for this reason I would like to put to the Working Party the point of view of my Delegation. I am happy to note that the importance of this problem has been recognized by the United States Delegate who stated that the problem could not be ignored and that it required a sympathetic examination. I believe we shall all agree on that point. We hope that something will be done to meet this problem, even though it may involve difficulties. It is true that we may require a longer time to deal with this question, but it is better to take a month or two longer in our work here to deal with this question well, rather than hurry through our work and avoid facing our responsibilities.

Commodity problems are a vital and important problem for many countries represented around this table, as the economies of these countries depend entirely on the production and sale of primary commodities. We have had experience of the adverse effects which fluctuations in price of primary products on the world market can have on the economies of those countries entirely dependent on these raw materials. We must therefore try to avoid by all possible means those wide and pronounced fluctuations in price which affect seriously the economies of these countries, the living standards and welfare of their peoples. This is a human problem - and it is hardly necessary for me to deal in any detail with this aspect of the matter.

I should like to underline the importance of this commodity problem not only in respect of the stability of prices, but also in such aspects as the problems of surpluses and shortages and the equitable distribution of commodities.

Recent experience has shown us at what cost we neglect this commodity problem. We have had the experience of this inequitable distribution of food which was in surplus in one part of the world while there was shortage, famine and starvation in the other parts.

I should like to remind the Working Party that the commodity problem was very completely and thoroughly discussed at Havana. Perhaps no question was more thoroughly discussed at Havana than that which is dealt with in Chapter VI. I personally consider it one of the greatest tragedies of modern times that certain countries did not find it possible to ratify the Havana Charter. The Charter contained the basic principles for dealing with primary commodities and also the means for dealing with these problems. Therefore, I think that we cannot do better than to begin our discussion on commodity policy by taking Chapter VI of the Havana Charter as our guide and to incorporate the basic principles of this Chapter into the New Agreement we are now drawing up. In this respect, our position is different from that of the United Kingdom. For our part, we want to see suitable provisions dealing with commodity policy written into the text of the New Agreement.

It is true, as the United States delegate stated, that the present Agreement includes a number of provisions dealing with commodity questions. It is also true that we deal with this question when we deal with matters such as balance of payments, subsidies and similar questions. But the fact is that we have dealt with the commodity problem in a disjointed, inadequate and ineffectual way. It is for this reason we would like to amend our Agreement so that we could have a coordinated set of principles and provisions to deal with commodity problems. We are not asking for something that is entirely new to our Agreement. What we are asking for is that we should endeavour to clarify and coordinate what is already recognized in the Agreement.

We simply want to apply in practice the authority which is already recognized and granted to us in our Agreement. All that we want to do is to coordinate the provisions dealing with commodity policy. Do we, by doing so, infringe the present Agreement? - Do we, by doing so, add something new to the Agreement which may frighten some Parliaments if we were to coordinate and clarify the provisions relating to commodity policy? - I mentioned this, because I honestly doubt that any legislative body could be frightened of the coordination and clarification of this provision when they know that under the present Agreement we have the authority and that it includes similar provisions for dealing with commodity problems.

A question which is causing concern in the mind of many at this Working Party is that of jurisdiction and authority. We have only to look at the Preamble to our Agreement and we will find there we have the jurisdiction to do what we are asking should be done in the field of commodity policy. In short, we have the authority and we also recognize the importance to the world of the commodity problem. It is therefore incumbent on us to recognize that we should make adequate provisions to deal with this matter in our New

Agreement. Hitherto, we have paid too much importance to questions of tariffs and quantitative restrictions in our Agreement almost to the exclusion of other important problems. Our Agreement was formed by taking over certain provisions of the Havana Charter and we find that the provisions which were taken over are those which the great trading nations considered necessary and adequate to deal with the problems which were of the greatest concern to them. They conveniently forgot to take over the provisions dealing with commodities, because they did not consider it necessary. This I think, has been a most unfortunate omission in our whole Agreement.

