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International Wheat Agreements



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INTRODUCTION

THE opening paragraphs of a paper of this kind should be devoted to a definition of the scope and limits of the subject. At the present time international trade is so overshadowed by currency disorders and political considerations that any attempt to examine an international wheat agreement as such is liable to produce a particularly incomplete and unrealistic study. Nevertheless, for the purpose of this paper the subject must be kept within bounds and for that reason the currency and political factors, which influence the situation so greatly, cannot be given the attention which, in practice, they must receive.

In the broadest sense international wheat agreements may be bilateral or multilateral and may cover a single transaction or several years' trading. In this wide sense almost all the wheat imported into Britain in the last ten years has been covered by an international wheat agreement of some kind. By far the most important is the Anglo-Canadian Wheat Agreement of 1946, which alone would repay careful study. The following paragraphs, however, are concerned with multilateral agreements extending over a number of years—that is, agreements similar to that drawn up in Washington in March 1948.

It is not proposed to examine the 1948 Agreement in detail, but only certain broad aspects of it which would apply to any similar agreement. The terms of that Agreement are not examined one by one, but reference is made only to such articles of it as apply to the aspects under consideration. That is not to say that a careful study of the detailed provisions of that Agreement would not produce some interesting and significant conclusions, but if the basic principles of the Agreement do not stand up to careful analysis, we can spare ourselves an intricate examination of the details.

THE BACKGROUND

The idea of an international wheat agreement is not new, and, under the conditions of recent years, it was only to be expected that it would be revived. War conditions made controls and planning inevitable and it seems to be equally inevitable that controls and plans lead to super-controls and super-plans. This is the result of the complicated relationships and widespread ramifications which exist

in modern trade and industry. The control of one factor necessitates the control of another and that in turn calls forth other controls, and, ultimately, a master control of the whole field. Once the process has started it becomes almost essential to its success that it should press forward until every loophole and every eventuality is covered. Under such conditions incipient planners develop like hothouse plants, and there grows up a body of experts who, under more normal conditions, might have been born to blush unseen. Those at the top of the profession operate through the medium of international conferences which are, for preference, held in foreign countries. It was unlikely that the international trade in wheat would escape attention for very long and, indeed, it has been under siege since the early war years.

While supplies of wheat were, or seemed likely to be, short, the importing countries showed most interest in international planning, but as soon as there was a prospect of some surplus it was the turn of the exporting countries to set the pace. It is no accident that the International Wheat Conference in 1947 met in London while its successor in 1948 met in Washington. The opening days of 1948 had brought the first reports of improved supplies and the beginning of February saw a spectacular fall in prices. The supply position continues to improve and so the 1949 Conference (for it had become an annual event) was again in Washington.

But where London failed, Washington may well succeed because of circumstances which are not directly concerned with wheat. In 1947 Britain was not willing to pay the price required by the exporting countries, but in 1949 it may not be so easy to resist the demands of the world's principal creditor country. It is significant that in spite of the greatly improved supply position, Britain was prepared to accept, in 1948, prices which were higher than those she rejected in 1947. While, therefore, the bargaining position of the importing countries has, so far as wheat supplies are concerned, improved immensely, their position in other respects has deteriorated so much that they may not be able to resist an agreement of some kind. It may be that the circumstances were never more favourable to the making of an agreement or less favourable to the keeping of it.

If, however, the planners have so far been unsuccessful in the international field, they have been only too successful in the national field. Their activities are best illustrated by events in Argentina. During recent years the export price of wheat demanded by the Argentine state monopoly has risen from 45 pesos per quintal to

60 pesos per quintal. During the same period the equivalent price paid to Argentine farmers has increased from 15 pesos per quintal to 25 pesos per quintal. Argentine farmers have received directly only a little over one-third of the price which importing countries have had to pay.

