

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Ninth Session

INTERIM REPORT OF THE WORKING PARTY ON COMMODITY PROBLEMS

1. On 22 December 1954, the CONTRACTING PARTIES established the Working Party on Commodity Problems to consider specific proposals for principles and objectives to govern international action designed to overcome problems arising in the field of international trade in primary commodities and to consider the form of an international agreement in this field, the relationship between such an agreement and the General Agreement, and the relationship between the parties to such an agreement and other competent international organizations (document L/301).

2. The Working Party was instructed by the CONTRACTING PARTIES to submit a report at the end of the present Session in the event that it was not possible at that date to submit final recommendations. The Working Party has reached the conclusion that its recommendations will be of much greater value if those recommendations are put in final form after interested governments have had an adequate opportunity to consider its tentative suggestions and to indicate their reactions. Since there would be no time for this sort of careful consideration by governments before the end of the Review Session, the Working Party is submitting this interim report to the CONTRACTING PARTIES, containing a text of a draft Agreement to govern international action in the field of commodity problems. As suggested in further detail below, the Working Party contemplates that this draft Agreement should be subjected to careful examination by governments. Any comments, amendments, or, if the case arises, any new proposals, would then be considered by the Working Party at a later session this year, and incorporated in a new draft Agreement that could then be transmitted by the CONTRACTING PARTIES to interested governments as the basis for the negotiation of a final Agreement.

The procedures followed

3. The Working Party conducted its work initially on the basis of a draft Agreement submitted by the delegation of the United Kingdom. It quickly became apparent that because this draft was not available to members until the opening meeting of the Working Party, no representative would be in a position to speak formally for his government. It was therefore decided that the Working Party could only work during the present Session as experts, thus avoiding the necessity of recording a multitude of reservations. The text of a draft Agreement (Annex A appended to this report) is submitted by the Working Party in this light, and with the understanding not only that each member has fully

reserved the position of his Government on the entire text, but also that in most cases no effort has been made to record individual differences of view on specific points. Early in its session, the Working Party appointed a Drafting Group under the chairmanship of Mr. Wilson (Canada) and including the representatives of Australia, Ceylon, the Dominican Republic, France and the United Kingdom. The Chairman wishes to record his appreciation of the efficiency and speed with which the Drafting Group did its work and the contribution that this made to the completion of the text of the draft Agreement.

Special problems

4. While the draft text will itself provide an adequate guide to most of the organizational and policy questions with which the Working Party had to deal, there were a number of special problems for which some further explanation is needed.

(a) Relations with the General Agreement

(i) The Working Party was faced with the important issue of the relationship between the Agreement on Commodity Arrangements and the General Agreement on Tariffs and Trade. There was on this subject a wide range of views. On the one hand, there was a proposal to incorporate into the General Agreement itself the principles governing international action in the field of primary commodities in order to make it clear that the CONTRACTING PARTIES have the prime responsibility in this field and that there would be no conflict between the obligations of contracting parties participating in commodity arrangements and the provisions of those arrangements. At the other extreme was a suggestion that the link between the Agreement on Commodity Arrangements and the General Agreement should be established merely by a suitable amendment to Article XX:I(h) of the General Agreement. These proposals were not considered by the Working Party, as it felt that an attempt to reach a decision on this matter at the present meeting was premature and would cause difficulties for certain contracting parties. For the same reason, it was decided to set aside for future consideration the provisions of the draft text of the Agreement which dealt with the legal relationship between the Agreement and the CONTRACTING PARTIES. These provisions have been included in square brackets in the text. There is attached to this report, however, in Annex C, the text of certain amendments that were proposed to these bracketed provisions and which were not discussed by the Working Party. It was agreed, therefore, that discussion of all aspects of the legal relationship should be deferred to the next session of the Working Party.

- (ii) The draft Agreement on Commodity Arrangements contemplates the negotiation among governments of arrangements which could, unless special provision is made, conflict with commitments of contracting parties under the General Agreement and which might not be covered by the present exception in Article XX:I(h). This question is being considered by a sub-group of Working Party IV of the Review Session, which is taking into consideration the discussions that have taken place in this Working Party.
- (iii) A distinct category of questions arose in connection with the administrative and financial relationships between the two Agreements. Here again, it was decided that firm recommendations, including any recommendations for combining and co-ordinating the budgets and secretariat services of the two organizations, could better be made at a later date. Discussion of the text of paragraphs 1 and 2 of Article XV, designed to deal respectively with contributions towards the administration of the Agreement and the appointment of an Executive Secretary, was therefore deferred until the next session of the Working Party.

