PREPARATORY COMMITTEE OF THE INTERNATIONAL CONFERENCE
ON TRADE AND EMPLOYMENT

REPORT OF COMMITTEE IV

OUTLINE OF WORK OF THE COMMITTEE

1. Committee IV was appointed to consider general policy regarding
intergovernmental commodity arrangements in relation to the objectives
of an International Trade Organization. The Committee has held
nine meetings.

2. Seven meetings of the Committee were devoted to a general
discussion of the special difficulties in primary commodities, the
role of intergovernmental commodity arrangements in the solution
of these difficulties, the principles that should govern such arrange-
ments, and the relationship between the various international agencies
in the field of commodity policy.

3. After a preliminary survey of the subject the Committee took
as the basis of its discussion Chapter VI of the United States
"Suggested Draft of a Charter for an International Trade Organization
of the United Nations". During the course of its deliberations
the Committee was provided with information on existing inter-
governmental commodity arrangements by the International Sugar
Council, the International Tea Committee, the Rubber Study Group,
and the International Tin Committee. The Committee also had the
benefit of a general statement on the work of the Food and Agriculture
Organization from the latter's observer, and was provided with
copies of the "Proposals for a World Food Board and World Food
Survey". A Sub-Committee composed of the Vice-Chairman and
delegates of Cuba, the Netherlands and the United States, met with the representatives of the International Chamber of Commerce, who presented the Chamber's views on commodity arrangements.

4. At the fifth meeting of the Committee a Sub-Committee consisting of the Chairman, the Vice-Chairman and delegates from Australia, Canada, Cuba, France, Netherlands, the United Kingdom and the United States was appointed to prepare, for the consideration of the Committee, a detailed draft of objectives, principles and provisions governing international commodity arrangements. The Sub-Committee had before it Chapter VI of the United States Suggested Charter, and papers submitted by a number of delegations, which were considered in conjunction with the views expressed in the Committee.

5. The Sub-Committee held nine meetings. It worked out an appropriate arrangement of the commodity policy provisions and prepared draft Articles covering each item on the Committee's agenda. The Sub-Committee was able to reach a substantial measure of agreement, and submitted a report to the Committee.

6. The Committee was able to reach a very considerable measure of agreement on a draft text of a chapter on intergovernmental commodity arrangements. At its final meeting the Committee adopted its report, which is now presented for the consideration of the Preparatory Committee.
1. The Committee recognized that the conditions of production and consumption of certain primary commodities are such that international trade in these commodities is subject to special difficulties not generally associated with manufactured goods. These difficulties arise from inelasticities of supply and demand, often involving the accumulation of surpluses, which cause serious hardship particularly to small producers. Experience has shown that such difficulties have been greatly accentuated by booms and slumps. To the extent therefore, that a policy of high and stable employment is successful on an international scale, the fluctuations in primary production and consumption are likely to be reduced, and the special difficulties of primary commodities correspondingly eased. On the other hand, the achievement of greater stability in the real income of primary producers will in its turn assist in the general maintenance of high and stable levels of employment. Nevertheless, in the case of particular commodities, the root causes of their difficulties will remain, and it is necessary, in the interests of producers and consumers alike, to provide methods for dealing with them in a manner consistent with the maintenance of a high level of world trade.

2. It was agreed that, in the absence of provisions for broad international action, countries might be driven, as in the past, to resort to action restrictive of world trade and production. The Committee therefore recognised the need, in certain circumstances, for intergovernmental commodity arrangements and for agreement
on the general principles to govern their use. The Committee thought it unwise to deal with the great variety of special difficulties peculiar to individual commodities and with particular methods appropriate to each. The Committee's approach to the problem was rather one of developing broad general principles to cover as many types of circumstances as possible.

3. At this stage the Committee considered the scope of the provisions that should be included in an International Trade Charter regarding special commodity problems. It was agreed that, subject to certain limited exceptions, these provisions should apply solely to primary commodities. A primary commodity is taken to be any mineral or agricultural product, including foodstuffs and forestry products. It was suggested that the Interim Drafting Committee might examine the use of the terms, "primary", "agricultural", "mineral", "commodity" and "product" throughout the Charter in order to ensure uniformity and consistency in their application.