The position in Canada and Australia differs from the Argentine only in the degree to which the same practice has been adopted. While the Canadian Government was selling wheat to Britain at 155 cents per bushel and to other countries at more than 250 cents per bushel, the Canadian farmer was receiving the equivalent of 130 cents per bushel. When the price to Britain was raised to \$2.00 only half the increase was passed on directly to the producers. In Australia the guaranteed price to farmers was much less than half the export price. It is true that bonuses have been or are to be paid to farmers at some future date, but in such a way as not to encourage any immediate extension of the wheat acreage. Indeed, in addition to withholding payments for wheat, the acreage has been restricted by other means and by encouraging the production of crops other than wheat.

Thus, by withholding the high prices from the producers and by other means, the exporting countries have prevented an extension in the area sown to wheat. In spite of the fact that they suffered no war devastation, the area sown to wheat since the war has been less than the pre-war acreage. The total wheat acreage in Canada, Australia, and Argentina averaged 10 per cent. less during the years 1945-8 than during the years 1935-9. In the countries concerned, this policy may have appeared to be a prudent one. It may have prevented the re-development of an economy too dependent upon wheat and it may have prevented inflation. But at the same time there were, in other countries, people living on very restricted diets; people who could not get enough bread to eat; in extreme cases, people who were dying of starvation. In these countries the restrictive policy adopted by the exporting countries appeared to be designed to raise the price of wheat to \$3.00 a bushel by limiting production without much regard to the consequences.

Certain comments on this situation appear to be legitimate. First, since the importing countries have had to pay a high price without receiving any compensating increase in production, they may legitimately feel that they have already made their contribution towards the stabilization of the international wheat trade. They are not likely to feel morally bound by any international agreement which requires

them to make any further contribution. Secondly, it is evident that the exporting countries can and might manipulate their domestic affairs so as to ensure that they would get the maximum advantage out of the terms of any international agreement. Thirdly, the artificial reduction of wheat production in the exporting countries has provided a correspondingly artificial incentive to wheat production in the importing countries. It has given rise to policies of self-sufficiency in the importing countries which are exaggerated by the currency difficulties and which can only be detrimental to all concerned.

As an aside, it may be remarked that it has often been suggested or implied that a free-wheat market, and particularly a futures market, is an immoral thing, because those who engage in it are concerned for their own welfare rather than the welfare of bread-eaters. It has not been demonstrated that, in this respect at least, governments do now differ from individuals except in that their operations, being on a larger scale, are more effective. Governmental control is no solution to any moral objections which there may be to a free market in wheat.

To these conflicting influences must be added uncertainty as to the attitude of Argentina and Russia (with which must be included eastern Europe) in the matter of an international wheat agreement, together with uncertainty as to their future status as wheat exporters.

These are some of the factors which make up the background on which any international wheat agreement must be superimposed.

INTERNATIONAL WHEAT AGREEMENT

To be successful, an international commodity agreement must not operate so as to appear disadvantageous to any of the parties to it. It is almost certain that if such an international agreement does appear to bear hard upon one of the parties to it, then it will quickly become inoperative. There are several reasons why this is so. Most international agreements are so complicated that they have to contain escape clauses, and the conditions of escape can often be justified. This is facilitated by the fact that in most countries national leadership fortunately changes from time to time so that very soon the affairs of some countries are likely to be in the hands of men who feel no direct personal responsibility for the commitments of their predecessors. Further, while agreements between man and man can be enforced by the process of the law, between nation and nation they can, in the finality, be enforced only by resort to war. And nobody is likely to commit themselves to war in support of an international wheat agreement.

Thus, Article V of the 1948 International Wheat Agreement, which was euphemistically headed 'Adjustment of Obligations', and Article XXII, which was frankly headed 'Duration, Amendment, Withdrawal, and Termination', provided the escape clauses. Article XIII, which was headed 'The Powers and Functions of the Council', could not avoid making it obvious that, in the event of a default, the powers were limited to drawing attention to the matter. Consequently the foundation of the Agreement must rest upon mutual goodwill and mutual benefit. The whole background leaves some doubt as to whether mutual goodwill is universal and consequently the necessity for mutual benefit is all the more pronounced.