(b) Relations with other organizations

- (i) Under its terms of reference, the Working Party was asked to give consideration to the relationship between an Agreement on Commodity Arrangements and other intergovernmental organizations which have responsibilities in the field of primary commodities. It did not attempt to consider the details of such a relationship, but did attempt to take it into account in connection with the consideration of specific Articles of the draft Agreement. It was not necessary to include in the Agreement itself all the details of such relationships, since many of them could undoubtedly be worked out in supplementary agreements with the organizations concerned. It was necessary, however, to make certain assumptions concerning the intent of the CONTRACTING PARTIES in establishing the Working Party to devise an agreement in this field.
- (ii) The majority of the Working Party have taken it to be the wish of the CONTRACTING PARTIES that the proposed Agreement should not merely be additional to any measures already taken or likely to be taken by other international organizations in the field of commodity policy. On the contrary, the Working Party has conceived it to be the wish of the CONTRACTING PARTIES that in the future the new Agreement should become the main centralizing and co-ordinated organization for all commodity arrangements. If this view is correct, it is clear that the new organization must be empowered to take the initiative in summoning commodity study groups and negotiating conferences. Without prejudice to the functions of such bodies

as the Economic and Social Council Commission on International Commodity Trade or the Food and Agriculture Organization of the United Nations, it is clear that at present the Interim Co-ordinating Committee for International Commodity Arrangements established by the Economic and Social Council resolution of 28 March 1947 does possess wide powers in the commodity field, and has in fact exercised them. The Working Party has accordingly assumed in preparing its text that if the new Agreement secured the adhesion of a substantial number of countries, the necessary arrangements would be made, by whatever means, for the transfer to the new Agreement of the powers at present exercised by ICCICA.

- (iii) It might well be that the acceptance of the new Agreement by a large number of governments might also lead to a review by other international organizations of the way in which they will exercise any powers they may possess in the field of commodity policy. The Working Party has, however, kept its assumptions in this direction to the absolute minimum necessary to produce a text which would conform with the general principle mentioned above. These minimum assumptions are that other international organizations which may be empowered to summon study groups or negotiating conferences will agree that such groups or conferences will conform to the rules of the Agreement in addition to any rules that may be laid down for them by their parent organizations.
- (iv) It is on the basis of the assumptions above that a text has been prepared which contains no references to the existence of ICCICA but which provides for the recognition of study groups and negotiating conferences convened by other competent international organizations so long as they observe the rules of the Agreement. Provisions to this effect are contained in Article II, paragraph 5, and related provisions recognizing the competence of other international organizations or of existing study groups and commodity arrangements will be found in Articles III, IX and XI.

(c) Territorial application

The Working Party found particular difficulty in dealing with the provisions governing the territorial application of the Agreement (Article XX). It finally decided to retain the text of paragraphs 1 and 2 of that Article, subject to the general reservation mentioned earlier in this report. The representative of Chile, however, requested that his reservation on the present wording of these two paragraphs be recorded. The draft text originally submitted by the representative of the United Kingdom as a basis for discussion contained a third paragraph dealing with the representation of

metropolitan territories and their dependencies in study groups, negotiating conferences and commodity councils. As the Working Party was unable to reach an agreed view upon this question, no text for paragraph (3) of Article XX has been included in the draft Agreement.

5. In addition to these specific problems, one member of the Working Party raised a question as to the appropriateness of an attempt by the Working Party to draft a detailed Agreement at such short notice. Because of his belief that the Working Party should have limited its efforts to recommendations of a general and preliminary character, the Turkish representative asked that this report record his special reservation with respect to the procedures followed by the Working Party. The text of a statement submitted by that representative is attached to this report as Annex B.

6. Three delegations¹ expressed the wish to include a new paragraph to Article XI providing for the possibility of excluding from the Agreement regional intergovernmental arrangements having only a limited effect on world trade and concluded between several exporting countries, on the one hand, and importing countries on the other hand.

7. There was general agreement that the Assembly should have the power to conduct its own studies of commodity problems, but most members of the Working Party believed that the draft text would permit this without further specific reference.

Conclusion

8. Paragraph 2 of the terms of reference of the Working Party on Commodity Problems (L/301) requires that it "submit a report to the CONTRACTING PARTIES at the end of the present Session in the event that it is not possible at that date to submit final recommendations". Subject to any contrary view of the CONTRACTING PARTIES, the Working Party understands this to mean that it is expected to carry its work to a more final conclusion following this interim report. The Working Party therefore proposes the following procedure which it will carry out unless otherwise instructed:

- (a) It will request that the Executive Secretary transmit copies of this report, including the draft Agreement, to contracting parties, to appropriate intergovernmental organizations and to governments which are not contracting parties but which are entitled to send observers to meetings of the CONTRACTING PARTIES under rule 8 of the rules of procedure;

¹ Brazil, Chile and Turkey.