4. It was considered that a statement covering intergovernmental commodity arrangements should include the objectives of such arrangements, the procedure for initiating and establishing them, and the broad principles which should apply to them. This statement should also cover the special circumstances in which agreements might be used for regulating production, trade or prices, and the special principles that should apply to the operation and administration of such regulatory agreements.

5. There was general agreement that the objectives of intergovernmental commodity arrangements should be to alleviate the difficulties which arise when adjustments in production or consumption cannot be effected, as rapidly as the circumstances
require, by the free play of market forces alone. Such arrangements may aim to facilitate economic adjustments designed to promote the expansion of consumption or a shift of resources and manpower out of over-expanded industries into new and productive occupations. They may also aim to moderate pronounced fluctuations in prices; to provide for increased production to meet serious shortages; and to maintain and develop the natural resources of the world and protect them from unnecessary exhaustion. With regard to this last objective, the attention of the Interim Drafting Committee is called to the fact that the wording may require further examination. It is not intended, for instance, that the arrangements envisaged by this Chapter should apply to international fisheries conventions.

6. The Committee agreed that intergovernmental commodity arrangements should not be made until there has been full study and discussion of the problems relating to the commodity in question. It was therefore agreed that, where a commodity is experiencing, or is expected to experience, special difficulties, a Study Group may be formed to examine the problem. If the Study Group concludes that an intergovernmental commodity arrangement would be desirable, it should be followed by a Commodity Conference to discuss the appropriate measures to meet the special difficulties. Where it is agreed that adequate information is already available about a commodity, a Conference may be convened by the Organization without the prior formation of a Study Group.

7. The general procedure envisaged by the Committee was that the first step in the development of a commodity arrangement would be the calling of a Study Group, the second, the convening of an International Commodity Conference, and finally the formation of a governing body to administer the arrangement agreed upon.
The Study Group from the outset should consist of countries substantially interested in the production, consumption or trade of the commodity concerned. After this stage, there would be increasing participation by interested countries. Finally, when the commodity arrangement has been agreed upon, it should be open initially to participation by any Member. It should also be open to such non-Members as may be invited by the Organization, since, if the arrangement is to be both comprehensive and effective, it must, of necessity, include substantially interested non-Member countries. Attention was drawn to Article 31, paragraph 2 of the United States Draft Charter, which appears to be inconsistent with the participation of non-Member countries in the benefits of commodity arrangements. It was recommended that the Interim Drafting Committee should specify arrangements under Chapter VI as an exception to the operation of Article 31, paragraph 2.

8. The Committee discussed the question of the relationships between the Organization and specialized agencies interested in particular commodities. It was agreed that the competent specialized agencies, such as the Food and Agriculture Organization, should be entitled to submit commodity studies to the Organization or ask that a study of a primary commodity be made. They may also be requested by the Organization to attend or take part in the work of a Study Group or a Commodity Conference. The Committee further agreed that when a commodity arrangement is eventually agreed upon, any competent specialized agency may be invited by the Organization to nominate a non-voting member to the governing body.

9. There was agreement on certain general principles which should apply to all intergovernmental commodity arrangements in order that
they may conflict with the purposes of the Organization. In particular, it was agreed that there should be adequate representation of importing and consuming countries as well as of exporting and producing countries. It was agreed, however, to ask the Interim Drafting Committee to give further consideration to the text of this provision in the light of the Committee's desire to provide appropriate voice to

(a) countries substantially interested in the production and consumption of a commodity but not in its import or export and

(b) countries which are both large exporters and importers of the commodity.

In regard to voting on substantive matters, the Committee reached almost unanimous agreement that without prejudice to the right of the countries referred to in the preceding sentence to an appropriate voice, the voice of importers and exporters should be equal. It was felt that this was the only way in which the interests of both importers and exporters could be adequately protected. One delegation was strongly of the opinion, however, that equality of voice between importers and exporters should not be required, but that importers should have "a number of votes equitably proportionate to the number of votes of the exporting countries, in order that the interests of exporters and importers shall be duly protected."

10. The Committee stressed that commodity arrangements should provide, where practicable, for measures designed to expand world consumption. This is particularly desirable when the need for a commodity arrangement arises from the existence of a burdensome surplus, or where increased consumption would result in an improvement in general well-being, as, for example, in higher standards of nutrition.
11. It was agreed that all intergovernmental commodity arrangements, proposed or concluded, should be given full publicity, so that all interested parties may be fully informed of the measures taken and of the progress achieved in the correction of the underlying difficulties.