However, let us put it no higher than this: that if it is to endure, an international wheat agreement must not operate so as to appear to be disadvantageous to any of the parties to it. Among other things, we have to consider, therefore, whether an agreement of the kind which has been contemplated would be likely to fulfil this requirement.

The 1948 International Wheat Agreement probably sets the pattern for any future agreement. It consisted of over 100 paragraphs in twenty-two articles and could not fail to fill one with admiration for the draftsmen. The plan was that three exporting countries (America, Canada, and Australia) should guarantee to sell, and thirty-three importing countries should guarantee to purchase, 500 million bushels of wheat each year for five years. The maximum price was never to exceed \$2.00. In the first year the minimum price was not to be less than \$1.50 and it fell each year by 10 cents so that in the fifth year the minimum price was to be \$1.10. Within these limits the price was to move freely. The exact quantity which each country guaranteed to sell or to purchase was specified.

The Agreement envisaged that there would be transactions in wheat which would be outside its scope and at 'free-market prices'. These transactions might be purchases or sales over and above the guaranteed quantities. Obviously the demand for and supply of wheat cannot be forecast over five years with such accuracy that there would be no necessity for a margin between the guaranteed and the actual purchases and sales. Further, there would be countries outside the Agreement, and transactions between them, or between one of them and a country in the Agreement, would be outside the scope of the Agreement. These transactions were to provide the free-market price.

With the lesson of the post-war years before them, the experts who framed the Agreement endeavoured to ensure that prices would

move freely. Paragraph 9 of Article VI—which deals with prices—provided that the countries which were parties to the Agreement undertook not to operate their internal agricultural and price policies in such a way as to impede the free movement of prices between the maximum and minimum provided in the Agreement. In spite of the fact that a number of countries indicated their intention to ratify the Agreement, it is impossible to believe that they intended to implement this undertaking. It would have involved the wholesale and complete reversal of internal policy and procedure in the exporting countries at least. Of all the provisions of the Agreement, this one was, perhaps, the most unrealistic. The exporting countries would not have been able to reverse their present restrictive policies any more than the importing countries could have given up their efforts to reduce their dependence upon the international supply.

However, the plan of international trade under the Agreement was to be as follows. The first 500 million bushels which was surplus to the requirements of the exporting countries would be sold in advance to certain importing countries in certain proportions at prices limited by the Agreement. Any surplus over and above 500 million bushels would be available to meet the additional requirements (if any) of the importing countries which were parties to the Agreement and the requirements of countries which were not parties to the Agreement, at free-market prices. Thus, if the exporting countries' surplus was 550 million bushels, then 500 million bushels would be sold at prices subject to the Agreement and 50 million bushels would be sold at free-market prices—that is, at prices determined by the demand for the 50 million bushels.

It is reasonable to assume that any new international wheat agreement will follow broadly this same plan. There will certainly be much new bargaining about revised prices and altered quantities, but because planners have no imagination (for if they had they would see the futility of their plans) the now-familiar structure is likely to reappear. The combinations and permutations of influences which the elaborate internal policies of the various countries have upon international trade, make it necessary to resort to simplification in order to get a clear picture of the probable effect of such an agreement. Indeed, it is necessary to risk over-simplification in the following *exposé*.

Unfortunately, the demand for wheat is not very elastic. On the one hand, those peoples which eat wheat tend normally to make any necessary adjustments in their economy by varying their consumption

of other commodities rather than wheat. On the other hand, the non-wheat eaters require a drastic price reduction before their interest in wheat becomes really effective. At the same time the supply of other cereal crops tends, normally, to move in the same direction as the supply of wheat so that the use of wheat as a substitute for other cereal crops is limited.