I think I have shown that legally, we have the right and the authority to deal with this commodity problem. Further we all agree and recognize the necessity to do something in this field. We must therefore do what is expected of us, because a great responsibility has been put on us which we cannot avoid or neglect. We must study and discuss this question and devise a suitable solution for it. If therefore we think it necessary to do something, let us do it well and let us insert into the provisions of our New Agreement, articles to deal with this matter. I myself propose that this article should be an integral part of our Agreement. The United Kingdom delegate has proposed that we deal with commodity problems by means of an enabling clause and a supplementary agreement. Whatever method is used, we would want to see that the question of commodity policy is suitably and adequately dealt with by our Organization and our Agreement.

It has been stated that there are already a large number of organizations and institutions dealing with commodity problems and as a result, it was not necessary to add a new one. I personally think that commodity policy and commodity problems belong to this Organization and should find a place in our Revised Agreement. We are going to create a new Organization and a permanent one. Our New Agreement will deal with commercial questions and international trade problems. The problem of raw materials and commodities is, I submit, germane to our discussions relevant to our Agreement and implicit in the objectives set out in our Preamble of raising of living standards, maintaining full-employment and a large and steadily growing volume of effective demand. These are the basic objectives of our Agreement. Therefore, I repeat that our Organization is the place where commodity policy and commodity problems should be dealt with. The question of overlapping and duplication of our work with that of other institutions has been raised. This is a question that we must look into and try by all means to avoid duplication. The various specialized agencies of the United Nations have their own functions to perform and as soon as they realize that such a problem as commodity policy which should be dealt with by our Organization is in fact being dealt with by us, they will leave us free hand. The Brazilian delegate said that the Economic and Social Council had set up a Permanent Commission to deal with commodity questions. I am sure that the Economic and Social Council will not insist in continuing to deal with commodity policy if we declare that we are assuming this responsibility which, as I already stated, is ours. We ourselves, are not members of the Economic and Social Council

and have not attended the debates on the setting up of this Commission, but I am sure that the reason for such decision lay in the fact the Council found us remiss in our duty and negligent of our responsibility. Someone had to deal with this question of commodity policy, if we failed in our duty. The Economic and Social Council have taken it up. When we tell the Economic and Social Council that our new Organization has decided to undertake responsibilities in the commodity field, I am convinced the Council will not hesitate to allow us to deal with this matter. We must act now and let the Economic and Social Council decide later.

Some speakers have referred to the fact that there is already in existence a number of commodity agreements. They cited such agreements as the Tin Agreement, the Tea Agreement, and the Sugar Agreement. These speakers wondered what would happen to these Agreements if GATT would take over the responsibility in the whole field of commodity policy. This question was very thoroughly discussed at Havana and I do not think it necessary to worry about this any further. Therefore, I suggest that we should not see in the existence of these commodity agreements any obstacle to dealing with the basic problems of commodity policy in our Agreement.

It has also been stated that we have an Organization to deal with commodity arrangements in ICCICA. We know that ICCICA was set up as a purely interim body which was to continue only till the Havana Charter entered into force. If we were to decide to take over the work in the commodity field, naturally we should also take over the work of ICCICA. The existence of these Organizations, I repeat, should not be an obstacle to our dealing with the commodity questions here where it rightly belongs.

I shall not speak about questions of procedure or method, for it is not important to us whether provisions are in the Agreement or whether we draw them separately by means of an enabling clause or by any other means. For my part, I favour the proposal of writing into the Agreement, articles and provisions dealing with a matter of such great importance, as that of commodity policy. Whatever methods we use, I must repeat, that this question must be dealt with adequately and suitably here and now, before we end our work on the Review of the Agreement.

