1. In accordance with the instructions given by the CONTRACTING PARTIES at their Ninth Session (see L/320, paragraph 8), the draft Agreement on Commodity Arrangements prepared by the Working Party on Commodity Problems was transmitted, together with the report of the Working Party, to all contracting parties, certain intergovernmental organizations and governments entitled under rule 8 of the rules of procedure to send observers to meetings of the CONTRACTING PARTIES. Contracting parties not members of the Working Party were invited to participate in its next meeting, and interested governments and intergovernmental organizations were invited to send observers. All these governments and organizations were also invited to submit written comments and amendments to the draft Agreement for consideration by the Working Party.

2. To date, the Governments of Austria, Finland, Ceylon, Greece, The Netherlands, and Sweden, which are not members of the Working Party, have indicated that they wish to participate in the Working Party's work at its next meeting.

3. The following Governments and organizations have indicated their wish to be represented at the meeting by observers: Costa Rica, the High Authority of the European Coal and Steel Community, the Organization for European Economic Co-Operation the International Labour Office and the Food and Agriculture Organization of the United Nations.

4. In response to the invitation mentioned above, the Secretary-General of the United Nations has written to the Executive Secretary a letter containing a number of general comments on the draft Agreement. This is reproduced in the following pages, as are specific proposals received from the Governments of Austria and Haiti and the Director-General of the International Labour Office. Certain other governments have indicated that they expect to supply comments at a later stage.

5. As has been notified to contracting parties and interested governments and organizations, the Working Party has been convened to meet on 1 September 1955.
I. COMMUNICATION FROM THE SECRETARY-GENERAL
OF THE UNITED NATIONS

"I am writing in reply to your letter of 1 July 1955 inviting comments on the Draft Agreement annexed to the Interim Report of the Working Party on Commodity Problems. As you are certainly aware, the Economic and Social Council at its current session deferred consideration of the status and functions of the Interim Co-ordinating Committee for International Commodity Arrangements and the Commission on International Commodity Trade. I feel therefore that at this stage I must confine myself to making two or three observations on the Draft Agreement of a very general character.

"In the first place, if an international agreement on commodity problems were established, it would seem desirable to entrust its administration to one or other of the existing international organizations rather than to create fresh international machinery which could only add to the difficulties of co-ordination. I may refer in this connexion to the principles relating to the concentration of efforts and resources of international organizations and the simplification of the structure for international economic co-operation that have so frequently been enunciated both by the General Assembly of the United Nations and the Economic and Social Council.

"In the second place I would hope that any arrangements made for the administration of an international agreement on commodity problems would take due account of the very direct interest which a number of the organizations have in this important field. It will be recalled that this consideration was fully taken into account in the relevant provisions of the Havana Charter and in the various interim arrangements which were subsequently adopted for securing co-ordination in the field of commodity policy. In this connexion I would also refer to the Commission on Commodity Trade which was established at the seventeenth session of the Economic and Social Council, the terms of reference of which indicate the intention of the Council that this Commission also should co-ordinate its own activities with the other organizations concerned.

"I feel that both the points referred to above deserve careful consideration by the Working Party, so that whatever action might be recommended would contribute to an effective solution of commodity problems within the general framework of the United Nations and other interested organizations, thus avoiding dissipation of effort and overlapping of functions.

"This leads to my third and last observation. Because of the particular responsibilities of the United Nations in respect of international trade and other aspects of international economic
relationships, it would seem essential that the character of any organization set up to deal with international commodity problems should be in general conformity with United Nations principles and that the broad policies of such an organization should be closely co-ordinated with those of the United Nations itself. One issue affecting the character of the organization comes to mind immediately, namely that participation should not be restrictive. In other words, I feel that membership of any international commodity organization should be open to any Member of the United Nations or the specialized agencies prepared to assume the obligations involved.

II. COMMENTS BY AUSTRIA

Article IV, paragraph 1, subparagraph c:

"The Austrian Government holds that any restrictive interpretation of the term 'substantially interested' would be tantamount to the exclusion of small industrialized countries which neither supply primary commodities in large quantities, nor consume an appreciable percentage of the total amount of such commodities offered on the world market. The Austrian Government believes, however, that the agreement envisaged is of special importance to these smaller nations which do not possess the means to influence the world market in any given commodity by unilateral action.

"The Austrian Government proposes, therefore, to define the term 'substantially interested' in a manner which would bar any restrictive interpretation, determining that the standard applied should not only be the actual share in the total world trade in a primary commodity, but also the relative importance of such a commodity for the national economy of a country.