The world's total production of wheat is of the order of 600 million quarters. (That, of course, excludes China. Exact precision is not necessary for the present purpose.) More than 500 million quarters are consumed in the countries of production, and less than 100 million quarters figure in international trade. If there is a world tendency towards increased sowings of wheat, or if there are general good harvests, the total production may increase in a year by, say, 5 per cent. to 630 million quarters. Because of the inelasticity of demand, the greater part of the increased production will become available to international trade. For the purpose of illustration it is reasonable to assume that, say, two-thirds of the increase, i.e. 20 million quarters—will be on offer. Thus the total amount to be dealt with internationally will rise from 100 million quarters to 120 million quarters—an increase of 20 per cent.

This is the fundamental marketing difficulty. A variation of 5 per cent. in production means a variation of 20 per cent. in the amount to be sold on a relatively inelastic international market. Consequently the variation in prices is quite disproportionate to the variation in production.

To meet this difficulty, the International Wheat Agreement proposes to provide a guaranteed market and controlled prices for upwards of 60 million quarters (500 million bushels) and to allow the balance to change hands at free market prices. The effect of this is to reduce from 100 million quarters to 40 million quarters the quantity of wheat which is free for international trade. Under these circumstances, an increase of 5 per cent. in total production, which, as illustrated above, adds 20 million quarters to the free market, will increase free supplies from 40 million quarters to 60 million quarters—an increase of 50 per cent. instead of 20 per cent.

The figures used in this illustration are sufficiently near actuals to provide a reliable indication of the real position. The Agreement, therefore, would have the effect of greatly exaggerating the disproportionate influence of crop variations upon free prices. The free market would be so limited that it would be very easily flooded or

starved. The fundamental weakness of the marketing arrangements would be exaggerated. So far as the free market is concerned, the Agreement would have the reverse effect to that for which it was designed. The free-market price would tend to swing violently from high to low or low to high at the least indication of a good or bad harvest.

The Agreement contained some provisions about reserve stocks which may possibly have been intended to limit catastrophic variations in prices on the free market. There was provision for minimum end-of-season carry-over stocks and for a 'price stabilization reserve'. This reserve was to be 10 per cent. of the guaranteed purchases and sales and was to be accumulated when free-market prices were below the guaranteed minimum price. It was then to be liquidated when the free-market price exceeded the guaranteed maximum price.

It is not necessary to consider very seriously the effect of these arrangements with regard to stocks. The minimum end-of-season carry-over stocks were so remarkably low in comparison with the normal actual carry-over that they might as well have been omitted from the Agreement. Similarly, the so-called price stabilization reserve would not exceed the amount normally to be found in the 'pipe lines' of supply under the conditions which would bring the reserve into operation. The minimum carry-over stocks plus the price stabilization reserve would not exceed the normal accumulation of stocks on a falling market. It is improbable, therefore, that these provisions of the Agreement would have any effect on free-market prices, but in any case it is sufficient for the present to note that they were not intended to operate unless the free-market price was below the minimum or above the maximum guaranteed price.

The arrangement with regard to reserves would not therefore prevent the Agreement from having the effect of exaggerating price movements on the free market. It is obvious, too, that the more comprehensive the Agreement becomes, the more restricted would be the free market and the more exaggerated would be the fluctuations in prices. It seems inevitable that the free-market price would, at the slightest hint of a surplus, fall below the minimum guaranteed price and, at the least suspicion of a shortage, rise above the maximum guaranteed price.