12. A distinction was drawn between those intergovernmental commodity arrangements which involve the regulation of export and import, production or prices, and those which do not. The former are referred to as regulatory agreements. It was felt that regulatory agreements should be used only in certain defined circumstances arising out of difficulties which would not be corrected by normal market forces alone, when a burdensome surplus exists or is expected to develop, causing hardship to producers, many of whom are small producers; or where special difficulties have given rise, or are expected to give rise, to widespread unemployment. In this connection it is desired that "unemployment" be taken in a wide sense to include "under-employment". It was agreed that in exceptional circumstances regulatory agreements might also be applied to manufactured goods. The Committee intended that one effect of this provision should be to permit the inclusion of appropriate synthetic products within the scope of particular commodity agreements.

13. The Committee discussed whether regulatory agreements might be used to deal with shortages. It was generally agreed that such agreements which were made in those cases in which a burdensome surplus was "expected to develop" could appropriately take into account shortage difficulties. The history of some commodities shows that there may be recurring periods of burdensome surplus and shortage which need to be considered. Some delegations would have preferred to mention this specifically in the circumstances governing the use of regulatory agreements, but it was generally felt that this
was unnecessary. It was furthermore agreed that arrangements relating exclusively to the distribution of commodities in short supply should be exempted from the provisions governing commodity arrangements, and therefore could be concluded outside their framework. In this connection, it was agreed, however, to draw the attention of the Interim Drafting Committee to the discussion of the Committee on this matter.

14. The Committee agreed that in addition to the general principles applicable to all governmental commodity arrangements, regulatory agreements should be subject to certain additional principles. The Committee wished to ensure that restrictive measures in regulatory agreements are used only when essential to prevent or remedy serious dislocation or hardship, that they do not lead to unreasonable prices, and that they do not afford permanent shelter to the less effective and economic sources of supply. The additional principles for regulatory agreements concern such matters as procedure, relations between countries participating in agreements and countries not participating, the assurance of adequate supplies to meet work demand at reasonable prices, and the provision of increasing opportunities to meet world needs from the most effective and economic sources of supply. In relation to the phrase "reasonable prices" it was felt that this term should not be rigidly defined for all agreements, as the individual Commodity Councils would wish to decide this matter according to the conditions relating to the particular commodity. Certain delegations asked for further clarification of the term, and it was suggested that the Interim Drafting Committee should consider this matter.
One delegation suggested that the question of the attainment of a "reasonable" or "just" price should be included among the objectives of intergovernmental commodity arrangements. Another delegation thought that, in determining the "most effective and economic sources of supply", due consideration should be given "to the historical position of the supply areas which are Members of the Organization".

15. Every regulatory agreement should provide for a governing body (Commodity Council). Each participating country should be entitled to be represented and to vote. Subject to the principles referred to in paragraph 9, voting power may be distributed among countries according to the nature and extent of their individual interests. It was understood that regulatory agreements might if desired provide for qualified majorities on specific matters. Each Commodity Council should work within the framework of the International Trade Organization, which may appoint non-voting members, and, if so requested, a non-voting chairman. The rules and regulations of the Councils should be subject to the approval of the Organization.

16. It was agreed that regulatory agreements should be subject to periodic review. They should be effective for not more than five years subject to renewal. Where the operation of an agreement has failed to conform to the agreed principles it should be revised according if this is not possible it should be terminated.

17. It was agreed that there should be provision for the settlement of disputes and it was thought desirable that this should be uniform throughout the Charter. The Committee therefore agreed that disputes arising out of intergovernmental commodity agreements and not settled in the Commodity Council should be subject to Article 76 of United States Draft Charter as revised.
18. In order to bring existing arrangements as far as possible into line with the general provisions, the Committee agreed that Members should inform the Organization about their participation in commodity arrangements existing at the time the Charter comes into force, and that they should accept the decision of the Organization on whether their continued participation is consistent with their obligations under the Charter. A similar principle should apply to commodity arrangements which are in process of negotiation at the time the Charter comes into force. One Delegation proposed that any Member should be free to withdraw from the Organization if it considers it impossible to be guided by the decision adopted by the Organization in these matters and if, on appeal, the Organization does not modify the decision in question.