- (b) The Executive Secretary will be asked to invite any interested contracting party not a member of the Working Party to participate in the next meeting of the Working Party, and similarly to invite the governments and intergovernmental organizations mentioned above to send observers to that meeting. Contracting parties and observers who do not expect to attend will be invited to submit written comments and amendments to the draft Agreement not later than 1 May 1955.
- (c) The Working Party will reconvene at a time to be determined by the Executive Secretary. The objective in selecting this date would be to allow the maximum time for consideration by governments of the draft text but still permit the Working Party to complete its work before the Tenth Session of the CONTRACTING PARTIES.

APPENDIX A

DRAFT AGREEMENT ON COMMODITY ARRANGEMENTS
PREPARED BY THE DRAFTING COMMITTEE

PREAMBLE

The Governments of, recognizing

- (a) that producers and consumers of primary commodities¹ 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 or the continued operation of the industries of many other 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 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; and
- (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;

AGREE

That they will co-operate with one another and with the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade¹ for the purpose of taking such action as may be practicable in this field and

DECIDE

in consequence to conclude an Agreement on Commodity Arrangements, hereinafter called the "Agreement".

¹ See "Definitions" Article XXI

ARTICLE I

Objectives

The objectives of the Agreement are, by joint action of the Signatories¹:

1. Where the conditions under which a primary commodity is produced, consumed or distributed or any other factors create a tendency towards a world disequilibrium between production and consumption and where ordinary market forces may not be sufficient to remove the special difficulties thereby created

- (a) 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, and to prevent or moderate 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;
- (b) to prevent where possible the development of a shortage in world supplies or the burdensome accumulation of stocks, and to minimize their adverse effects if they develop;
- (c) to accomplish the equitable distribution of a commodity in short supply;
- (d) where production of any commodity appears to be, or to be likely to be in excess of long-term demand, to alleviate economic hardship in producing countries during the period necessary for the orderly transfer of resources into new and productive occupations;
- (e) 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;
- (f) to afford so far as practical increasing opportunities for satisfying national consumption and world market requirements from sources from which such requirements can be satisfied in the most effective and economic manner, bearing in mind the social and economic standards of all countries concerned.

2. To facilitate the formulation and conclusion of intergovernmental arrangements¹ which are consistent with these objectives [and with the objectives of the General Agreement on Tariffs and Trade] in a manner that will take fully into account the interests of both producers and consumers.

¹ See "Definitions" Article XXI

ARTICLE II

Examination of Difficulties in International Trade in Primary Commodities

1. Any Signatory or any non-Signatory Government or any intergovernmental organization may submit to the Standing Committee¹ of the Signatories a statement of special difficulties which exist or are likely to arise in international trade in any primary commodity or commodities. Subject to the provisions of paragraph 2, the Standing Committee, unless it decides by a two-thirds majority² that the case put forward in support of the submission does not warrant further action, shall forthwith make arrangements for its immediate examination. This examination shall be carried out by a study group convened by the Standing Committee except in the circumstances provided for in paragraphs 5 and 6 below.
2. Where a submission of the kind envisaged in paragraph 1 of this Article is made by a body or Agency of the United Nations having world-wide competence, the Standing Committee shall arrange forthwith for its immediate examination.
3. A study group shall promptly investigate the production, consumption and trade situation and prospects in regard to the commodity or commodities, taking into consideration any work on the same subject by other intergovernmental organizations and shall report to the Assembly³ and to non-Signatory governments members of the study group its findings and any recommendations it may have as to how best to deal with any special difficulties which may exist or may be expected to arise. A study group, after presenting its initial report, may remain in existence for as long as its members wish for the exchange of information and views between Governments about the commodity or commodities.
4. Any Signatory may appoint representatives to a study group. Intergovernmental organizations and bodies or organizations of the United Nations may send observers to any study group, and non-Signatory Governments may be invited by the Signatories to send observers. Observers may be invited by the study group to take part in its deliberations. Each study group shall nominate its own independent Chairman.
5. For the purposes of this Article, the Assembly may deem a study group to have been convened by them if it is established by any body or Agency of the United Nations having special knowledge of the commodity or commodities in question and provided that the study group is authorized by the body or Agency in question to conform to the provisions of paragraphs 3 and 4 of this Article.

¹ See Article XIV

² See "Definitions"

³ See Article XIII

6. Where the Standing Committee considers any subjects inappropriate to a study group, it may refer the subject either to a Committee of Signatories, or to any existing body or organization having special knowledge of the commodity or commodities in question, or to an expert or experts whom the Assembly shall select, provided that if the applying Government is dissatisfied with the course proposed by the Standing Committee, the matter shall be remitted to the Assembly at their next session, and they shall decide by a majority vote whether and how the submissions shall be examined. The terms of reference shall fix a time for a report to the Assembly and shall cover any matters required by the submitting government or body. Unless the Assembly decide otherwise, the terms of reference and subsequently the report shall be promptly published.