It is true, of course, that these artificially low or artificially high free-market prices would affect only a very small proportion of the crop, but they must affect the guaranteed prices provided in the

Agreement. The effect would be that the guaranteed price would not move freely and easily between the maximum and minimum provided in the Agreement. If it moved at all it would jump rapidly from minimum to maximum or vice versa, following the artificially exaggerated responses of the free-market price to reports of the supply position. All or almost all transactions under the Agreement would be at the limits of the permitted price range. In these circumstances either the importing or the exporting countries would be given an exaggerated impression of their disadvantageous position under the Agreement. If the price paid under the Agreement remained at the maximum, the exporting countries would believe that they had made a bad bargain, while if it fell to the minimum, the importing countries would feel that the Agreement was unfair to them. This impression would be heightened by an inevitable disposition to regard the free-market price as the true price and the guaranteed price in the Agreement as artificial—when the reverse might be more nearly the case.

The proposition to be deduced from the above is this. Agreements similar to the International Wheat Agreement are not likely to last very long unless they appear not to be detrimental to all the parties to them. At the same time, the form of the International Wheat Agreement was such that it would be extremely likely to appear detrimental to one or other of the groups of parties to it. It follows that an international wheat agreement of such a kind is not likely to endure.

Having arrived at this conclusion on an analysis of the wheat market, it is not necessary to plunge into a jungle of conflicting influences which would have to be considered in an examination of the question whether an attempt to isolate and stabilize the price of one commodity would be successful in a fluctuating economy.

If the above analysis is valid; that is to say, if the defects of the marketing system are exaggerated by narrowing the free market, it follows that a broadening of the free market should mitigate those defects. A broadly based market is normally much steadier and more healthy than a narrow, limited, nervous market. If there are 100 buyers and 101 sellers, the position is not so bad as if there are 1 buyer and 2 sellers—even although the surplus of sellers is 1 in both cases. It is not the amount of a surplus or deficiency which causes marketing difficulties, but the ratio of that amount to the free trade. This ratio can be improved either by reducing the amount of the surplus or deficiency, or by increasing the amount of the free trade.

A reduction in the amount of the surplus or deficiency involves the effective control of production or consumption. That means control, not in one or two countries, but almost universally. Such control is so obviously impracticable that it is not perhaps necessary to set out all the considerations which would arise. Even the planners of the International Wheat Agreement did not attempt it.

The alternative is an increase in the amount of the free trade. In practice this means international agreement to reduce and remove the restrictions on a wide, free market. This idea is an attractive alternative. Instead of attempting, by an international wheat agreement, to build up a pyramid of international control upon national control, it would aim at reducing and removing both international and national control. Instead of superimposing artificial restrictions upon artificial conditions, it would aim at the removal of the artificial conditions. It may be too early to take great strides in this direction just yet, but it cannot be too soon to turn about and face this way.

It is convenient to think of the market as having three dimensions. The length, breadth, and depth correspond to the volume of trade, the number of traders, and the period of delivery. All three play their part in the structure of a healthy market and the restriction of any one of them is likely to lead to an unsatisfactory condition. It is worth while considering them individually.

The volume of trade has been limited in the immediate past by the restrictive production policies of the exporting countries and is likely to be limited in the near future by the self-sufficiency policies of the importing countries. There is ample scope for international bargaining and international agreement in the simultaneous reversal of these policies. An international wheat agreement might consist of specific undertakings to stop discouraging the production of wheat in the exporting countries and to stop economizing in its use and subsidizing and encouraging its production in importing countries. The result would be a very considerable increase in the volume of trade and a corresponding improvement in the structure of the market. There are other steps which can be taken with the same end in view, but that is sufficient for a first objective.

The number of traders has been reduced to a minimum by government-to-government trading and by bulk buying and bulk selling by governments and monopolies. The elimination of these practices might also be the subject of international agreement. Unless they are eliminated it would be useless to increase the volume of the trade,

because the result would only be bigger transactions instead of more transactions. There would still be 1 buyer and 2 sellers instead of 100 buyers and 101 sellers. It is possible that the Anglo-Canadian Wheat Agreement of 1946, which was the biggest government-to-government transaction, was also the biggest single factor in raising the export price of wheat by severely limiting the free supplies. Bulk buying has, however, become such a burning question that it justifies separate consideration.