"For this purpose a new paragraph should be inserted in Article XXI (preferably between paragraphs 4 and 5 of the present draft), or in Article IV, or elsewhere, reading as follows:

"'The term 'substantially interested' shall apply to any country for the economy of which the commodity concerned is of special importance. If the importance of such a commodity for the economy of a country is questioned by any other country, party to the Agreement, the Assembly shall, by a two-thirds majority, decide whether the commodity is of special importance to the country claiming it, or not. If a two-thirds majority cannot be reached, the commodity concerned shall be deemed to be of special importance to the country claiming it.'"
Article IV, paragraph 1, subparagraph e, second sentence:

"This provides for the study of measures designed to remove the need for price-controls, regulation of production and quantitative control of exports and imports of commodities. The Austrian Government wishes to stress the importance it attaches to this provision.

Article XIV, paragraph 1:

"The Austrian Government considers the eligibility to the standing committee the basis for active cooperation of small countries. Therefore, the same considerations as stated with reference to Article IV (1) c apply to this paragraph.

Article XVII:

"The Austrian Government wishes to express its full approval of the principle of automatic membership of the contracting parties to the General Agreement on Tariffs and Trade, laid down in Article XVII.

Article XXI, paragraph 2:

"The Austrian Government wishes to express its satisfaction with the extension of the scope of the Agreement to 'commodities closely related to a primary commodity as regards conditions of production or utilisation.'"

III. COMMENTS BY HAITI

(a) "One can agree as to the very principle of the Agreement on Commodity Arrangements, but the text prepared by the Drafting Committee, though an interim one involves too many generalities such as:

'... for the purpose of taking such action as may be practicable in this field';

'... to achieve a reasonable degree of stability ...'.

"More definite objectives and the opening of more possibilities for specific action would contribute to arouse more sympathy for the draft Agreement and would facilitate its implementation.

(b) "One can wonder why the Drafting Committee contemplated the setting up of special machinery for the operation of the new Agreement. The machinery proposed appears to be cumbersome and uselessly complicated and onerous, as results from Articles X, XIII, IX, XIV."
"The establishment and operation of commodity agreements seems to be within the field of competence of the new Organization instituted during the last session of the CONTRACTING PARTIES, i.e. the Organization for Trade Cooperation.

"It is not yet certain whether this body will receive the required number of government ratifications to come into being, but it is to be believed that everything which can serve to reinforce its scope would contribute to strengthen the confidence which governments will be prepared to vest in it.

"The Drafting Committee has laid down a brief outline for cooperation between the signatories to the Agreement and the contracting parties to GATT. In line with the arguments adduced above, it seems that it would be preferable to recommend consideration of the possible incorporation of the Agreement on Commodity Arrangements into the Organization for Trade Cooperation.

(c) "The problem of existing international arrangements.

"It seems that simultaneous action within the new Agreement and under other existing arrangements is advocated. Would it not be possible to attempt to incorporate all previously existing arrangements into one single Agreement?

(d) "Article XXI lays down the meaning to be attached to the term 'commodity' or 'primary commodity'.

"The definition is a general one, and applies to any product of farm, forest or fishery or any mineral, indiscriminately.

"The question of agricultural commodities which is of interest to many so-called underdeveloped countries should be given special consideration."

IV. COMMENTS OF THE DIRECTOR-GENERAL OF THE INTERNATIONAL LABOUR OFFICE

"With regard to the draft Agreement on Commodity Arrangements, which was drawn up by the Working Party as a basis for further study and discussion and on which you invite our comments, we should like to suggest that it would be useful to explore whether the following amendments which are designed to draw attention to the social as well as the economic aspects of stability in commodity policy, would be generally acceptable:

"Article I[(1)](a): At the end, replace the semi-colon by a comma and add 'and the desirability of avoiding excessive fluctuations in the employment and earnings of workers engaged in producing the commodity in question;'."
"Article I(1)(b): Second line, replace 'or' by a comma; after 'stocks' insert 'or the emergence of widespread unemployment or under­employment'.

"Article I(1)(d): Fourth line, after 'transfer of' insert 'manpower and other'...

"Article IV(1)(f): Third line, after 'transfer of' insert 'manpower and other'. Fifth line, after 'adjustment' add", including programmes for such transfer of resources'.

"Article IV(5): Second line, after 'imminent' insert 'or where widespread unemployment or underemployment of workers engaged in producing a commodity exists or appears clearly imminent'."