Further statement by the Ceylon Representative  
on 7 December 1954

I am very happy, indeed we are all very glad that the delegate of the United Kingdom has clarified the situation so that now, we can understand his proposal more clearly. I must say there is a certain confusion, in fact, there is still a certain confusion in my mind. With your permission, I would like to ask for a few more clarifications and to explain the position as I understand it.

In a few words, I may say that we are all aware of the importance of commodity problems. Of course, we are also interested in quantitative restrictions and duties, but we are all mainly interested in commodities because they are of vital importance, not only for the producing countries, but for the whole world. They influence trade as a whole, reconstruction, development, ways of achieving a higher standard of living, full employment and many other activities. They are of the greatest interest for all countries. Commodities are at the basis of the vicious circle upon which the equilibrium of prices depends. If there are surpluses or shortages, this will be reflected in the balance of payments and at such a time restrictions may be introduced. Therefore commodities do not concern groups of countries but they are most important for all countries.

What we must try to do here is to see how we can prevent these harmful effects on trade in general, how we can settle questions as they may arise, which proposals should be made. I would like to recall here that in the course of our Ninth Session we are not only concerned with renewing an agreement, but we are going much further: we are preparing an organization, we are creating something new. And I think this is one of the aims of Working Party IV. If we have such an organization, it should have full authority to deal with commodity problems.

How can this be achieved? - We can include a provision in the Agreement for this purpose or, as was suggested by the delegate of the United Kingdom, we can provide an enabling clause together with an additional agreement. But here lies the difficulty: An enabling clause is a clause contained in the Agreement which authorizes the Organization to do something. Now would the enabling clause mentioned have the same effect? - Would it be a provision stating that the Organization is fully competent to deal with commodity problems? - If so, it should say so clearly, giving all necessary details, stating the general principles and lay out. If we have an enabling clause, we can also have an additional agreement since these two things should be considered together. If we have an additional agreement only, would it form a part of the General Agreement? - Would it be a so-called supplement to the General Agreement or would it be an entirely separate agreement under the auspices of the CONTRACTING PARTIES? - The delegate of the United Kingdom said that the additional agreement would be signed by a certain number of contracting parties before coming into force, so I understand that he has in mind a separate agreement. I think this point should be made quite clear, because it is essential.

I do not wish to add to the difficulties already encountered and I am fully aware of the difficulties of many delegations. As far as my delegation is concerned, we will go as far as possible to grant the authority to deal with commodity problems.

I quite agree with the delegate of Canada who suggested an ad hoc approach for all commodities to be examined. You will remember Chapter VI of the Havana Charter which said the same thing. In this connection I would like to quote Article 58, Paragraph 1 of the Havana Charter which gives the main principles:

"Any Member which considers itself substantially interested in the production or consumption of, or trade in, a particular primary commodity, and which considers that international trade in that commodity is, or is likely to be, affected by special difficulties, shall be entitled to ask that a study of the commodity be made."

The basic idea is to give the right to request a study, after which a Conference can be convened, followed by the usual procedure. Therefore, we are in favour of the ad hoc approach and we think that every member should have the right to request the Organization to take necessary steps.

I think that we all agree on the importance of commodity problems and that GATT is the appropriate organization to deal with them. However, I have some doubts as to the situation which would arise if the "additional" agreement were in fact an entirely separate agreement. If it is a separate agreement but if at the same time the Organization is fully competent to deal with commodity problems, our aim will be achieved. There can be a separate agreement if the Organization by means of an enabling clause may apply the Agreement. My delegation is of the opinion that in the latter case, a separate agreement would be acceptable, that is to say together with an enabling clause.

However, should commodity problems not be mentioned, it would be preferable not to have any reference at all, rather than something inefficient. We suggest a very detailed wording of an enabling clause authorizing the organization to deal with commodity problems. The Working Party could be entrusted with this matter.

Here I would like to support the proposal made by the delegate of the United Kingdom for setting up this working party - a proposal which he already made in the first days of our Session. This Working Party could prepare a detailed text.