The third dimension of a healthy market is the period of delivery and an extension of this involves the redevelopment of the futures market. The contributions which a well-conducted futures market can make to orderly trading and to stability are so obvious that its opponents have always had to base their objections on ethics. The ethical approach to the question had two advantages: it was possible to debate the subject without first having to gain any knowledge of futures trading and, at worst, it ensured an inconclusive discussion. However, experience during recent years has shown that the behaviour of governments is not more subject to ethical consideration than that of individuals. The ethical arguments in favour of controlling the activities of individuals consequently collapse for want of a suitable authority to exercise the control. The more practical advantages of futures trading, which need not be enumerated here, should therefore determine the matter.

BULK BUYING

The advantages and disadvantages of bulk buying provide the most topical controversy in international trade in general and in the wheat trade in particular. An international wheat agreement of the kind drawn up in 1948 is simply bulk buying on a very large scale. Less ambitious transactions must have the same effect, on a smaller scale, of narrowing the market, and therefore exaggerating fluctuations and creating instability. Is it possible that these smaller deals might have advantages which would compensate for their less pronounced disturbance of the market?

The controversy surrounding bulk buying too often degenerates into an argument as to whether a particular transaction, or series of transactions, was more favourable to the purchasing country than would have been the case if individual traders had been left to deal with the situation. This type of argument is fruitless. It is highly probable that when a bulk buyer first appears in a market his bargain-

ing powers are initially strengthened. But this advantage is short-lived because the appearance of a bulk buyer almost invariably produces a reflex-action which takes the form of bulk selling. In the end the bulk buyer is likely to reduce rather than increase his bargaining strength. At least this must be so in the case of wheat because there are more potential bulk buyers than bulk sellers. (In the 1948 international wheat negotiations there were thirty-three bulk buyers and three bulk sellers. The sellers were much bulkier!) But all the arguments about bargaining strength are really beside the point because if it is used simply to lower the price, it will, before long, lower production and thus weaken the position of the buyer.

There are, however, two ways in which bulk buying may be of real and lasting benefit to the buyer. First, if a bulk purchase provides a certain outlet for a large quantity of a commodity it may make possible a decrease in production costs. If this decrease is reflected in the price to the consumers it may increase consumption. In this way bulk buying may benefit both buyer and seller. Unfortunately, government bulk buying is not designed to serve this purpose at all, and, what is still more unfortunate, in agriculture an increase in production usually implies an increase and not a decrease in production costs. It is not impossible that some of the advocates of bulk buying have, at the back of their minds, some hazy impression of this aspect of the economics of manufacturing, which they mistakenly apply to agriculture.

The other way in which bulk buying in wheat might be advantageous is through a reduction in the costs of distribution. Bulk buying, as it is generally understood, implies buying and distribution by persons employed by, or agents of, a government. Until a few years ago many people would have maintained that employment in the service of the public was more conducive to conscientious efficiency than employment for private profit. Recent experiments have not confirmed this theory and it is no longer accepted that the conversion of a number of people into public servants with impressive designations necessarily increases their proficiency. Indeed, reactionary thought favours the view that, because public servants are not subject to the process of natural selection which operates in private trade, they must be inherently less proficient.

But if the persons are not more proficient, the methods may be. Bulk buying consists of buying a large quantity of a commodity and then distributing it to users who are not allowed any alternative source of supply. If there is a variety of types and grades of the commodity,

it follows that the users' choice of type and grade is restricted to those included in the bulk purchase. Bulk buying may therefore effect economies in distribution by limiting the users' choice. Its detrimental effects will be least where the variety of types and grades is least. To the uninitiated this seems to indicate wheat. They should be made to serve a term in a flour mill or bakery and learn something of the variety of types and grades, but as that is impracticable it must suffice to set out a typical example of the effect of bulk buying.