ARTICLE III

Formulation of Commodity Arrangements

1. The Standing Committee shall, unless they consider by a two-thirds majority that such a conference would not have a reasonable prospect of success, summon a negotiating conference¹ for any commodity on behalf of the Assembly

- (a) on the recommendation of a study group, or
- (b) at the request of Signatories whose interests represent a substantial part of world production or consumption of or trade in that commodity, or
- (c) at the request of Signatories who consider that their economies are dependent to an important extent on that commodity, or
- (d) on its initiative as a result of a report issued after an examination in accordance with Article II:6, or on the basis of information agreed to be adequate by the Signatories substantially interested in the production or consumption of or trade in that commodity; or
- (e) at the request of an intergovernmental organization having world-wide competence.

2. The Standing Committee may, on behalf of the Assembly, summon a negotiating conference at the request of any Signatory having specific measures to propose for intergovernmental action to deal with serious difficulties in international trade in a single commodity, provided that this request is made by:

- (a) a Signatory whose interests represent a considerable part of world production or consumption of or trade in that commodity, or
- (b) a Signatory which considers that its economy is dependent to a large extent on that commodity.

¹ See "Definitions" Article XXI

3. Where a number of Signatories with a special interest in any commodity desire to negotiate an arrangement, they may summon a conference of those Signatories which they consider to have a substantial interest in the conclusion of the arrangement. They shall notify the Standing Committee of their intentions and the Standing Committee shall inform all Signatories. Any Signatory may send an observer to such a conference and may participate in it if the Standing Committee decides that the conclusion of the proposed arrangement would substantially affect its interests. No arrangement concluded under this paragraph shall operate unless it is approved by the Assembly.

4. A negotiating conference may draw up a commodity arrangement or recommend to governments any other form of specific action to deal with particular difficulties which exist or are expected to arise concerning a commodity or a sector of the commodity field.

5. Decisions made in respect of paragraphs 1, 2, 3 and 4 of this Article shall take into consideration any action that has been or is being taken by other intergovernmental organizations in the same field.

6. Subject to the provisions of paragraph 3 of this Article, any Signatory may appoint representatives to a negotiating conference. The Assembly may invite any government substantially interested in the production or consumption of or trade in that commodity, and any government, intergovernmental organization or body or agency of the United Nations which may appear to them to be interested in the measures in question.

7. Subject to paragraph 8 of this Article the provisions of this Article shall be deemed to have been complied with if an arrangement resulting from a negotiating conference convened by another intergovernmental organization having world-wide competence and special knowledge of the commodity or commodities concerned is approved by the Assembly.

8. The provisions of paragraph 7 of this Article shall apply only after agreement has been reached between the Assembly and the intergovernmental organization concerned, that in convening negotiating conferences the organization will act consistently with the provisions of this Agreement applicable to the conduct of negotiating conferences.

ARTICLE IV

General Principles governing Provisions of all Commodity Arrangements

1. Consistent with the provisions of Article I any arrangements concluded under this Agreement shall conform to the following principles:

- (a) Subject to the provisions of paragraph 3 of Article III, such arrangements shall be open to participation initially by any Signatory and thereafter only in accordance with such revisions as may be established in the arrangement.
- (b) The Assembly may invite the participation of non-Signatories, who shall take part on the same terms.
- (c) In any arrangement an opportunity for adequate participation shall be provided both to countries substantially interested in the import and to those substantially interested in the export of the commodity with which the arrangement is concerned.
- (d) Where a commodity arrangement does not involve measures of the kind described in sub-paragraph (e) of this paragraph but includes any undertaking by participants to enter into contracts for specific amounts and at specified prices, or separately or collectively to engage in, or to authorize, the buying or selling of the commodity, participants mainly interested in imports of the commodity concerned shall, in decisions on substantive matters have together a number of votes equal to that of participants mainly interested in exports, provided that the Assembly may except an arrangement from the provisions of this paragraph if it is satisfied that the total volume of production of the commodity which enters into international trade, other than between countries which are substantial producers of it, is so small as to make equal representation of consuming and producing countries on the council unreasonable; in such a case the Assembly may authorize the council to decide on the voting power which shall be given to exporters, on the one hand, and importers on the other. The Assembly may, however, make recommendations to the council upon this subject and may require that in deciding upon matters of vital interest to consumers, the council shall provide for equality of voting power.
- (e) The provisions relating to votes in sub-paragraph (d) of this paragraph shall also apply to arrangements which involve the continuous regulation of prices in international trade of any commodity or the regulation of production or any quantitative control of exports or imports which have the purpose or might have the effect of reducing, or preventing an increase in, the production of, or trade in that commodity. In addition, such arrangements shall provide for the study by the participants of measures designed to remove the need for such regulation or control consistently with the objectives of this Agreement.