19. It was agreed that all Members of the Organization, whether party to a particular agreement or not, should undertake to give the most favourable possible consideration to any recommendation by a Commodity Council for expanding the consumption of the primary commodity concerned.

20. Agreement was reached on certain categories of intergovernmental commodity arrangements which would not be subject to the provisions agreed for general application. In particular, this applies to intergovernmental commodity arrangements previously mentioned which relate solely to the equitable distribution of commodities in short supply. This would not, of course, preclude other intergovernmental arrangements from dealing with shortages as part of their operations.

21. The Committee discussed the general question of escape clauses. It was agreed that, where there is unreasonable delay in the proceedings of a Study Group or Commodity Conference, Members may proceed by direct
negotiations to the conclusion of an agreement provided that it otherwise conforms to the agreed provisions. One Delegation wished to go further and felt that there should be specific permission for vitally interested Members to proceed where the Commodity Conference fails to make a recommendation in favour of an agreement.

22. The Committee also discussed the way in which the various functions outlined in the previous paragraphs should be allocated to the various organs of the proposed International Trade Organization, and agreed on suggestions for the consideration of the Interim Drafting Committee, which is requested to prepare the appropriate text.

23. The Committee considered, and agreed to forward to the Preparatory Committee, a resolution on intergovernmental consultation and action on commodity problems before the Organization is established. One Delegation was not prepared to support this resolution in view of its reservations on the text of the Chapter.

24. Appended are:

(a) Draft Resolution to Preparatory Committee relating to intergovernmental consultation and action on commodity problems prior to establishment of the International Trade Organization.

(b) Draft Chapter on Intergovernmental Commodity Arrangements.

(c) Suggestions for the assignment of functions and organizational relationships.
WHEREAS certain difficulties of the kind referred to in the draft Chapter on intergovernmental Commodity arrangements appended to the Report of the Preparatory Committee have already occurred in respect of certain primary commodities and the governments concerned are already taking action on the general lines proposed in the Draft and

WHEREAS similar difficulties may occur in respect of other primary commodities and

WHEREAS the Preparatory Committee is agreed that it is desirable that action taken in respect of such commodities should proceed on the general lines proposed in that Draft

THE PREPARATORY COMMITTEE

1. Recommends that insofar as intergovernmental consultation or action in respect of particular commodities is necessary before the International Trade Organization is established, the governments concerned should adopt as a guide the Draft Chapter on intergovernmental commodity arrangements appended to the Report of that Committee.

2. Requests the Executive Secretary to keep in touch with such consultation and to take such action as may be appropriate to facilitate it.
Article 1. General Statement on Difficulties Relating to Primary Commodities

The Members recognize that the relationship between production and consumption of some primary commodities may present special difficulties. These special difficulties are different in character from those which manufactured goods present generally. They arise out of such conditions as the disequilibrium between production and consumption, the accumulation of burdensome stocks, and pronounced fluctuations in prices. They may have a seriously adverse effect on the interests of both producers and consumers. Moreover, they may have widespread repercussions which would jeopardize the general policy of economic expansion.

Article 2. Objectives of Intergovernmental Commodity Arrangements

The Members agree that intergovernmental commodity arrangements may be employed to achieve the following objectives:

1. To enable countries to find solutions to the special commodity difficulties referred to in Article 1 without resorting to action inconsistent with the purposes of the Charter.

2. To prevent or alleviate the serious economic problems which may arise when production adjustments cannot be effected by the free play of market forces as rapidly as the circumstances require.

3. To provide, during the period which may be necessary, a framework for the consideration and development of measures which will have as their purpose economic adjustments designed to promote the expansion of consumption or a shift of resources and manpower out of over-expanded industries into new and productive occupations.

4. To moderate pronounced fluctuations in the price of a primary commodity above and below the level which expresses the long-term equilibrium between the forces of supply and demand.
5. To maintain and develop the natural resources of the world and protect them from unnecessary exhaustion.

6. To provide for expansion in the production of a primary commodity which is in such short supply as seriously to prejudice the interests of consumers.

SECTION B. INTERGOVERNMENTAL COMMODITY ARRANGEMENTS IN GENERAL

Article 3. Special Commodity Studies
1. A Member or Members substantially interested in the production, consumption or trade of a particular primary commodity shall be entitled, if they consider that special difficulties exist or are expected to arise regarding the commodity, to ask that a study of that commodity be made.