Late in 1948 English millers were having to use the maximum proportion of English wheat in order to absorb the flow from farms. It had not been a good harvest and much of the wheat had a high maltose content. As a consequence, bakers were having difficulty with the flour. At this moment a bulk purchase of Australian wheat with a high maltose content arrived and was distributed to millers. It was the type and grade which millers did not want. Inevitably it made the bad flour worse. The people who, at this time, remarked that the bread seemed to be worse than usual were, although they did not know it, condemning bulk buying. At first it was hoped that this kind of difficulty was not inherent in bulk buying but was only 'teething troubles'. Years of experience have shown, however, that it is inseparable from the system.

Indeed, it should be obvious that the economy in distribution which can be effected by bulk buying depends upon limiting the users' choice. The limiting of users' choice involves a lowering of the standard of living. Any real advantages which may be derived from bulk buying are therefore obtained by lowering the standard of living. Thus bulk buying appears in its true perspective—a necessary evil in difficult times; a method of trading to be dispensed with when circumstances permit; certainly not a system which we should hope to perpetuate for its own sake.

INTERNATIONAL NEGOTIATIONS

It is impossible to conclude these comments without raising the question whether the procedure of the International Conference is appropriate to matters such as an international wheat agreement. Indeed, it might well be that trade negotiations would be more realistic and agreement would be facilitated if some alternative form of procedure could be adopted. It is unlikely that the atmosphere of an international conference will be conducive to clear, objective thought. There is a number of factors which must affect adversely both the

proceedings and their outcome. The diversity of language, circumstances, views, and convictions is such that it is not possible to advance by way of the shortest distance between two points. Such a direct route may not be necessary in diplomacy, but it is highly desirable in trade.

I well remember an international conference between the wars. It opened in confusion because there was insufficient seating accommodation for all the representatives and advisers from between thirty and forty countries. It was presided over by a former prime minister whose sight had, tragically, deteriorated so much that the reading of a brief was almost beyond him. There was great difficulty with the language problem. All speeches were normally translated into English and French, but one could not follow the French when spoken at the speed used by the official interpreters. When the representative of some distant tropical country paid us the compliment of attempting to speak in English, his remarks were translated only into French, and all but the most fluent French speakers were left with the very roughest idea of his views.

It is impossible to avoid the impression that an unreal theatrical atmosphere of this kind provides the background against which most international conferences negotiate. Nothing else could explain, for instance, the activities of the Food and Agriculture Organization. Throughout the most difficult post-war period, which was perhaps at its worst in 1947, the F.A.O. was mainly concerned to issue a series of dreadful warnings, each one more frightening than the last, foretelling the starvation of millions in the immediate future and of tens of millions in a few years time. These prophecies were supported by estimates of wheat requirements which were in some cases quite fantastic. They were based on the exaggerated demands of importing countries which knew that their stated requirements would be scaled down under the procedure being employed to distribute the available supplies.

The F.A.O. announcements seemed calculated to encourage farmers all over the world to hold up their wheat as long as possible in the expectation of a rise in prices. It is not improbable that governments also were influenced. Indeed it would be surprising if the forebodings of the F.A.O. did not encourage the Argentine authorities to slow down deliveries. These announcements could do nothing but increase the immediate difficulties of the hard-pressed importing countries.

In so far as the F.A.O. represented importing countries, its acti-

vities could only be explained by the curious atmosphere of international conferences which is indicated above. Any normal individual who has to buy in such a bullish market as existed at that time does not shout his exaggerated demands from the housetops. He adopts quite the reverse policy in the belief that, by indicating his intention to tighten his belt and reduce his requirements, he will encourage the free movement of the available supplies. If the F.A.O. had wanted to increase the supplies of wheat it should have directed attention to the restriction of production rather than the expansion of demand. However, these comments are intended only to question whether the procedure of the international conference is appropriate to trade matters. It is possible that the experience of recent years has thrown some doubt on the same question in other spheres.