¹ See "Definitions" Article XXI

- (f) Where an arrangement coming under sub-paragraph (e) of this paragraph is designed, inter alia, to afford a respite to enable an orderly transfer of resources into new and productive occupations, the participants shall formulate and adopt, as far as practicable, programmes of internal economic adjustment designed to ensure progress within the duration of the Agreement towards solution of the commodity problem involved.
- (g) In the operation of any arrangement the participants¹ shall take into consideration its effects on the production and consumption of other commodities.
- (h) The Signatories, including those not participating in an arrangement, shall give favourable consideration to any recommendation made under the arrangement for expanding consumption of the commodity in question.

2. In the case of an arrangement that is not subject to the provisions of sub-paragraphs 1, (d) or (e) of this Article the Assembly may, if they so decide, make any recommendations concerning the distribution of votes within a commodity council.

3. Any negotiating conference, in the formulation of a commodity arrangement, shall give consideration to the inclusion within the terms of the arrangement of suitable procedures for:

- (a) renewal, including participation in the negotiations therefor by any Signatory and, at the invitation of the council, by any interested country;
- (b) amendment, with proposals therefor to be considered by the council, within the duration of the arrangement upon the request of one or several of its participants representing a substantial percentage of the world trade in the commodity concerned; and
- (c) settlement of disputes arising from the operation of the arrangements such as a provision that, if the council has experienced serious difficulties in resolving a dispute, it may, before settling the issue, refer it for an opinion to a consultative committee consisting of two representatives of the exporters' interests, two representatives of the importers' interests, and a chairman nominated by the Executive Secretary of the Signatories;
- (d) accession and withdrawal during the period of operation of the arrangement on terms to be laid down by the council.

4. Commodity arrangements negotiated under the provisions of this Agreement shall be concluded or renewed for periods of not more than five years. The provisions of renewed arrangements shall conform to the provisions of this Agreement.

¹ See "Definitions" Article XXI

ARTICLE IV

5. Where conditions of acute shortage or burdensome surplus of a single commodity exist, or are clearly imminent, and if a negotiating conference has failed within three months to agree to the conclusion of a commodity arrangement, any Signatories who consider themselves substantially interested in the production or consumption of, or trade in, that commodity, may proceed by direct negotiation to the conclusion of an arrangement. Any such arrangement shall conform as closely as practicable to the provisions of this Agreement, and shall make provision for modification to bring it into full conformity. Such modification shall be carried out within such period of not less than one year as the Assembly may decide.

ARTICLE VAdministration of Commodity Arrangements

1. Commodity arrangements falling within the provisions of Article IV:1(d) and (e) shall, in addition to any other provisions of that Article, provide for

- (a) the establishment of a governing body, herein referred to as a council, on which each participating country shall have one representative. The voting power of the representative shall be in accordance with the provisions of Article IV:1(d) and (e);
- (b) the appointment by the Assembly and by the CONTRACTING PARTIES⁷ of a non-voting representative to the council and the attendance of non-voting representatives of such intergovernmental organizations as the council may desire;
- (c) the appointment of a non-voting Chairman who, if the council so requests, may be nominated by the Assembly or by the Standing Committee on their behalf.

2. When a commodity arrangement is terminated without renewal, the council may assign the archives and statistical material relating to the arrangement to the Assembly or to any other body which the council may decide, subject to the participating countries retaining the right to decide what material relating to the arrangement should remain unpublished or treated as confidential to the participants in that arrangement.

ARTICLE VIConsideration of Questions concerning the Conformity
of an Arrangement with the Provisions of this
Agreement

1.(a) In any case in which Signatories do not represent a majority of the participants in a negotiating conference leading to a commodity arrangement, the text of the arrangement shall be submitted to the Standing Committee before it is open for signature. The Standing Committee shall examine the

text promptly and deliver an opinion within sixty days to the negotiating conference either that it sees no objection to the arrangement or that the arrangement does not conform with the provisions of the Agreement. Until such an opinion has been rendered, the arrangement shall not be open for signature.

(b) If the Standing Committee finds that the arrangement is not in conformity with the Agreement, it shall specify the points on which the arrangement fails to conform. The negotiating conference shall amend the arrangement accordingly but the negotiating conference or any Signatory may appeal to the Assembly against the decision of the Standing Committee and the Assembly shall have the final decision in the matter.