2. Unless it resolves that a prima facie case has not been established, the Organization shall promptly invite the members substantially interested in the production, consumption or trade of the commodity to appoint representatives to a Study Group to make a study of the commodity. Non-members having a similar interest may also be invited.

3. The Study Group shall, in the light of an investigation of the root causes of the problem, promptly report its findings regarding the production, consumption and trade situation for the commodity. If the Study Group finds that special difficulties exist or are expected to arise, it shall make recommendations to the Organization as to how best to deal with such difficulties. The Organization shall transmit promptly to members any such findings and recommendations.

Article 4. Commodity Conferences
1. On the basis of the recommendations of the Study Group, or on the basis of information about the root causes of the problem agreed to be adequate by the members substantially interested in the production, consumption or trade of a particular primary commodity, the Organization shall promptly at the request of a member having a substantial interest, or may, on its own initiative, convene an intergovernmental Conference for the purpose of discussing measures designed to meet the special
difficulties which have been found to exist or are expected to arise.

2. Any Member having a substantial interest in the production, consumption or trade of the commodity shall be entitled to participate in the Conference, and non-Members having a similar interest may be invited by the Organization.

3. If the Conference recommends to Members the adoption of any type of intergovernmental commodity arrangement, such arrangement shall conform to the principles stated in Article 6.

Article 5. Relations with Specialized Agencies

1. Competent specialized agencies, such as the Food and Agriculture Organization, shall be entitled:

   (a) to submit to the Organization any relevant study of a primary commodity;
   (b) to ask that a study of a primary commodity be made.

2. The Organization may request any specialized agency, which it deems to be competent, to attend or take part in the work of a Study Group or of a Commodity Conference.

Article 6. General Principles of Intergovernmental Commodity Arrangements

Members undertake to adhere to the following principles governing the operation of all types of intergovernmental commodity arrangements:

1. Such arrangements shall be open initially to participation by any Member on terms no less favourable than those accorded to any other country party thereto and thereafter upon such terms as may be approved by the Organization.

2. Non-Members may be invited by the Organization to participate in such arrangements, and the provisions of paragraph 1 shall apply to any non-Members so invited.

3. Such arrangements shall include provision for adequate participation of countries substantially interested in the importation or consumption of the commodity as well as those substantially interested in its exportation or production.
4. In such arrangements, participating countries which are largely dependent for consumption on imports of the commodity involved shall, in determinations made relating to substantive matters, have together a voice equal to that of those largely interested in obtaining export markets for the commodity, provided that those countries which are largely interested in the commodity but which do not fall precisely under either of the above classes shall have an appropriate voice.

5. Such arrangements shall provide, where practicable, for measures designed to expand world consumption of the commodity.

6. Members agree that full publicity shall be given to any intergovernmental commodity arrangement proposed or concluded, to the statements of considerations and objectives advanced by the proposing Members, to the operation of the arrangements, and to the nature and development of measures adopted to correct the underlying situation which gave rise to the arrangement.
SECTION C. INTERGOVERNMENTAL COMMODITY AGREEMENTS INVOLVING THE REGULATION OF PRODUCTION, TRADE OR PRICES

Article 7. Circumstances Governing Use of Regulatory Agreements

Members agree that regulatory agreements may be employed only when:

1. A burdensome surplus of a primary commodity has developed or is expected to develop which, because a substantial reduction in price does not readily lead to a significant increase in consumption nor to a significant decrease in the production of that commodity, would not, in the absence of specific governmental action, be corrected by normal marketing forces alone in time to prevent serious hardship to producers among whom are small producers who account for a substantial portion of the total output; or

2. Widespread unemployment in connection with a particular primary commodity, arising out of difficulties of the kind referred to in Article 1, has developed or is expected to develop, which, in the absence of specific governmental action, would not be corrected by normal marketing forces alone in time to prevent widespread and undue hardship to workers because, in the case of the industry concerned, a substantial reduction of price does not lead to a significant increase in consumption but to the reduction of employment and because areas in which the commodity is produced in substantial quantity do not afford alternative employment opportunities for the workers involved; or

3. The Organization finds that, for a commodity other than a primary commodity, exceptional circumstances justify such action. Such agreements shall be subject not only to the principles set forth in this Chapter but also to any other requirements which the Organization may establish.
Article 8. Additional Principles Governing Regulatory Agreements

Members undertake to adhere to the following principles governing regulatory agreements in addition to those stated in Article 6:

1. Members agree not to enter into any new regulatory agreement unless it has been recommended by a Conference called in accordance with Article 4. Nevertheless, members substantially interested in the production, consumption or trade of a particular primary commodity may proceed by direct negotiation to the conclusion of an agreement, provided that it conforms to the other provisions of this Chapter, if there has been unreasonable delay in the proceedings of the Study Group or of the Commodity Conference.

2. Under such agreements participating countries shall afford equitable treatment as between non-participating Members and participating countries, giving equitable advantages in return for the observance of equitable obligations.

3. Participating countries shall, in matters the subject of such agreements, afford non-participating member countries treatment no less favourable than that accorded to any non-Member country which does not participate in the agreement.

4. Such agreements shall be designed to assure the availability of supplies adequate at all times for world demand at reasonable prices.

5. Such agreements shall, with due regard to the need during a period of change for preventing serious economic and social dislocation and to the position of producing areas which may be suffering from abnormal and temporary disabilities, make appropriate provision to afford increasing opportunities for satisfying world requirements from sources from which such requirements can be supplied most effectively and economically.

6. Participating countries shall formulate and adopt a programme of
economic adjustment believed to be adequate to ensure substantial progress toward solution of the problem within the time limits of the agreement.

Article 9. Administration of Regulatory Agreements

1. Each regulatory agreement shall provide for a governing body, hereinafter referred to as a Commodity Council.

2. Each of the countries participating in an agreement shall be entitled to be represented by a member on the Commodity Council. These members alone shall have the right to vote. Their voting power shall be determined in such a way as to conform with the provisions of Article 6, paragraph 4.

3. The Organization shall be entitled to appoint a non-voting member to each Commodity Council, and may invite any competent specialized agency to nominate a non-voting member for appointment to a Commodity Council.

4. Each Commodity Council shall have a non-voting chairman who, if the Council so requests, shall be nominated by the Organization.

5. The Secretariat of each Commodity Council shall be appointed by the Council after consultation with the Organization.

6. Each Commodity Council shall adopt appropriate rules of procedure and regulations regarding its activities. These rules and regulations shall be subject to the approval of the Organization.

7. Each Commodity Council shall make periodic reports to the Organization on the operation of the agreement which it administers. In addition, it shall make such special reports as the Organization may specify or as the Council itself considers to be of value to the Organization.

8. The expenses of a Commodity Council shall be borne by the participating countries.

Article 10. Provision for Initial Terms, Review, and Renewal of Regulatory Agreements

Regulatory agreements shall be in effect for not more than five
years. Their renewal shall be subject to the principles stated elsewhere in this Chapter. Periodically, at intervals no greater than three years, the Organization shall prepare and publish a review of the operation of each agreement in the light of the principles set forth in this Chapter. Moreover, each commodity agreement shall provide that if its operations have failed substantially to conform to the principles laid down in this Chapter, participating countries shall revise the agreement to conform to the principles or shall terminate it. When an agreement is terminated, the Organization shall take charge over archives, statistical material and other possessions of the Commodity Council.

Article 11. Settlement of Disputes

Any question or difference concerning the interpretation of the provisions of a regulatory agreement or arising out of its operation shall be discussed originally by the Commodity Council. In the absence of agreement, the question shall be referred to the Commodity Commission for examination and recommendation to the Executive Board. The Executive Board shall then issue a ruling subject to the provisions of Article 76.

SECTION D. MISCELLANEOUS PROVISIONS

Article 12. Obligations of Members regarding Existing and Proposed Commodity Arrangements

1. Members undertake to transmit to the Organization the full text of each intergovernmental commodity arrangement in which they are participating at the time of the coming into force of their obligations under this Charter. Members also agree to transmit to the Organization appropriate information regarding the formulation, provisions and operation of such arrangements. Members agree to conform with the decisions made by the Organization regarding their continued participation in any such intergovernmental commodity arrangement.
which, after review by the Organization, shall have been found to be inconsistent with the intentions of this Chapter.

2. Members undertake to transmit to the Organization appropriate information regarding any negotiations, looking to the conclusion of an intergovernmental commodity arrangement, in which they are participating at the time of the coming into force of their obligations under this Charter. Members also agree to conform with decisions made by the Organization regarding their continued participation in any such negotiations; and the Organization may declare that such negotiations conform to the requirements for a Study Group or a Commodity Conference as the case may be.

Article 13. General Undertaking by Members

Members not parties to a particular commodity arrangement undertake to give the most favourable possible consideration to any recommendation by a Commodity Council for expanding consumption of the commodity in question.

Article 14. Exceptions to Provisions Relating to Intergovernmental Commodity Arrangements

1. The provisions of Chapter VI are not designed to cover intergovernmental commodity arrangements which relate solely to the equitable distribution of commodities in short supply or to cover those provisions of intergovernmental commodity arrangements which appropriately relate to the protection of public morals or the protection of human, animal or plant life or health; provided, that such arrangements are not used to accomplish results inconsistent with the objectives of Chapter V or Chapter VI. Members agree not to participate in such arrangements if they involve the regulation of production, trade or prices unless they are authorized or provided for by a multilateral convention subscribed to by a majority of the nations affected, or unless operated under the Organization.
2. None of the foregoing provisions of Chapter VI is to be interpreted as applying to arrangements relating to fissionable materials; to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on for the purpose of supplying a military establishment; or, in time of war or other emergency in international relations, to the protection of the essential security interests of a Member.

Article 15. Definitions

1. For the purposes of this Chapter, a primary commodity is any agricultural product or mineral which enters world trade in substantial volume in a form customarily called primary. The term "primary commodity" may include a primary commodity on which minor processing has been performed in preparation for export. It may also include a group of primary commodities which are so closely related to one another that they can conveniently be dealt with in a single arrangement. Such a group may, subject to Article 7, paragraph 3, include appropriate non-primary commodities.

2. For the purposes of this Chapter, the term "Member" or non-Member" shall, where it is appropriate, be taken to mean a Member or non-Member with its dependent territories. If a Member or non-Member and its dependent territories form a group, of which one or more units are mainly interested in the export of a commodity and one or more in the import of the commodity, there may be either joint representation for all the associated territories or, where it is so desired, separate representation for the territories mainly interested in export and separate representation for the territories mainly interested in import.

3. An intergovernmental commodity arrangement is any accord between two or more governments relating to a commodity other than
an accord relating to the purchase and sale of a commodity falling under Section F of Chapter IV of this Charter.

4. A regulatory agreement is an inter-governmental commodity arrangement involving regulation of the production, export or import of a commodity or regulation of prices.
SUGGESTIONS FOR THE ASSIGNMENT OF FUNCTIONS AND ORGANIZATIONAL RELATIONSHIPS

Throughout the above draft Chapter, though not in one instance, the term "Organization" has been used without specifying a particular part of the Organization. However, the ideas of the Committee on Intergovernmental Commodity Arrangements as to the allocation of functions in connection with such arrangements to various parts of the Organization were forwarded to the Committee dealing with Administration and Organization. These suggestions are set out in the following table.
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(NOTE: with reference to paragraphs 1 and 2 of Article 7, it would appear that the determination whether the circumstances in fact exist in which a regulatory agreement may be used will be made "by consultation among the Members having an important interest in the trade in the product concerned". See Draft Charter, Article 55, paragraph 6, read together with Article 66, paragraph 3, and Article 45, paragraph 2 (b)).
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<tr>
<td>Article 12 Paragraph 1</td>
<td>Disposal of archives, etc. on termination of an agreement.</td>
<td>Documents in charge of Director-General.</td>
</tr>
<tr>
<td>Article 12 Paragraph 2</td>
<td>Receipt of information regarding existing commodity arrangements; review and decision regarding continued participation.</td>
<td>Executive Board (subject to approval of the Conference) upon recommendation of the Commodity Commission.</td>
</tr>
<tr>
<td>Article 12 Paragraph 2</td>
<td>Similar function in connection with negotiations.</td>
<td>Executive Board (subject to approval of the Conference) upon recommendation of the Commodity Commission.</td>
</tr>
</tbody>
</table>

NOTE: General matters not specifically referred to in the Draft Charter which involve the Organization will normally fall within the province of the Commodity Commission in its advisory capacity to the Executive Board.