Appended to this note members of the Committee will find a preliminary draft of a possible report by Committee IV. This has been prepared by Mr. Doutch whom I ventured to nominate as Rapporteur. I took this step because of the necessity of pressing on with the preparation of a report from the full Committee in advance of our next meeting which comes very closely before the date set for the final plenary session. I hope that the Committee will approve my action in so nominating Mr. Doutch.

This preliminary draft report is naturally only prepared for the assistance of the Committee and is subject to amendment not only in substance but also in the light of any of the proceedings of Committee IV when it meets to consider the report of the drafting Sub-Committee.

J.R.C. HELMORE

(CHAIRMAN)
1. Committee IV was appointed to consider general policy regarding inter-governmental commodity arrangements in relation to the objectives of an International Trade Organization. The Committee has held eight meetings.

2. Seven meetings of the Committee were devoted to a general discussion of the special difficulties in primary commodities, the role of inter-governmental commodity arrangements in the solution of these difficulties, the principles that should govern such arrangements, 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 and the FAO "Proposals for a World Food Board". The Committee had the benefit also of a general statement on the work of the Food and Agriculture Organization from the latter's observer.

4. At the fifth meeting 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 the objectives and principles 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. The points on which agreement was not reached were set out in the sub-committee's report by alternative texts or by stated reservations.

6. The sub-committee's report was taken as the basis for the preparation of the draft report of the main Committee which was considered at its eighth meeting. At this final meeting the Committee (made amendments and) adopted its final 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. Nevertheless, the root causes of these difficulties in particular cases 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 recognized the need, in certain circumstances, for inter-governmental commodity arrangements and for agreement on the general principles to govern their use.
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 strictly limited exceptions, these provisions should apply solely to primary commodities. It was considered that a statement covering inter-governmental 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.

4. There was general agreement that the objective of inter-governmental 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 should 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. Some delegations doubted whether these general objectives were adequate to all needs, and suggested specific additional objectives covering the moderation of pronounced fluctuations in prices; provision for increase production to meet serious shortages; and the establishment of a "reasonable" or "just" price.
5. The Committee agreed that inter-governmental 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 an appropriate organization or adequate information does not already exist, a Study Group should be formed to examine commodities which are experiencing, or are expected to experience, special difficulties. If a Study Group concludes that an inter-governmental commodity arrangement is necessary; it should be followed by a Commodity Conference to discuss the appropriate measures to meet the special difficulties.

6. 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.
7. 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 should also be able, at the request of 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.

8. There was agreement on certain general principles which should apply to all inter-governmental commodity arrangements in order that they may conform 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. In regard to voting on substantive matters, the Committee was not able to reach agreement on whether the voice of importers and exporters should be exactly equal. The clause as drafted represents the majority view. 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 nutriti
Finally it was agreed that all inter-governmental 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.

9. A distinction was drawn between those inter-governmental commodity arrangements which involve the regulation of trade, production or prices, and those which do not. The former are referred to as regulatory agreements. A suggestion was made that the phrase "or prices" should be deleted from this definition of regulatory agreements. The object of this proposed deletion was to allow schemes, which have as their objectives the stabilization of prices without the regulation of production and trade, to be adopted in circumstances other than those laid down for regulatory agreements.

10. 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 particularly to 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 "underemployment". 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. Certain delegations were of the opinion that the statement of defined circumstances in which regulatory agreements could be used did not meet all requirements.
The question was raised whether there should not in addition be provision for the possibility of concluding a regulatory agreement when an existing or anticipated shortage gave rise to high prices, which in their turn, might lead to excessive production. It was generally agreed that, under the defined circumstances, an agreement could be made in respect of a commodity suffering from a shortage if the history of that commodity showed that a burdensome surplus could be "expected to develop" at some future date. It was also suggested that the statement defining the circumstances in which regulatory agreements may be used, should mention the injury incurred by consumers during a period of shortage, in order that suitable recognition may be given to the interest of consumers as well as producers.

On the other hand it was considered that consumers' interests were already sufficiently taken into account. It was 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.

11. The Committee agreed that in addition to the general principles applicable to all inter-governmental commodity arrangements, regulatory agreements should be subject to certain additional principles. These concern such matters as procedure, relations between countries participating in agreements and countries not participating, the assurance of adequate supplies to meet world demand at reasonable prices, and the provision of increasing opportunities to meet world needs from the most effective sources of supply. In this connection, the Committee wished to ensure that restrictive measures are used only when essential to prevent or remedy serious dislocation or hardship, that they do not lead to exorbitant prices, and that they do not afford permanent shelter to the less effective sources of supply.
12. Every regulatory agreement should provide for a governing body (Commodity Council). Each participating country should be entitled to be represented and to vote. Voting power may be distributed among countries according to the extent of their individual interests. Each Commodity Council should work within the framework of the International Trade Organization, which may appoint 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.

13. It was agreed that regulatory agreements should not be regarded as permanent. They should be effective for not more than five years and should contain provisions for periodic review. Where the operation of an agreement has failed to conform to the agreed principles it should be revised accordingly. If this is not possible it should be terminated.

14. It was agreed that there should be provision for the settlement of disputes. Procedure was agreed regarding the settlement of disputes involving the interpretation of a regulatory agreement. In regard to matters not involving interpretation, it was agreed that regulatory agreements should contain provision for arbitration, but there was a difference of opinion on whether or not final arbitration should rest with the Organization.

15. In order to bring existing agreements as far as possible into line with the general principles, 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.

16. 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.

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

18. The Committee discussed the general question of escape clauses. It was agreed that where there was unreasonable delay in the calling or 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 principles. One delegation wished to go further and felt that there should be specific provision for vitally interested members to proceed where the Conference fails to make a recommendation in favour of an agreement.
19. The Committee also discussed and came to a substantial agreement upon 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, but did not prepare a text covering these matters since it was felt that they should be considered together with other organizational aspects of the International Trade Organization as a whole.

We append a text drawn up in the light of the Committee's deliberations together with some notes drawing attention to alternative suggestions or suggestions for additional passages [to be added after the Committee has met.]