2. Where circumstances make it impracticable to conform precisely to the provisions of Articles III and IV, a negotiating conference may draw up an arrangement which does not conform precisely to the provisions of those Articles but which appears otherwise to accord with the general principles and objectives underlying this Agreement. Any such arrangement shall be submitted to the Assembly and to the CONTRACTING PARTIES before it is put into operation and shall not operate if disapproved by either,

3. Whether or not an arrangement has been submitted to the Standing Committee under the provisions of paragraph 1 or 2, any Signatory may, either before or after the arrangement comes into effect, ask the Standing Committee for a decision as to whether the arrangement conforms to the provisions of the Agreement. The Standing Committee shall examine the matter promptly. If it finds that the arrangement does not conform with the provisions of the Agreement, it may recommend to the negotiating conference or the council, such changes as it may consider necessary in order to bring the arrangement into conformity. Subject to the right of appeal to the Assembly, the negotiating conference shall amend the arrangements or, if the arrangement is in operation, the council shall take steps to amend it as soon as practicable.

4. In the deliberations of the Standing Committee, or in the consideration by the Assembly of any appeal under this Article or under Articles II or VII, the country raising the question and all participants in the conference which negotiated the arrangement shall be entitled to participate. They shall have the right to vote only if they are members of the Standing Committee or the Assembly as the case may be.

ARTICLE VII

Consideration of Representations concerning the Operation of a Commodity Arrangement

1. Any Signatory or any non-Signatory participant in a commodity arrangement who considers that the arrangement is being operated in a manner that is not in conformity with the provisions of the Agreement may ask the Standing Committee to make a finding in the matter.

2. The Standing Committee shall promptly examine the question and may make such recommendations to the council of the arrangement as it considers necessary in order to bring the operations into conformity with the Agreement. Subject to appeal to the Assembly, the council shall conform with the recommendations of the Standing Committee.

ARTICLE VIII

Commodity Councils and non-participating Signatories

1. Where the council of a commodity arrangement considers that the action of a non-participant Signatory is frustrating the arrangement, the council may, with a view to a satisfactory adjustment of the matter, make written representations or proposals to the non-participant which shall give sympathetic consideration to them. A non-participant Signatory shall not be considered to frustrate a commodity arrangement by any action which is consistent with normal commercial practice.

2. Where a non-participant Signatory considers that the participants are operating an arrangement in such a way as to inflict commercial injury upon it, the non-participant may, with a view to a satisfactory adjustment of the matter, make written representations or proposals to the council of the arrangement and the council shall give sympathetic consideration to them.

3. Where no satisfactory conclusion is reached as a result of the representations or proposals referred to in paragraphs 1 or 2 above, the Assembly may summon a special conference of the parties concerned with the object of enabling them to reach a satisfactory conclusion by further consultations. The Assembly may invite other Signatories to such a conference if this course seems likely to facilitate a satisfactory conclusion.

ARTICLE IX

Existing Commodity Study Groups and Arrangements

Notwithstanding the provisions of Article XI, 1(a) the Assembly may, at the invitation of existing study groups or of the councils of arrangements, perform in regard to them any of the functions which they shall perform in regard to study groups convened, or commodity arrangements concluded after the coming into force of this Agreement.

ARTICLE X

Publicity and Reports

1. Full publicity shall be given, subject to the provisions of Article II paragraph 6, to the intention to conclude any commodity arrangement and to the summoning of any study group or negotiating conference in connection with such an arrangement; and after the conclusion of any arrangement full publicity shall be given to its purposes and terms.

2. A study group which remains in existence after presenting its initial report, shall present annual reports to the Assembly on its activities.

3. The council of every arrangement shall make an annual report to the Assembly on the operation of the arrangements; and, in addition, any reports on subjects within their competence which the Assembly may desire.

4. The Assembly shall make an annual review of the operation of each arrangement in the light of the provisions and objectives of this Agreement and may make recommendations for the guidance of the participants.

5. The Assembly shall publish either itself or jointly with other inter-governmental organizations an annual report reviewing, to the extent that they consider necessary consistently with paragraph 6 below, developments in international commodity trade, including the operation of arrangements and any other intergovernmental consultation and action in the primary commodity field. [The report shall be transmitted to the CONTRACTING PARTIES for their observations.]

6. The Assembly may arrange for the exchange of information and for the avoidance of duplication of work with any other intergovernmental organization.

[7. The Assembly shall give full consideration to any observations which the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade may make upon their annual report and shall use their best endeavours to ensure that the operation of this Agreement and of all consultations and arrangements resulting from it accord with the spirit and objectives of the General Agreement.]

