

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

CWP/9

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Working Party on Commodity Problems

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DRAFT AGREEMENT ON COMMODITY ARRANGEMENTS

PREAMBLE AND ARTICLE I

Prepared by the Drafting Group

PREAMBLE

The Governments which are Signatories of this Agreement, recognizing:

- (a) that producers and consumers of primary commodities have a common interest in the availability of adequate supplies of these commodities at prices which are reasonably stable and are fair to producers and consumers alike;
- (b) that there are many countries whose economic welfare depends upon the export of a limited number of primary commodities, and that the import of primary commodities plays an important part in the welfare of the populations and in the continued operation of the industries of many countries;
- (c) that in the conditions in which primary commodities are produced, consumed and exchanged, the common interest of producers and consumers may be adversely affected by such special difficulties as a tendency towards disequilibrium between production and consumption, pronounced short-term fluctuations in price and the emergence of burdensome surpluses or of acute shortages;
- (d) that such difficulties jeopardize the efforts of both producing and consuming countries to raise standards of living, to ensure full employment, and to develop a large and steadily growing volume of real income;
- (e) that the interests of both producing and consuming countries lie in preventing these difficulties and in developing the best use of the resources of the world by reducing short-term discrepancies between production and consumption and by alleviating the economic hardships created by persistent disequilibrium between production and consumption; and
- (f) that it is desirable that they should co-operate with one another, with the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade and with other intergovernmental bodies for the purpose of taking such action as may be practicable in this field;

AGREE as follows:

ARTICLE I
Objectives

1. The objectives of this Agreement are, by joint action of the Signatories in accordance with its provisions, to contribute as far as possible towards increased standards of living, towards ensuring full employment and a large and steadily growing volume of income and effective demand, towards developing the full use of the resources of the world, towards the expansion of production and exchange of goods and towards the progressive development of the economies of all the Signatories.

2. It is the purpose of this Agreement to facilitate the preparation and conclusion of intergovernmental commodity arrangements which take fully into account the interests of both producers and consumers and which are consistent with the general objectives of paragraph 1 and in particular with the following objectives:

(a) where the conditions under which a primary commodity is produced, consumed or distributed or any other factors create a tendency towards widespread disequilibrium between production and consumption which ordinary market forces may not correct in sufficient time to avoid the creation of economic and social hardships:

(i) to achieve a reasonable degree of stability on the basis of prices that are fair to consumers and that provide a reasonable return to producers, by preventing or moderating any pronounced fluctuation in prices, bearing in mind the desirability of securing long-term equilibrium between the forces of supply and demand and the efficient utilization of the productive resources of the world as a whole;

(ii) to prevent where possible the development of a burdensome accumulation of stocks, and to minimize its adverse effects if it should develop; and

(iii) to prevent where possible a shortage in world supplies and if such a shortage develops to ensure the equitable distribution of the commodity;

(b) to facilitate the more orderly marketing of primary commodities;

(c) where production of any commodity seems likely to be in excess of long-term demand, to alleviate economic and social hardship in producing countries during the period necessary for the orderly transfer of resources into new and productive occupations;

(d) to expand consumption and production where this can be accomplished with advantage to consumers and producers, bearing in mind the desirability of maintaining and developing the natural resources of the world, while protecting them from unnecessary exhaustion; and

- (e) to afford so far as practicable increasing opportunities for satisfying national consumption and world market requirements from the most effective and economic sources bearing in mind the social and economic standards of all countries concerned.