ARTICLE XI

Exceptions to this Agreement

1. The provisions of this Agreement shall not apply:

- (a) to existing study groups or to the operation or renewal of existing commodity arrangements conforming to the principles approved by the Economic and Social Council of the United Nations in its resolution of 28 March 1947;
- (b) to any intergovernmental commodity arrangement involving no more than one exporting country and no more than one importing country;
- (c) to those provisions of any intergovernmental commodity arrangement which are necessary for the protection of public morals or of human, animal or plant life or health, provided that the arrangement is not used to accomplish results inconsistent with the objectives of this Agreement;
- (d) to any intergovernmental arrangement relating solely to the conservation of fisheries' resources, migratory birds or wild animals, provided that the arrangement is not used to accomplish results inconsistent with the objectives of this Agreement and is given full publicity and provided that, if the Assembly find upon complaint by a non-participating Signatory, that the interests of that Signatory are seriously prejudiced by the arrangement, the arrangement shall become subject to such provisions of the Agreement as the Assembly may prescribe.

2. Nothing in this Agreement or in an arrangement negotiated in accordance with this Agreement shall be construed:

- (a) to require any Signatory or participant to furnish any information the disclosure of which it considers contrary to its essential security interests; or
- (b) to prevent any Signatory or participant from taking any action which relates to fissionable material or ammunition and implements of war, or which it considers necessary for the protection of its essential security interests in time of war or other emergency in international relations; or
- (c) to prevent any Signatory or participant from taking any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security.

ARTICLE XII

Obligations of Individual Signatories

1. Signatories to this Agreement shall negotiate or conclude a commodity arrangement only in accordance with provisions of this Agreement.

2. Except where otherwise provided in this Agreement each Signatory shall recognize the Assembly as the deciding authority in all matters of principle relating to commodity arrangements [subject, as provided elsewhere, to reference to the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade].

ARTICLE XIII

Joint Action by the Signatories

1. Representatives of all the Signatories, who shall constitute the Assembly, shall meet not less than once a year for the purpose of giving effect to the provisions of the Agreement. Sessions of the Assembly may be held, as provided for in the succeeding paragraph, to deal with problems of special urgency.

2. Meetings of the Assembly shall be convened by the Executive Secretary of this Agreement, who shall convene a special Session if so requested by a majority of the Signatories; or by any Signatory where, on circulation of the request to the other Signatories, there is not a majority opposed to the request. The Executive Secretary shall in any case convene within thirty days a Session of the Assembly to deal with appeals to the Assembly under Articles VI and VII.

[3. The first meeting of the Assembly shall be convened by the Executive Secretary of the CONTRACTING PARTIES of the General Agreement on Tariffs and Trade.]

4. The Assembly shall elect from among the representatives a Chairman who shall have no vote.

5. The Assembly shall establish its own rules of procedure.

6. Each Signatory shall have one vote at meetings, and, except where the Agreement provides otherwise, decisions of the Assembly shall be taken by a majority of the votes cast.

7. The Assembly may perform, in connection with any commodity arrangement, any functions which a commodity council requests it to perform.

ARTICLE XIV

Standing Committee

1. The Assembly shall at its first meeting elect twelve Signatories as members of a Standing Committee to act on its behalf as specified in the Agreement. In electing the members, the Assembly shall give consideration to a reasonable distribution of geographical representation and a reasonable balance between countries primarily interested in the export of commodities and those primarily interested in their import.

2. Each member of the Standing Committee shall be elected for a three-year term, provided; however, that initially one-third of the members shall be elected for one year, one-third for two years and the remainder for three years. Retiring members shall be eligible for re-election, subject to rules of procedure to be established by the Assembly.

3. The Chairman of the Assembly shall be the Chairman of the Standing Committee without vote.

4. The Standing Committee shall establish its own rules of procedure, subject to the approval of the Assembly.

5. The Assembly may modify or annul any decision of the Standing Committee. Except in the case of appeals under Articles II, VI and VII, such a decision may only be taken by a two-thirds majority.

6. The Assembly may delegate to the Standing Committee in its rules of procedure such powers or functions as it shall determine.

7. The Standing Committee may perform, in connection with any commodity arrangement, any functions which a commodity council requests it to perform.

ARTICLE XV

Administrative and Financial Provisions

1. (See paragraph 4(a)(iii) of the report of the Working Party).
2. (See paragraph 4(a)(iii) of the report of the Working Party),
3. The expenses of representatives attending meetings of the Assembly, the Standing Committee or any study group, negotiating conference or other committee of the Signatories shall be paid by their Governments.
4. The Assembly shall adopt rules establishing an appropriate basis for meeting the expenses of study groups, negotiating conferences and commodity arrangements.

ARTICLE XVI

Entry into Force

This Agreement shall enter into force as among Governments which have accepted it on the thirtieth day after instruments of acceptance have been deposited with [redacted] by not less than twenty Governments, of which not less than eighteen shall be contracting parties to the General Agreement.⁷

ARTICLE XVII

Accession

Any Government whose accession is approved by the Assembly, or any contracting party to the General Agreement on Tariffs and Trade may become a Signatory to this Agreement.

ARTICLE XVIII

Withdrawal

Any Signatory may withdraw from the Agreement. The withdrawal shall take effect six months after the day on which written notice of the withdrawal is sent to the Executive Secretary of this Agreement.

ARTICLE XIX

Amendments

This Agreement may be amended at any time by the affirmative vote of two-thirds of the Signatories /subject to the agreement of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade/. No Signatory shall be bound by the terms of an amendment which it has not accepted, but the Signatories may decide that an amendment is of so fundamental a character that any Signatory unwilling to accept it shall withdraw from membership at a date to be determined by the Assembly which shall be not less than six months from the date on which the amendment comes into force.

ARTICLE XX

Territorial Application

1. Any Signatory may at the time of signature of the Agreement, or at any time thereafter, declare by notification given to the Executive Secretary that the Agreement shall extend to any of the territories for whose international relations it is responsible, and the Agreement shall, from the date of the receipt of the notification, extend to the territories named therein.

2. A Signatory which has made a declaration under paragraph 1 above extending the Agreement to any territory for whose international relations it is responsible may at any time thereafter declare by notification given to the Executive Secretary that the Agreement shall cease to extend to any territory named in the notification. Six months from the date on which such a notification is sent from the Signatory the Agreement shall cease to extend to such a territory.

3. (See paragraph 4(e) of the Working Party).

ARTICLE XXI

Definitions

For the purpose of this Agreement:

1. The term "Signatory" shall mean a government which has accepted this Agreement.

2. The term "commodity", or "primary commodity" shall mean any product of farm, forest or fishery, or any mineral in its natural form or which has undergone such processing as is customarily required to prepare it for marketing in substantial volume in international trade. The term "commodity" may also include, at the discretion of the Assembly, commodities closely related to a primary commodity as regards conditions of production or utilization.

3. The term "commodity arrangement" or "arrangement" shall mean any inter-governmental agreement or arrangement designed to affect the production or consumption of, or the international trade in, a specified commodity or commodities.

4. The term "participant" in reference to a study group or negotiating conference shall mean any country which participates in such study group or conference, and with respect to any commodity arrangement, a country which is a party to that arrangement.

5. The term "commodity council" or "council" shall mean the governing body of an arrangement.

6. The term "negotiating conference" shall mean any conference of governments convened for the purpose of negotiating a commodity arrangement.

7. Where the term "a two-thirds majority" or "a two-thirds vote" is used with respect to either the Assembly or the Standing Committee it shall mean a two-thirds majority of the Signatories (or members of the Standing Committee) present and voting, comprising at least one half of the Signatories, or the members of the Standing Committee, respectively.

A N N E X B

The representative of the Turkish delegation pointed out that the document submitted by the United Kingdom delegation had been distributed very belatedly and that probably most of the Working Party had read it for the first time at their opening meeting.

Commodity problems were, however, of special importance for the economically under-developed countries and those in process of development, as price differences and fluctuations between the commodities which they produced and manufactured articles had direct repercussions on the efforts of those countries to develop their economies. Such countries, therefore, had serious reasons to examine closely any proposal relating to international trade in primary commodities.

Further, the views held on the subject by the different international organizations and especially by the competent organs of the United Nations and the specialized agencies concerned must also be of considerable interest in view of the initial steps and other measures taken by them in this field.

In view of the above considerations and the lack of time, the representative of Turkey in the Working Party expressed the opinion that the Working Party should limit itself to drafting proposals of a general and preliminary nature for the definition of the main problems and the preparation of different measures, including outlines of international action.

In consequence, the representative of the Turkish delegation announced his inability to take part in an examination of the articles of the working paper, with the exception of clauses concerning relations with international organizations and especially with the United Nations and the specialized agencies.

ANNEX C

AMENDMENTS PROPOSED BY THE CEYLON DELEGATION
TO THE DRAFT AGREEMENT ON COMMODITY ARRANGEMENTS (W.9/140)

The Ceylon delegation proposed a number of amendments to the draft Agreement which formed the basis of discussion in the Working Party (W.9/140). Since, for reasons explained in the report of the Working Party, these amendments were not discussed, they have been related to the draft Agreement as reported by the Working Party and are reproduced below.

Amendment to Article VI, paragraph 2

Delete this paragraph and substitute the following:

"Any commodity arrangement concluded in accordance with the provisions of this Article and of Article III or of any other provision in this Agreement shall be approved by the Assembly and by the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade before it is put into operation."

Amendment to Article XII, paragraph 2

Delete paragraph 2 and insert the following:

"Each Signatory shall recognize the Signatories collectively in the first instance and ultimately the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade as the deciding authority in all matters of principle relating to commodity arrangements (except those provided for in Article VII)."

Amendment to Article XV

Add the following new paragraph:

"The administrative and financial affairs under this special Agreement shall be conducted by the Assembly under the general control and direction of the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade."