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International Commodity Contracts

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International commodity agreements are instruments, or tools, of policy. A good deal has been said over the years about possible ways of improving the designs of such tools, and skills in handling them.

Discussions on techniques cannot be done without and, indeed, will need to be carried much further, particularly with specific situations and sets of problems in mind: there are still a large number of technical problems remaining to be solved. All the same, such discussions on techniques cannot in themselves go to the root of the matter. By and large, users and policy-makers in power will manage, at least over time, to get the tools and techniques which they deserve–and also those which they genuinely want to use. Indeed, as the histories of national commodity policies have shown, particularly in some of the more advanced countries, all kinds of tools can be fashioned to order and the users may succeed in getting only too many, provided sufficient pressures exist for putting them into effect.

Thus, in order to explain the low rate of output in the international agreements tools industry (i.e., five sets of agreements in all, in the course of the last quarter-century) as well as the limited degrees of effectiveness of some of the tools in action, we may need to start off by departing for once from the more traditional approaches to these questions, by probing a little further instead into the motivations and attitudes of the users and into the social framework which sets the pace for advance.

I. *The evolution of social codes*

Undoubtedly, the evolution of any new code of social ethics is a slow business. It is often only by looking at matters in long-term perspective that we can begin to discern some signs of progress.

Take, for instance, one of the oldest manifestations of the principle of reciprocity: 'An eye for an eye and a tooth for a tooth'. Taken by itself, the moral contents of this ancient law can hardly be called inspiring. Yet, seen against the background of its time, it meant a distinct advance: the point being that until then there had been no generally accepted principles for limiting the scale of retribution or revenge. Thus, the imposition of ceilings based on reciprocity ('not more than one eye for one eye') represented a major moral constraint. Similarly, the very fact of strengthened public concern with matters of retribution, supported by enforceable claims and floors, based again on reciprocity ('not less than one eye for one eye') provided some modicum of added security for those of the injured, or vulnerable parties who until then might have been without effective means of deterrent or redress, having been too weak to take retribution into their own hands.

Indeed, so great were the historical advantages of such 'moral innovations' based on principles of assured reciprocity that the protection afforded by them was usually confined, to start with, to internal relations within small and socially unified communities, or even merely to those among the members of particular privileged groups. In external relations with unequal partners, the extension of the principle of assured reciprocity would have been considered unnecessarily generous (in dealing with the weaker) or futile (in dealing with the stronger).

A much longer time still usually had to elapse, in the evolution of any communal or national code, for the social consience to go beyond the stage of mere reciprocity, by recognising some unilateral claims on the stronger by the weaker and by the community as a whole.

And it was not, as a rule, until that further stage in ethical consciousness had been reached that a clear line of demarcation began to emerge as between the functions of the law of contract, i.e., of private law, and those of public law.

I.I. *Reciprocity, the law of contract, and the 'public interest'.*

Under the law of contract, the stimulus derived from reciprocity is bound to remain supreme. This is because the function of private law is essentially a passive one, namely, that of providing a framework of rules. Whilst the character of the rules will reflect the social climate of the communal life of which they form a part, the *initiative* for action remains entirely with the contracting parties. From this, it follows that binding agreements will simply not come into existence, within the framework of private law, unless there are sufficient matching individual incentives for some particular bundles of rights and obligations to be accepted by all of the parties concerned. The larger the number of contracting parties required for arriving at an effective deal and the less equal their respective positions of bargaining strength, the greater, cet. par., will be the inhibitions to action under any system based solely on the law of contract.

In some spheres of contracting, the weaker parties may be able to strengthen their bargaining power by means of joint action. This system, however, will be fully effective only in those particular trading situations where (a) the demand for the product jointly offered for sale remains inelastic, whilst (b) the sellers can succeed, by means of sufficiently unified and comprehensive action, to control the volume of offerings in the market. Unless these two conditions are given, sufficient reciprocity of interests will be lacking for the sellers' bargaining positions to be maintained at strength.[1]

In public law and policy-making, on the other hand, including a wide range of diverse disciplines extending from constitutional law to, say, fiscal policy,

1 For this reason, the maintenance under private law of collective bargaining powers at strength will frequently require the added support of some complementary provisions of public law, by means of restrictions on competing outside supplies (e.g., restrictions on immigrant labour, or on imported agricultural produce, or, under any publicly sanctioned cartel, differential treatment of supplies from members and non-members).

the stimulus derived from reciprocity is no longer assumed to provide the main engine for action: nor is the attainment of a bundle of matching reciprocal advantages the main objective. Instead, the principles of reciprocity are modified by whatever happens to be defined as the 'overriding public interest'—which definition depends in turn on such tenets of equity and policy objectives as may have been adopted by those in control, directly or indirectly (i.e., with indirect controls being exercised, in any democratic system, by voting powers and by the resultants of other influences of partly conflicting interests—or, instead, under a centrally planned system, by means of general directives for the processes of decision-making at various levels of delegation).

Within any *national* context, therefore the law of contract will usually be found to work, for the simple reason that no one expects it to do much more than, in fact, it can. In particular, no one expects it to provide, still less to initiate, the dominant portion of all such actions as may be found required in the interests of the community and in those of its weaker members.

At the same time, public law and policy-making will usually be found to work, at least after a fashion, because of the powers of delegation and control inherent in any national system. Whilst to the outside observer (and indeed to many of the inside actors) the resulting state of a nation's public law may well diverge considerably at times from what he (or they) may regard as being the best interests of the community, the main point here at issue does not concern the actual contents of any particular code of public law but the very fact of recognition, within any national context, of the need for its existence and the availability of effective channels for its formulation and enactment.

Thus, the distinction between private and public law is not merely a matter of legal form. The existence of a separate body of binding public law reflects a necessary stage in the evolution of the underlying code of social ethics, by giving recognition to the public interest.

I.2. *The inherent weakness of international policy-making*

Given these simple facts of life, it is not really surprising that the evolution of any *internationally* applicable code has proved so slow a business: the main point being that in the conduct of international affairs, whether political, economic, or social, we are still relying almost exclusively (and, I believe, will inevitably need to go on relying, for quite some time to come) on the merely permissive provisions of the law of contract, possibly supplemented by occasional voluntary pledges, for attaining all the ends of both private and public law, including those required in the 'overriding interests' of the world community and in those of its weaker members.

Social consciousness is beginning to show some signs of recognition of the need for a wider-perspective code. This has led to some more advanced formulations of agreed intergovernmental principles and guiding lines for action. Efforts are also being made, by those in favour of action, to strengthen the prospects of practical application of such a more advanced code, e.g., by trying to attain agreement on pledged objectives in quantified terms and by slanting the contents of the principles in ways oriented towards action. All the same, these agreed formulations hardly ever contain any binding commitments. In turn, when it comes to specific negotiations on binding agreements, the traditional attitudes of contractual bargaining, based on immediate direct reciprocity of matching trading advantages, still carry a strong hold. The fact that the contracting parties happen to be sovereign nations, represented by their governments, does not necessarily make their respective negotiating positions much more farsighted and 'public-spirited' than those held, under any national code, by private parties acting under the law of contract. In these circumstances, such gradual improvements as may be attained in the formulation of general principles, whilst they are of importance in taking the contracting parties closer to some suitable lines of action and in keeping them away from others, cannot in themselves *create* action.

This, in essence, is one main reason for the persistent dichotomy, so frequently observed in international affairs, especially in the course of the postwar decades, of successive rounds of formal intergovernmental declarations which reflect an almost universal consensus on sets of general principles and on the need for action, standing in contrast to the poor record of practical achievements.

The postwar history of international commodity arrangements and policies illustrates this dichotomy with only few exceptions.

II. *International commodity agreements: the postwar record and the status quo*

II.1. *The initial postwar code*

At the end of the war, several strands of influences combined in creating a sense of urgency and optimism with respect to the early creation of a widespread network of individual commodity agreements as part of a new international economic order.

The main objectives of such a comprehensive new system, as envisaged by its earliest advocates, notably Keynes, were seen as those of dealing with temporary disequilibria, mainly by means of stabilising buffer-stock operations, and of thereby strengthening the anti-cyclical defences of the postwar world.[2] The main dangers feared by at least some of the most influential governments at the time were those of monopolistic constellations

2 Thus, it was characteristic, for instance, that Keyne's memorandum on *International Commodity Agreements* (1943), advocating a network of such agreements, was written as a twin paper to his better known contribution on an *International Clearing Union,* advocating bancor as a means for overcoming temporary disequilibria in international payments. (Whilst the latter memorandum was released at the time as a White Paper, the former retained the official status of a secret Cabinet Paper, though the main lines of the proposals contained in it came to be fairly widely known). The main joint purpose of both sets of proposals was that of creating a strong system of intermeshing mechanism for international adjustments, thereby lessening the cyclical disturbances in national economies and in world output and trade as a whole. At the same time, the commodity policy paper did also refer to the problem of persistent disequilibria which, it was noted, might have to be dealt with by means of quota agreements.

on the part of the sellers, or exporting countries, under any mechanisms allowing for the joint restriction of supplies.

Indeed, so great was the confidence of attainment of such a comprehensive network of agreements being just around the corner, but also the fear of monopolistic strength, that the main efforts of the first intergovernmental round of postwar code-building on commodity policy matters (Havana, 1947) went into formulating a series of carefully drafted restraints, minimum conditions of balanced representation of opposite contracting interests, and other operating safeguards of various kinds, so as to protect the world and especially the buyers, or importing countries, against the dangers of being swamped by a flood of world commodity cartels.[3]

It did not seem to occur to any one at the time that the whole of the proposed network, far from proving dangerously strong, might simply fail to come into existence at all: and that the main problems of the ensuing decades might be found to result from persistent trends of structural weakness, rather than monopolistic strength, of the bargaining positions of the sellers, even when based on joint action, for most of the staple commodities entering world trade.

It is also worth noting that at the time of initial intergovernmental postwar code-building, the larger number by far of today's independent exporting countries had not yet come into existence. Thus, for instance, the number of independent African countries eligible for signing the Havana Charter was only three. Today, their number would be well over forty.

By the time the newly independent countries had begun to participate actively in the processes of international policy-making (which, in the majority of cases, was not until the beginning of the 'sixties'), the trading positions for many of their staple export products had lost a good deal of further ground in world markets. Even in cases of products for which there had been a steady growth of demand, the relative importance of these products in the economies of the more advanced importing countries and also in their overall trading patterns was frequently very much lessened.

In the circumstances whilst the developing countries did manage, up to a point, to gain acceptance of some more advanced formulations of general principles and policy objectives, the acceptance as such of some strengthened general texts could do little in itself to expedite action. Indeed, given the

3 Although never ratified, the initial postwar code as contained in Chapter VI of the Havana Charter, still remains formally accepted by Members of the United Nations as a general guide in matters of negotiation and operation of commodity agreements (even though some of its general principles have been superseded by new formulations). Recognition had been given in Chapter VI to some of the characteristic special difficulties, notably those of a periodic short-term nature such as 'pronounced fluctuations of prices' and periodic 'burdensome surpluses' which could not be relied on to be solved 'by market forces alone'. In recognition of these special difficulties, the provisions of Chapter VI for the terms of eligibility of commodity control agreements had been conceived primarily as a major set of *concessions*, so as to exempt agreements for primary products, on stated conditions, from the more stringent provisions that were to be made operative, under the overall code for an ITO as then envisaged, as safeguards against restrictive practices and other forms of special trading arrangements that were feared as distorting influences in world markets.

continuing reliance on a code of full immediate reciprocity of opposite trading incentives under a system still based predominatly on the 'law of contract', the very combination of (a) an adverse change in world markets of the bargaining balance for the selling side (even when based on joint action on their part) with (b) some strengthening in their favour of the contents of general principles, was more likely to weaken, rather than strengthen the contract-making incentives of the economically stronger, unless such incentives were supported by deliberate acts of political will, to bridge the gap left by the absence of public law and of a unified system of fiscal policy-making in world economic affairs.

The main need is for more perspective in the shaping of specific policy commitments and negotiating briefs, in the longer-term interests of a more effective system of international economic adjustment-assistance which could bring substantial net benefits (though not necessarily to identical degrees) to all the countries concerned. As it happens, however, the typical constellations of domestic policy-making forces in the economically more advanced countries are not such as to lend much support, or not at least politically vocal support, to the performance of the required acts of political will by those in control of governmental briefs for international negotiations. I shall return later to some further comments on this point. Meanwhile, it seems necessary at this stage to check some of the general propositions evolved so far against the factual record of agreement-making in the postwar era. Unfortunately, as will be seen from the following paragraphs, they are found to check only too well.

II.2. *The postwar record of agreement-making*

In a paper written eight years ago, I gave a brief summary account of the very limited record of achievements, as of then, of negotiations on commodity agreements in the postwar years.

The editorial changes required for bringing this record up to date, as of the present time of writing in early 1970, are regrettably few. Indeed, there may be no better way of illustrating the continuing slowness of the rate of advance than to show the very extent of repetition of the old text (as quoted verbatim below) that still holds true, with the only changes required being those shown in italics and square brackets.

" . . . .

" Since then, there has been a *further* large number of resolutions by the United Nations, specialised agencies, and other intergovernmental organs, urging the negotiations of commodity agreements: there has also been a *further* large amount of preparatory work and discussions concerning individual commodities.

" Yet, in the twenty-five [old text: 'seventeen'] years since the end of the war, international agreements have been concluded for only five commodities: *grains, mainly wheat* [old text: 'wheat'], coffee, sugar, tin and olive oil.

" Of these, the only *four* [old text: 'three'] functioning at present as producer-consumer agreements, with some operative provisions designed to influence world trade, are those for wheat, *sugar*, coffee, and tin.

[*Delete* next old-text sentence which referred to the interruption of operative provisions of the Sugar Agreement: but *add* a reference to the continuing failure of the re-activated Sugar Agreement to stem the trend toward growing self-sufficiency ratios, or even export surpluses, in traditionally importing countries with protected beet industries: the EEC countries and the USA did not re-join the renewed pact.]

[*Add* a reference to the difficulties having been encountered in the functioning of the Wheat Trade Convention (which forms the dominant part of the International Grains Convention, operating for the period from mid-1968 to mid-1971): such difficulties having proved so serious (mainly due to the re-emergence of heavy export surpluses and failure to sustain minimum-price provisions), as to have thrown doubt on the continuing effectiveness of the operative provisions of the Convention. Then *continue* with the old text, as follows:]

Preparatory work *still* continues for an International Cocoa Agreement, but *two* [old text: 'one'] negotiating United Nations Cocoa Conferences, *both convened in the course of the 'sixties', each* had to adjourn without reaching agreement.

The Olive Oil Agreement *continues substantially unchanged.* That agreement, however, although formally negotiated in accordance with the Havana Charter, provides only for a series of co-ordinated national measures without attempting to regulate world trade (which, in the case of olive oil, accounts for only about five per cent of world production and consumption."[4]

In addition, to complete the factual record, the following references might be added:

Preparatory work has been started on an International Tea Agreement, supplemented in the interim by an informal understanding on quotas, for the year 1970. Informal arrangements intended to sustain minimum prices for jute and allied fibres and for hard fibres are being maintained in the case of the former but have succumbed in the case of the latter to the temptations of national selling pressures in a constantly weakening market.

4 Old text quoted from G. Blau: *International Commodity Agreements:* a paper presented to the International Congress for Economic Development (Second Congress of the International Economic Association), Vienna, 1962, and reproduced as Part I. of an expanded paper: *International Commodity Arrangements and Policies* (together with Part II: *Commodity Export Earnings and Economic Growth,* originally presented to the Chatham House Conference of New Directions for World Trade, Bellagio, 1963) in the *Proceedings of the United Nations Conference on Trade and Development,* Geneva, 1954, Vol. III: Commodity Trade. (See also FAO Commodity Policy Study No.1. Rome. 1964.)

On the positive side, the main pièce de resistance (or perhaps the one-eyed king) of the postwar agreements-record for agricultural products still remains the International Coffee Agreement, now in its second five-year term (though still subject to some major ratifications). Despite a chain of operational difficulties, successive rounds of precarious brinkmanship in quota negotiations, and serious weaknesses still inherent in prevailing methods of planning and controls, the Coffee Agreement has managed so far, at least after a fashion, to adapt its mechanism to dealing with successive crises, resulting from changing situations and prospects in the world supply/demand balances for each of the four main coffee-type groups and for the product as a whole, including its processed form. A major test for the Agreement, namely, that of dealing effectively with the current world coffee situation of pronounced near-term shortage and resulting innate tendency towards longer-term over-compensation through generating new rounds of excess capacity, still remains to be faced.

The main point to be noted here, however, by references to the earlier general comment on the slow evolution of a world-wide social code, concerns the deliberate act of political will contributed in the case of the Coffee Agreement by the economically stronger side of the contracting parties (i.e., by the governments of the importing countries) who consented to extend their full co-operation in the implementation of quota restrictions at mutually agreed levels. There can be no doubt that the co-operation of the importing side has been a condition sine qua non for the very coming into existence and for the maintenance of the Agreement: and also that the importers' willingness to come into the pact had been prompted in this case primarily by their recognition of the need to help rather than solely by the incentives resulting from matching reciprocal trading interests of the contracting parties.

II.3. *Incentives to action*

The point just stated with respect to coffee is even more relevant, a maiori ad minus, for most of the other primary products entering world trade, especially for those exported from developing countries: the reason being that, in the case of coffee, the joint position of the sellers, even though not sufficiently strong for operating an international control agreement on their own, is nonetheless considerably stronger than for most of the other primary export staple commodities.

This is because coffee happens to be one of a small group of products (consisting of only three major staples—coffee, cocoa, tea—, with the possible additions of bananas and spices) which do not face competition from either home-grown supplies or close substitutes in their major markets, and for which, moreover, overall demand can be relied on to be fairly inelastic. In such circumstances, it may be possible for the sellers, by means of joint action on a comprehensive and unified scale if it can be attained, to limit total offerings to the levels required for maintaining, or raising, the total proceeds from their sales (on the lines indicated earlier for the conditions of collective bargaining strength under the law of contract), provided that they can count on corollary action by the buyers, or importing countries, in policing exports from Agreement-members, and in limiting the entry of supplies from non-members.[5]

As it happens, most of the primary exports of developing countries (other than those of a relatively small number of oil-producing countries and some with mineral resources) are tropical agricultural products. This is because the tropical belt, between cancer and capricorn, also represents the world's main poverty belt, whilst agriculture still remains its dominant industry. Exports from developing countries of agricultural products predominantly produced in the temperate zones (notably cereals and livestock products) account for minor shares of world trade in these products, but they are also of considerable importance for some of the developing exporting countries.

On the importing side, the dominant portions of nearly all of the primary products entering world trade continue to be absorbed by the developed countries, i.e., those of North America, Western Europe, Oceania and Japan, with a very much smaller portion (though growing at faster rates) being absorbed by the economically more advanced of the centrally planned countries, i.e., the U.S.S.R. and the countries of Eastern Europe.

For purposes of policy discussions, the tropical agricultural products are conveniently grouped into three main categories, based on criteria of market strength:

(1) those referred to above which do not face any direct competition either in their major import markets or from temperate-zone advanced exporting countries (i.e., tropical beverages, some tropical fruit and spices):

(2) those facing competition from identical, or closely related, natural products grown in the temperate zones, such competition being frequently re-inforced by various measures of protection in importing countries and also, for some of them by various forms of subsidies or two-price systems of competing temperate-zone advanced exporting countries: the main products falling under this category being sugar, oilseeds and oils, rice, citrus fruit, dried fruit and tobacco:

(3) tropical agricultural raw materials of which nearly all face their main threat of competition from the continuing rapid advances of synthetics

5 Such international actions, in order to be effective, also require corollary national policies of implementation in individual exporting countries. These policies will usually call for prices paid to domestic producers being held at less than world market levels (by means of export taxes, differential buying and selling prices under centralised market operations, differential exchange rates, or combinations of these various measures), to serve the dual purpose of (a) limiting incentives to excess capacity, and (b) syphoning off part of the export proceeds for development revenue, thereby contributing to the country's processes of economic diversification and development. In addition, the Agreement-mechanism can be used to re-inforce these national policies, by stipulating some minimum percentage levies on export receipts which are to be earmarked for purposes of economic diversification in exporting countries. (Another variant consists in the proceeds of import levies imposed by buying countries being restituted in whole or in part to the exporting countries).

and other man-made close substitutes or from import-saving technological changes whilst some (marked * in the list below) also compete with identical, or closely related, natural products of the economically more advanced countries: the main products of this group being rubber, *cotton, jute and allied fibres, hard fibres, and *oilseeds and oils for non-edible uses.

The negotiating incentives of the importing countries have been weakening progressively for most of the products in the second category, and more still for those in the third. It is not surprising, therefore, that no binding agreement has emerged for any of the products in the third category whilst the only one for a major product in the second remains the International Sugar Agreement.

At the same time, the situation underlying the Sugar Agreement illustrates the combination of problems which may have to be faced by exporting countries depending on the so-called 'free-market' sector for a product which not merely competes with protected home-grown supplies but also finds its outlets restricted by preferential trading arrangements. For developing countries, in particular, the problems of access in the residual 'free market' come from a combination of no less than four adverse factors, viz., the following:

(i) the declining share of total imports, including those on preferential terms, from just over one half of world consumption in the early 'thirties' to only about one quarter by the mid-sixties;

(ii) the declining share of the free-market sector which now represents only about two-fifths of the volume of world trade;

(iii) the declining share of developing countries in the free-market sector, due to the marked expansion in recent years of competing exports from developed countries;

(iv) the additional problems resulting from the fact that the free-market sector is prone to sharp fluctuations in prices which, moreover, tend to be a-symmetrical in their effects on self-sufficiency ratios in the importing countries: instances of short-lived price peaks, whilst not having added much on average to export receipts, have been used to encourage the pressures for higher self-sufficiency ratios: periods of sharp price declines are much less likely to reduce these ratios, once the protected interests have got established.

In such circumstances, the quota mechanism can do little to influence the volume of total supplies in the market. The functions of quotas under the Agreement are thus largely reduced to those of access–sharing within a given free-market ceiling. In the course of re-negotiation of the present Agreement, attempts were made to secure for developing exporting countries at least some guaranteed shares in the marginal increments of total requirements which result from expanding consumption in developed importing countries. The resulting commitments, however, have remained very weak, mainly due to strong resistance of established interests in the importing countries.

Higher prosperity levels are not likely to lessen the forces of protection. On the contrary, those in control of policy-making, when faced with internal conflicts between claims of sectional interests on the side of producers and those of consumers or taxpayers, will frequently consider it necessary to go quite some way toward meeting the claims of the producers. The latter claim that full mobility in the interests of economic adjustment need not be fully implemented in a high-income society which can afford the luxury of placing higher values on social considerations and on the advantages to producers of established forms of activities and environment. Moreover, the established interests of producers, whether in the fields of agriculture or processing, will usually be better organised and more vocal politically than those of the taxpayers and much more vocal still than those of the same members of the community in their respective capacities as consumers.

This is unfortunate because the requirements of an improved system of international resource allocation call for just the opposite. The more developed a country's economy, the better, almost by definition, ought to be its opportunities of alternative resource use. The greater, therefore, ought to be the opportunity cost of retarding shifts of resources, by means of a lop-sided structure of relative prices. In an underdeveloped economy, the chances are that the opportunity cost of resources engaged in the agricultural export sectors will not merely be appreciably lower (since the traditional export sectors, despite recent changes, still typically represent the one-eyed kings of opportunities of resource use) but the opportunity cost may even be zero for some types of resources, e.g., unskilled labour (due to the typical conditions of chronic under-utilisation of such resources in underdeveloped countries) or negative (because of the economic stimulus derived from a strong export sector for the economy as a whole).

This is not to say that the processes of economic adjustments required in developed countries will always be smooth and that they may not cause hardships, particularly in cases where the effects of advancing technology operate also in the declining sector (or relatively declining sector) of the developed economy, thereby placing an extra burden of adjustment on the small producers who maybe the ones least able to respond unaided. Altogether, it is by no means unreasonable that sectional interests in a high-income society who find their established functions threatened by the need for adjustment, should stake some claims for assistance. Such assistances, however, ought to work in the direction of facilitating the necessary processes of adjustment, not of retarding them. The weakest economic case of all is in favour of measures which actually encourage the expansion of protected industries. The expansion of beet industries in traditionally importing high-income countries is a case in point.

Self-sufficiency ratios have been increasing in the developed countries for quite a range of agricultural products. If agreement could be reached on the measures required for a reversal of these trends, the quota mechanism might be used, for at least some of these products, for ensuring the implementation of such policies. This, however, would call for drastic changes of prevailing attitudes as displayed so far under the Sugar Agreement.

The International Grains Convention and, in particular, its Wheat Trade Convention (which is the third of the existing binding agreements for agricultural products) illustrates the repercussions on the world market of national policies of support in the case of a commodity group such as grains where the major shares of both exports and imports (or, in any case, of commercial imports) are accounted for by developed countries. In the course of the 'sixties, the tendencies of accumulation of export surpluses, resulting from the combination of technological advances and policies of support, were counteracted temporarily on the side of demand by two sets of factors both of which, however, have since lost much of their momentum. One of these was the exceptionally large share of imports absorbed by the centrally planned countries, including the U.S.S.R. which has since overcome its temporary dependence on imported supplies. The other was the large volume, including trade on concessional terms, directed to developing countries which have now become less dependent on such arrangements, mainly due to significant technical improvements in their own agricultural yeilds for staple food crops. In the circumstances, the re-emergence of heavy surpluses of exportable supplies has led to a fall of world market prices appreciably below the minimum levels which were to have been sustained within the multilateral-contract framework of the Wheat Trade Convention.[6]

6 The multilateral-contract type of agreement is not particularly well suited for a commodity with a persistent tendency to surplus such as wheat. Under its initial version (which operated from 1949 to 1959), the system was supposed to function on the basis of (a) stabilising trade for part of the commercial market, by agreeing on guaranteed quantities which importers, and exporters, undertook to buy, and sell, respectively, at stipulated minimum and maximum levels when the world market prices hit these levels for a specified standard grade, and (b) leaving quantities and prices for the remainder of commercial trade to find their own levels, thereby allowing the price mechanism to act as a regulator at the margin. This system proved effective only during the exceptional conditions of its earlier period when world prices moved above the maxima, thereby allowing importers to claim their guaranteed-purchase rights at less than world market prices. From the early 'fifties, when conditions of scarcity had changed to surplus, commercial importers progressively lost interest in the Agreement and the proportion of world trade covered by it dropped from 60 to 25 per cent. A new type of contract initiated in 1959 brought the bulk of commercial trade back into the Agreement but only at the expense of eliminating some of its former operative provisions, particularly those relating to purchases of guaranteed quantities at minimum prices. In any case, throughout the periods covered by successive Agreements, the significance of the world price of wheat as a mechanism of adjustment had been progressively undermined, partly because effective levels of world market prices had come to be set more and more by the two largest exporters and partly because of the increasing proportion of world trade which moved under special arrangements on concessional terms. Furthermore, for the initial system of dual pricing in the world market to have become effective as a regulator of supplies at the margin, it would have been necessary to adopt some corollary domestic policies of dual pricing or equivalent measures in exporting countries, so as to encourage some marginal adjustments of output in the required direction. In fact, no such policies were being followed consistently, nor was it realistic to assume that they would have been. Under the present Wheat Trade Convention, the whole of commercial exports and imports of Members, with only just a few exceptions, were to move at levels consistent with the stipulated price range, whilst recognition has also been given, within the framework of the Convention, to 'special transactions', i.e., to those which, whether or not

Footnote continued on page 93

The initially high levels of these minimum prices, moreover, which had been arrived at within the wider framework of reciprocal bargaining of the Kennedy Round, even prior to negotiations proper of the International Grains Convention by all the trading parties concerned, indicate the dangers that may result from negotiations on some essential agreement-elements being taken out of the context of a fully representative agreement-negotiating Conference.

Thus, the answer to the need for improved agreement-negotiating prospects cannot be seen in the mere swapping, in wider context, of particular otherwise unconnected reciprocal trading concessions, some being concessions on specific commodity-ingredients and some on quite different aspects. Instead, whilst agreement-negotiations ought to remain centered on full rounds of technically expert discussions for particular products by all the trading parties directly concerned, the true requirement of a 'wider context', or rather of farsighted perspective, calls for the strengthening of the underlying code of co-operative policy attitudes, to be reflected in the specific negotiating briefs.

In negotiations conducted primarily among countries within the developed group, this calls primarily for the improved co-ordination of partly conflicting national policy objectives. In negotiations involving the interests of parties of unequal economic strength, it calls for a good deal more than that: namely, for deliberate acts of political will on the side of the economically stronger, going beyond the narrow viewpoint of direct reciprocity of immediate opposite trading interests, by aiming instead at a broadly based programme of international economic adjustment-assistance.

II.4 *Informal arrangements*[7]

In recent years, because of the difficulties encountered in negotiations on binding agreements, increasing emphasis has come to be placed in some intergovernmental consultations on arriving at some more modest forms of informal undertakings.

Footnote 6 continued from page 92

within the price range, do not conform with the usual practices. The determination of actions required for ensuring the consistency of commercial price levels with the stipulated minima is largely left to the discretion of the Council. In practice, with growing pressures of surplus supplies in the commercial market, the system has proved too weak to ensure such consistency. The chances are that a re-negotiated Wheat Trade Convention may have to move away from the present type of contract, either in the direction of stronger regulation by means of quotas or, alternatively, in the opposite direction of merely acknowledging the ineffectiveness of the present system by abandoning the price-provisions for the so-called 'datum quantities' (i.e., quantities established on the basis of average annual commercial purchases during the first four years of the immediately preceding five crop years, subject to specified adjustments).

7 Under the established conventions of international code-language, the term 'agreement' is meant to relate only to those of the intergovernmental arrangements which have been accepted as binding by a representative number of trading nations. Other informal types of intergovernmental understandings, whilst also included in the broader category of 'arrangements', do not qualify as 'agreements'.

Such informal arrangements, it is argued, are better than nothing at all. Whilst this is broadly true, the statement needs to be interpreted with some caution. Informal arrangements can be expected to survive only on conditions of (a) the commitments made on informal basis being modest enough to withstand the pressures of adverse market forces, and/or (b) the adverse pressures not proving so strong as to undermine the self-imposed discipline required on the part of each of the participating parties for the maintenance of such non-binding commitments on even the most modest terms. From this, it follows that the greater the need for action (i.e., the stronger the pressures of adverse market trends), the greater also will be the dangers of informal arrangements dissolving under the strain of these trends.[8]

Furthermore, the commitments made under such informal arrangements are necessarily for short periods, hardly ever for more than one year at a time. This means a severe restraint on their effectiveness as instruments capable of assisting the processes of economic programming and diversification in the developing exporting countries.

On the whole, therefore, informal arrangements ought to be encouraged as being 'better than nothing at all' only on condition that they will not be allowed to relieve the pressures for negotiations on any binding agreements that might reasonably be aimed at. If carried too far, the tendency to try and make do with informal arrangements holds the danger of providing a convenient form of respectable escape for any of the potential contracting parties who may prefer to stay away from attempts at binding negotiations.

These comments relate solely to the *operative* provisions of informal arrangements. The position is different with respect to advisory functions such as intelligence, projections, and also policy-confrontation activities. For all of these functions, there is a strong need of further improvements, whilst informal arrangements, just like intergovernmental study groups, are organs well suited to help.

III. *The functions of stocks*

III.1 *International buffer stocks*

Of all the different lines of international action proposed over the years, there have been none of more widespread commonsense appeal than those of creating some reservoirs of stocks, to help in adjusting temporary disequilibria in world markets.

Such actions, moreover, have been traditionally recorded as holding better prospects of balanced reciprocal negotiating incentives than measures intended to remedy structural weaknesses of export prospects.

Why then is it that the sole instance of an international buffer stock mechanism has been that of the Tin Buffer Stock which operates as an adjunct of the International Tin Agreement?

Whilst international buffer stock operations are ruled out for some commodities, on grounds of unsuitable structural and market characteristics,

8 The recent difficulties encountered with informal arrangements for sisal are a case in point.

a number of eligible products remain.

The need for action, too, has remained. On the side of demand, cyclical disturbances in the economically advanced countries, far from having been overcome, have even added a new dimension by combining the ill effects of inflation and recession (previously thought of as alternatives), with resulting adverse repercussions on some categories at least of commodity imports. Added to this are all the other well known causes of commodity instability, notably those of low short-term elasticities (especially for tree crops) and tendencies to over-compensation of capacity changes (for most products) in rèsponse to changes in demand or in previous supply or both, aggravated by the de-stabilising effects of some types of speculative stock changes. On the whole, therefore, with few exceptions, the problems of short-term instability have not been lessened, and they have even become more serious in some respects, because of the inter-actions of their effects with those of adverse trends.[9]

Undoubtedly, the prevalence of adverse trends, whilst having made short-term stabilising actions even more necessary, has also made them more difficult. All the same, whilst these technical difficulties are substantial, they would not need to be insuperable, at least for a number of products. They might merely call for the formulation of buffer stock objectives in fairly modest terms, possibly even merely in terms of auxiliary functions under other stronger systems of regulation where they can be attained.[10] In any case, these technical difficulties cannot in themselves explain the almost *total* lack of action in the face of so many general declarations in favour of international buffer stocks.

9 The point noted earlier with respect to sugar concerning the a-symmetrical effects of capacity changes of peaks and troughs of movements of world market prices also applies for a number of other products, notably raw materials. Innovations of output-saving technology, stimulated in periods of high raw material prices, frequently acquire thereafter a momentum of their own and are not, therefore, abandoned in subsequent periods of low prices. Morever, the absence of sharp and unpredictable fluctuations is in itself one of the strong competitive advantages of industrially produced raw materials.

10 Much would also depend on whether such operations were being conceived primarily in terms of *pre-announced price stabilising* or of *physical flow–stabilising.* The functions of a flow-stabilising pool do not necessarily call for any set price range, not for standing commitments to buy on any pre-announced terms. Instead, the manager of such a pool requires a good deal of discretion and even the right to secrecy of his operating strategy as of the time when it is being put into effect, though he will have to report retrospectively. The function of physical flow-stabilisation calls for the lessening of sharp and erratic fluctuations around estimated longer-term averages of *physical* rates of output and absorption in world markets. If these longer-term averages are in need of adjustment, this obviously will call for stronger measures of regulation of the rates of flow at the source, by means of physical controls of output or disincentives or both. Furthermore, even the short-term regulation of physical flows, in order to be sufficiently powerful for stabilising prices, may call for more stringent measures, where they are feasible, by means of quotas (which, in the absence of short-term regulation of output, are in themselves measures of stock regulation nearer the source, i.e., inside the economies of the exporting countries). There may still be a valid case, however, for combining such stronger measures of quantitative restrictions, where they can be attained, with the

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On the whole, therefore, whilst the inhibiting effects of adverse trends must be acknowledged the main causes of these inhibitions must be seen not merely in the resulting technical difficulties but once again in the underlying change of reciprocal negotiating incentives. Here again, therefore, the postwar code, based on assumptions of balanced strength of direct reciprocal trading advantages, has simply come too late. Whilst in the 'thirties' the conditions for action based on such a code (which by then did not as yet exist) might, have been partly given, they were no longer given in the 'fifties' and 'sixties': nor are they likely to be re-created in the 'seventies?

For one thing, whilst cyclical disturbances still recur, the cause-and-effect relationship of slumps in world commodity markets and of troughs in economic activity in industrial importing countries has changed. A characteristic feature of the Great Depression was the strength of the trigger effects at its onset of major slumps in world commodity markets. Today, whilst commodity markets may still be strongly affected by industrial recessions, they are much less likely to affect them in turn to any major extent. Largely due to the unprecedented rates of expansion of trade *among* the industrially advanced countries, coupled with high self-sufficiency ratios for most primary products and lagging overall demand for a number of them the importance of trade with primary exporting countries in the overall trade patterns of the industrial countries has sharply declined. The financial interests previously held in some of the advanced countries in the receipts from exports of tropical products have also been lessened. On the side of the developing exporting countries, on the other hand, the concentrated dependence on export receipts from these products still remains. At the same time, high self-sufficiency ratios in the importing countries, whilst making the economies of the latter more immune to fluctuations in the costs of primary imports, may in turn be instrumental in amplifying fluctuations in the demand for imported products. This is because the home-produced products will frequently be in a stronger position to resist the effects of a downturn in consumption than those brought from abroad. This is the case not merely for protected home-produced agricultural commodities but also for industrially produced materials forming part of the raw-materials base of industries with high degrees of vertical integration.

Furthermore, the advantages of insurance, by means of an internationally operated buffer stock, against the risks of physical shortages have also

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auxiliary functions of a flow-stabilising pool. Furthermore, the price-stabilising function, or, more appropriately, the function of lessening the effects of large fluctuations of export receipts on the economies of exporting countries, can also be carried to some extent by international measures of compensatory financing. Such compensatory measures, however, in contrast to physical flow-stabilistion, will not directly remedy any temporary distortions of rates of flow of supply and absorption in world markets. Such distortions, unless counteracted by stocking and de-stocking operations, may mean a good deal of economic waste, whilst also being harmful to the longer-term interests of producers. The functions of buffer stocks and those of compensatory financing are not mutually exclusive but could be used to complement each other, thereby lessening the burden to be carried by each.

become less important, with a few exceptions, to the economies of developed importing countries, not merely because of higher self-sufficiency ratios and new facilities for the interchangeability of materials, but also because of independent arrangements made in some of the importing countries for nationally held reserves, managed by policies under their own control (though subject in principle to prior intergovernmental consultations with other interested parties).

An international buffer stock, in order to function effectively, must secure an adequate share of its initial resources in cash. Whilst the commodity-share of the stock's resources can be used for preventing prices from going too high, it is only the cash-part which can prevent them from falling too low. At the same time, whilst the developing countries will be able to contribute to the commodity resources, they will usually need the financial co-operation of the importing side for contributing the cash. Yet, once the importing countries' incentives based on matching strength of direct immediate trading advantages have been weakened, the internal resistances to the proposition of voting sizable amounts of cash for the apparent purpose of sustaining the market's floor, under policies beyond the importers' direct control, will frequently prove too strong to allow negotiations even to be started. Or, in the case of negotiations being allowed at all, the internal resistances in importing countries are likely to be reflected in severe limitations on the governmental briefs.

Yet, the fact remains that the function of holding an adequate cushion of internationally available stocks, managed on the basis of mutually agreed criteria, represents a public service in the interests of the world community as a whole. It is reasonable, therefore, that all parties concerned, on the side of both producers and consumers, should share in the cost of that service, even though this may require some offsetting of the lesser bargaining strength and greater bargaining interest of the former against the greater economic strength of the latter.[11]

11 In recent years, a good deal of thought has been given by international financial institutions to possible ways of contributing on their part to the financing of international buffer stocks. Until recently, however, such possible contributions, though their terms were liberalised, were still considered justifiable only on grounds of assistance required to lessen the balance-of-payments strains of individual countries, though contributions made by these countries to the financing of an international buffer stock were recognised as legitimate causes of such strains. A new element was introduced on the occasion of negotiations on the renewal of the Tin Agreement (Geneva, 1970) when, according to unofficial reports, the IMF Delegation expressed its readiness to provide some lending facilities to individual countries, even though they might not plead a need for assistance on grounds of balance-of-payments strains arising from their contributions to the pool. The exporting countries, however, took the view that the operations of the buffer stock represented an international service which ought to be able to call on international sources of financing rather than merely on loans extended to individual countries. Thus, the issue of financing was left unresolved.–The principle of joint financing of a buffer stock by exporters and importers had been endorsed, on general lines, by UNCTAD–I (Geneva, 1958). In a subsequent agreed resolution, however, the provisions on financing were couched in such careful language as to make it difficult to interpret their meaning in terms of any specific commitments to a new approach. (UNCTAD Committee on Commodities, Third Session, Oct./Nov. 1968, Decision 1(III): Buffer Stocks).

III.2. *Reserves for added elbow-room in economic programming*

In attempting to define adequate levels of reserves to be held, on average, for longer periods ahead in the exporting countries, it is preferable to think in terms of matching flows of supply and demand rather than merely in terms of matching quantities of stocks and requirements. If the rates of flow are such as to make the levels converge, even a large initial stock of apparent excess supplies (or apparent excess capacity) will get absorbed eventually. Thus, even if all expectations were certain, it would be worthwhile to retain stocks (or capacity) appreciably above current requirements, provided that (a) the cost of stockholding and the opportunity cost of maintaining the existing excess capacity did not exceed the cost of scrapping the excess capacity and of building it up again at some future date, and (b) the stocks could be relied on to be firmly held.

In fact, expectations are usually far from certain. The state of the arts of projections, particularly projections of supply, is still highly imperfect. So are the techniques of supply management, even when the targets are known. In addition, in cases where exporting countries have pledged themselves to maintaining a joint policy of supply-limitation for products with long gestation periods, there will usually be a strong reluctance by any one of the countries concerned to implement its pledges of export-restrictions by means of commensurate output-restrictions, unless some allowance can be made, by means of fairly large reserve stocks, not merely for the risks of errors or inadequacies of supply management in the country's own programme of capacity-curtailment but also for the risks of less than commensurate curtailments by others, or for the risks of being left behind in the race in the case of the joint policy of curtailment being abandoned at a later stage. In such cases, the possibility of maintaining fairly large reserve stocks, provided they are sufficiently firmly held under internationally agreed criteria of release, may actually be of help in facilitating such policies of capacity-curtailment as may be required under the terms of an intergovernmental quota-restriction agreement.

Furthermore, sizable stocks in exporting countries may also be needed as insurance against the short-term variability of output, particularly in cases where stabilising operations cannot be expected to be carried by an international buffer stock. Nationally held stocks, in contrast to stocks under international ownership, can be run to some extent as multi-purpose reserves, with functions ranging from those of counteracting the country's risks of short-term variability of supplies to longer-term functions such as reserves for added elbow-room in economic programming.[12]

12 On the other hand, whilst proposals have been made at various times for international buffer-stock functions proper to be performed by means of internationally co-ordinated national stocks, this is a much more difficult proposition to put into practice, particularly over extended periods. The operation of an international buffer stock requires a high degree of delegation of authority to the central management, including the authority of taking substantial financial risks and a high degree of discretion granted to the manager in the shaping of his operational strategy. These requirements are not easily found compatible with the national financing and ownership of stocks.

Despite occasional large surpluses, the average levels of stockholdings in many of the developing exporting countries are found in quite a number of cases to be precariously small, only barely enough to cover the routine requirements of seasonal and pipeline stocks. There is a case, therefore, for supporting policies of financing in the interests of international stability and of economic development in the producing countries concerned. On the other hand, where capacity is excessive, there is a case for easing the periods of transition by adequate facilities for carrying stocks.

IV. *Commodity policy, diversification, and economic development*

The continuing high degrees of economic dependence of developing countries on the export receipts from one or few staple products should be lessened *eventually* by the progressive diversification and development of their economies. Meanwhile, however, the very process of diversification still depends in large measure on the revenue-surpluses and foreign exchange resources derived from these very same traditional exports which eventually should recede in importance for the economies as a whole.[13] Thus, we are faced with the paradox that high degrees of concentration of export earnings, in order to be lessened in period t, may have to be even increased in period (t – 1).

High degrees of concentration mean higher risks. All the same, the risks of such high initial degrees of concentration would not need to matter too much in themselves, if only the objects of the concentrated risks were better bets in world markets. No one would contend, for instance, that the initial concen-

13 In recent years, there have been two sets of developments which, at first sight, might be assumed to have exercised a major influence, even as of now, on the traditional patterns of high degrees of dependence of developing countries on the major export staples. One of these new developments is the striking improvement in techniques of cultivation of staple foodstuffs, mainly due to the progress made in the adaption of hybrid strains to the conditions of tropical agriculture. The other is the accelerated rate of expansion of exports of manufacturers, having reached about 12 per cent. per annum for the developing-countries group as a whole. Yet, whilst both these features have to be recognised as being of outstanding importance, their main impact is still largely confined to only some of the countries within the developing group. In particular, the rate of expansion of exports of manufacturers for the group as a whole is largely accounted for by the remarkable record of just a few of the industrially more advanced of the group (of which India, Hong Kong, Mexico, Brazil are outstanding examples). Again, as regards the striking agricultural improvements, the resulting prospects, in order to be seen in perspective, must take account of at least three factors: (a) the immense demands made on the economies of developing countries by the rapidly rising domestic food requirements which, on assumptions of continuing prevailing rates of population growth, will require, by 1985, an increase of about 80 per cent over the levels of the early 'sixties', merely in order to allow for supplies per caput to be maintained in terms of calories, without any improvements of dietary standards: (b) the heavy additional requirements in terms of fertilisers and other agricultural requisites, of training of skills, and also of far-reaching changes (frequently fraught with serious social problems) in patterns of land tenure and in the institutional framework; and (c) the even greater challenge posed to the world community of getting its trading system into shape for absorbing the products of a new and improved world-wide division of labour which, thanks to these new trends on the side of production, may now at least have become technically feasible as a means of accelerating growth.

tration of a country's export earnings on oil need to be regarded as a major cause for concern. On the contrary, the very fact of such concentration, provided its proceeds are wisely used, can be turned into the dominant driving force for promoting 'diversification' in the only economically meaningful sense of the term, namely, that of creating the conditions for the expansion of new sectors rather than merely trying to 'free' resources for alternative uses, by pushing them out of the old.

Thus, it is a strong sector's revenue-surplus, not a weak sector's capacity-surplus, which is most needed for getting the process of diversification started. And the momentum of the process itself will depend primarily on the strength of the *pull* (not only in terms of (i) the stimulating effects of adequate purchasing power, revenue–surpluses, and cash linkages derived from the proceeds of the established sector, but also of (ii) good openings in world markets for alternative export products) rather than merely on that of the *push* (i.e., the push of redundant resources, frequently of the wrong kind for alternative uses, out of the old-established sector). Whilst a strong push-effect may also be needed, in order to bring supplies more into line with world market requirements, the direct effect of the push, seen from the viewpoint of the country's economic programming and resource-utilisation, may merely add to domestic economic problems, particularly under the typical conditions of under-utilisation of some types of resources–e.g., unskilled labour or poor land–which may be the main ones likely to be released by the 'push'.

It is therefore mainly the effect of lessened dynamics, or even serious deterioration in some cases, having occurred simultaneously for the market prospects of so many of the traditional agricultural export products, rather than merely the fact of initial concentration on one or the other of them in particular countries, that represents the main cause for concern and the main problem calling for remedial action. As will be seen from the sketchy summary list below, there are at present simply too many weak primary export sectors having to push, with far too few sectors strong enough to pull.

World market prospects for agricultural export products

		large markets	*small markets*
1.	Good-to-fair prospects in world markets;	Meat; fish; timber; most of the *processed products* (if access is liberalised);	Some of the 'sundry crops' some specialty processed products;
2.	Precarious balance or surplus; inherent tendencies toward longer-term excess capacity for exportable supplies (notwithstanding occasional temporary shortage situations for some of the group).	Wheat, coarse grains, and rice; livestock products other than meat; oilseeds and oils; sugar; tropical beverages and fruit; natural fibres and rubber.	Some other 'sundry crops'.

The list of those with weak prospects, moreover, includes not merely most of the agricultural exports from developing countries but also those from the developed. In the circumstances, the beggar-my-neighbour game of so-called 'diversifying', by merely trying to lessen the concentration on one poor market-bet by pushing resources into others equally poor, if not poorer, will do little to lessen the market risks of the pushers, whilst it will upset the precarious market balances of others.

Nor can the problem be solved merely by trying to push some resources out of the large-market staple products into some of the more promising 'sundry crops' ranging from, say, passion fruit or pineapple to cashew nuts or vanilla. The problem here is simply one of proportions of relative market size. A shift of some resources from, say, coffee to vanilla, whilst its effects may hardly be noticeable in terms of reduction of coffee capacity, may well prove more than enough to rock the vanilla market. For these reasons, the cumulative effects of simultaneous un-coordinated actions now being taken by quite a number of countries, each in search of new opportunities among the same small group of 'dynamic small-market' crops, are likely before long to lead to saturation-points for the latter being reached, or surpassed.

Another complicating factor arises from the fact that the few remaining agricultural staples with good large-market prospects (meat, timber) happen to depend on production methods which are much more labour-extensive (i.e., calling for much lower ratios of labour to land) than those typically required for many of the precarious-balance staples, notably fibres and tree crops. This underlines the internal-programming problem of having to shift resources out of the latter, under the typical conditions of country-wide under-utilisation of unskilled labour in developing countries and in the absence of any new strong pull from labour-intensive activities such as some of the processing industries.

From the viewpoint of both internal programming and external earning requirements, therefore, it will usually be essential for developing countries to be able to count on fair world market prospects for larger shares of agricultural export staple products being shipped in processed form Even in cases where the processing methods do not happen to be labour-intensive, it will frequently prove essential for developing exporting countries to be able to count on the extra earnings derived from the 'value added' of first-stage processing for their staple exports. Unfortunately, however, it is precisely in these fields of processing that the resistances of established interests in the importing countries will frequently prove as strong as, if not stronger than, the established agricultural interests.

Seen against this background of trends and policies, the main agreement-objectives for products exported from developing countries (with which this paper has been mainly concerned) can be broadly summed up as follows:

(1) The main functions of international agreements ought to be seen as those of instruments of economic development. In particular, they ought to contribute to the processes of economic diversification which in turn form intrinsic parts of the process of development, both of its causes and of its effects.

(2) In order to enable a developing exporting country to get out of its concentrated economic dependence on a poor market risk, the very first step required will usually have to be that of making the risk less poor. Once the risk has been made less poor it may also become easier to make it less concentrated. The other way round, the process tends to get stuck. This is because the country's diversifying capacity depends in a large measure on its earning powers, exchange resources, revenue surplus, and cash-linkages derived from its established export sector.

(3) Simultaneously, determined efforts need to be made for developing new opportunities of adequate market size for alternative export products. This second requirement will call in particular for the liberalisation of access for processed products.

This set of objectives is not likely to be particularly attractive when seen only from the narrow viewpoint of the direct immediate trading interests of the economically advanced importing countries. We are thus faced again with the central theme to which reference was made at the outset of this paper, namely, the need for wider-perspective briefs, in the interests of a more effective system of international economic adjustment-assistance. The main policy task consists in finding more effective ways for the strengthening of such briefs. In this sense, international code-building begins at home. Whilst this is true for countries in all stages of development, the scope for contributions to be made to a system of world-wide economic adjustment-assistance is evidently greater for the economically more advanced countries.

V. *The typical ingredients of a governmental brief*

The contents of a governmental brief for the negotiation of an international agreement is bound to be the resultant of quite a range of partly conflicting influences. Yet, whilst situations will differ, by products and countries, it would seem a fair approximation to state that in, say, four out of every five negotiating situations, the typical governmental brief of a more advanced importing country, in negotiations for a product exported primarily from a group of developing countries, is likely to be based on not less than, say, ten out of the twelve typical basic 'brief-ingredients' sketched out in the list below.

In interpreting this list of brief-ingredients, let 'Country A' stand for the typical developed importing country, whilst 'Z' stands for a group of developing exporting countries.

A twelve-point list of typical "brief-ingredients" of the governmental brief of Country A, in agreement-negotiations for a product exported from Z.

	Individual brief-ingredients		*Extent and direction of influence on A's overall brief (with special reference to A's readiness to enter into a binding agreement)*
(1)	A's lessened direct negotiating incentive resulting from the lessened dependence of the A-economy on the product offered by Z;	a/	strongly weakening

a/ Point (1) does not apply for non-competing tropical products

Individual brief-ingredients	*Extent and direction of influence on A's overall brief*
(2) A's mild longer-term interest in developing Z's import purchasing power as a market for products from A;	mildly strengthening
(3) the lack of strong political appeal of economic development issues and of the requirements of an improved system of international resource allocation;	weakening
(4) the A-government's mild state of discomfort resulting from the need to reconcile its fairly tough external bargaining position with the more advanced traditions and principles of A's own national code of social ethics, as applied to its domestic affairs;	mildly strengthening
(5) The slightly stronger discomfort resulting from the A-government's awareness of world economic conditions and problems, here denoted as the A-government's "gathering cloud of knowing" (as distinct from the mystic's concept of the "cloud of unknowing");	mildly strengthening
(6) A's interest (medium-to-strong) in acquiring, or maintaining, a good image in international relations;	strengthening
(7) A's strong interest in maintaining some estab-positions, grouping, or power balances in international relations;	strongly strengthening, or strongly weakening, depending on circumstances for the product concerned;
(8) the A-government's generally weak concern with the interests and reactions of consumers (whose interests are usually not strongly organised, nor very vocal politically, and often not even clearly understood by the consumers);	weak in extent; strengthening in direction, for access of products competing with protected domestic industries;
(9) the A-government's slightly stronger concern with expected reactions of taxpayers;	mild-to-medium in extent; direction as under (8);
(10) the strong concern (ranging from "strong" to "very strong") with the reactions of domestic sectional interests (which usually are much more vocal politically than those of consumers or even in taxpayers);	usually strongly weakening, particularly for any negotiations on access for competing products;
(11) the strong concern with possible implications of any negotiating concessions for A's immediate balance-of-payments prospects (such concern with immediate prospects being usually unrelieved, in political context, by expectations of longer-term advantages);	strong in extent; usually weakening in direction;
(12) A's interest in the international pattern of any sharing of burdens and benefits that may result for the contracting parties from the terms of the agreement.	strengthening or weakening, depending on A's market-share for the product.

The last of the points on the list requires a word of comment. It must be admitted that any one international agreement, to the extent that it may contain some elements of economic assistance, may prove a rather clumsy instrument from the viewpoint of international sharing of burdens and benefits, since the distribution of shares will depend on the particular pattern of trade for the product concerned. All the same, if there were more agreements, the overall distribution of burdens and benefits would become less lopsided. If agreements were part of a more effective programme of economic adjustment-assistance, it would become much less lopsided still. Whilst it would never be perfect, the argument of equitable sharing of burdens and benefits can no more be resolved in a perfect manner than that of the perennial problem of relative weights of incidence to be assigned under any national system to measures of direct and indirect taxation. Experience has shown that no system can do entirely without the latter. At the same time, the case for commodity agreements does not by any means rest on their role as vehicles for unilateral sacrifices. Any such assumption would run counter to the concept of an improved system of international resource allocation which these measures, as part of a programme of economic adjustment assistance, are meant to promote. The case for such a programme rests on a wider-perspective code, not on a giveaway code.

As will be seen from the character of at least some of the 'brief-ingredients' sketched out in the list, the resulting overall brief is likely to be a mixture which, in some respects at least, includes the elements of a wider-perspective code. All the same, as the practical record of negotiating experiences has shown, it is not as yet a mixture strong enough to sustain more widespread *action*, in line with the general objectives proclaimed in successive rounds of intergovernmental resolutions. It is only by influencing specific policy commitments and negotiating briefs (which, by their very nature, are instructions for action on stated terms) rather than merely by means of general resolutions (except in so far as the latter can help the former which has not as yet strongly proved to be the case–vide the persistent dichotomy referred to earlier in these notes) that effective international code-building can proceed.

In order to strengthen the hands of governments in the shaping of such national policies and briefs, in support of a more effective programme of international economic adjustment assistance, there is need for a much more solid base of public awareness and politically vocal support, so as to cut across the more narrowly based sectional interests which now carry much of the influence in the shaping of such briefs, not only in matters of agriculture but also of processing and distribution and of the terms of access to markets for both raw and processed goods.

Geoffrey Hiscocks, *Canada*

We have already listened to a number of papers concerning international trade and aid, and many problems involved in this important subject have been raised. Amongst the possible methods to overcome or to minimize these problems is the establishment of international agreements relating to trade in one commodity. I am honored to open the discussion of the excellent paper by Gerda Blau on this subject. None of us here have her wealth of experience in this area. She has provided us with a stimulating and thought-provoking paper on a subject that is regularly before us and yet on which we must continue to work carefully and continually.

Briefly, Dr. Blau has shown in her paper that there was a tremendous general enthusiasm for commodity agreements in the late 1940s but nevertheless there has been surprisingly little progress since that time. Her review of the current agreements in effect now and eight years ago demonstrates this point. What is more significant are her reasons why so little progress was made, which can be summarised under two main headings:

First, the very nature of international commodity problems makes them extremely difficult to overcome. The different trends of consumption and production within exporting and the importing countries are balanced, in the main, by the international market through price and storage. But superimposed on this is the annual production variability from country to country. These can cause annual changes in total trade in a commodity of 15 per cent or more, up or down. And in addition there are the domestic agricultural policies within each country and all the many techniques of price support affecting internal and external prices. Thus overcoming inherent instability in commodity trade is one of our most difficult areas to find practical solutions.

Second, even though most governments have made solemn pledges to support the continued establishment of international commodity agreements, when it comes to the 'crunch' in negotiating an agreement, it is then discovered that each country's interest is best served by giving nothing away. This at least seems to be the conclusion to be reached in many countries prior to or during negotiations so that agreements were either never negotiated or those that were negotiated were rather weak and did not fulfill all their objectives.

After an examination of recent agreements and their development and some interesting reflections on the use of buffer stocks, Dr. Blau emphasises the needs of developing countries in the light of current weak market prospects in the primary export sectors suggesting that development needs should receive more attention. Finally she examines the typical ingredients of a government brief for the negotiation of an agreement, pleading that the general character of its features are not sufficiently concrete to produce firm action for an effective agreement.

I would not quarrel with the technical content of this paper. From my own experience of work in a Commodity Agreement Secretariat and as the member of a negotiating team, I agree with the general thesis that too little progress has been made due to no real resolution on the part of governments when faced with genuine opportunities to establish international co-operation in trading one or another commodity. It may be lack of determination in a particular commodity or lack of serious backing of an agreement once in operation. Thus I support and agree with much of what Dr. Blau has presented. Nevertheless I find the paper disturbingly negative.

Does it mean that we should discard or back-off the approach because we still have only five agreements? There is no need for me to remind you of the instability of world markets in primary products–in wheat, dairy products, sugar and many others. These developments are not new but the conditions of world agricultural trading are sufficiently different from those of the past to warrant special consideration. There is now considerable optimism in relation to the prospects of increasing the level of agricultural production in developing countries. It is unlikely that outlets for surplus agricultural supplies as food aid will be as great as in the past. At the same time, improved technology and price policies in developed countries and, in countries with centrally planned economies technology, price and large agricultural employment, will continue to be major factors leading to an increase in the supply of agricultural commodities. With these forces at play, the present instability in world markets could prove to be more persistent than in the past. It is in these circumstances that I find the direction of this paper disturbing and I would like to look briefly at the other side of the coin.

While we may not have any more than five agreements, we still have them and they are operating. It is true that some are operating better than others. It is true that the support for them could be stronger. However, I would suggest to you that formal international commodity arrangements and informal commodity contracts are and will be a valuable applied economic tool to provide a basis for minimising this instability in world markets for agricultural products. These problems of instability will continue. The pragmatic realism of Dr. Blau's paper is a timely and valuable warning. But do we have comparable alternatives to adopt? In the trade sphere we can list a number of schemes and techniques such as compensatory financing, general tariff negotiations with all their complications, buffer stocks, economic trade blocs, but we have had no greater success with these tools than with Commodity Agreements. In some cases even less success.

It has been argued that many Agreements in recent years have been ineffective and haven't solved anything. Moreover, agricultural commodity trade problems have tended to worsen rather than improve or be overcome. But a review of the world market situation in the commodities for which there have been agreements draws the conclusion that international price fluctuations would have been greater in the absence of agreements. For example, even while earlier wheat agreements may have had some ineffective features, the existence of an agreed price range enabled major exporting countries to operate a stockholding policy which provides some world price stability—certainly more stability than would have been the case without these stocks. The operation of the sugar and coffee agreements in recent years have also provided some welcome price stability. There is little doubt that the impact of severe price and volume swings in some commodities would have been much greater, especially for developing countries, without these agreements.

I will now turn to a few more specific comments about the paper. Many of the technical aspects of agreements have been passed over fairly rapidly. However, this is not an area to be neglected. Thorough analysis and evaluation of the procedures and methods tried in the light of the related circumstances must continue by agricultural economists if we are to learn from our mistakes. Can we use different approaches with each commodity to advantage for example. Dr. Blau has rightly drawn attention to the fact that there are many new countries in agricultural trade. These newer countries need more background analysis and evaluation of procedures and their effectiveness than has been available so far.

A study of the specific features of agreements and especially the agreed price levels indicates that negotiators too often are affected by what has just happened in the commodity in question. Yet an agreement will have effect 3 or 5 years ahead and it is the likely trends over that period that are most relevant, not what has already happened. At the least this might make it possible to avoid times when some agreement members find it advantageous to operate outside the terms.

The content of an agreement must be thoroughly explored and it is clear that techniques should not be too complicated or too sophisicated than the commodity organization and the countries involved can make operate.

Agreements need flexibility–but preferably automatic flexibility e.g. the Sugar Agreement quota and price changes. It should not be left to the Council or Committtee of the agreement to decide issues which were insoluble at the negotiations e.g. I.G.A. adjustment of differentials between wheats.

Finally, we must recognize the true nature of commodity agreements. As economists we use comparative advantage as our best indicator of resource allocation and price policy. But in the real world of agricultural and trade policy, farm support prices, export subsidies, import levies, state trading all lead to distortions in the operation of international commodity trading. Thus it becomes unlikely that any group of countries can negotiate commodity agreements based simple on comparative advantage and stabilization principles. Because of existing national policies it will be a compromise between the desirable and the possible. At least one of our tasks as economists is to ensure that all countries are fully aware of what is economically desirable. The more analysis and evaluation for each commodity in each country that can be undertaken, the closer it may be possible to come to the desirable. This is especially true if the longer run benefits of the agriculture and the whole economy as well as the current position are considered.

It is the role of the economist to point out all the ramifications of the economic aspects of these agreements to achieve what is economically desirable. We, in turn, must recognise that agreements when negotiated and operated must also take into account what is socially and politically desirable in an agreement.

Thank you for this opportunity to present these comments on this paper on commodity agreements by Dr. Blau.

Fr. Henri de Farcy, *France*

Dr. Blau has clearly shown the kind of differences currently arising out of the absence of any kind of ethical or good judgement code in international agreements.

We are aware that in various countries these codes and ethical practices have resulted from two kinds of forces;

(1) necessity: circumstances making it imperative to struggle against practices which make life intolerable!
(2) the influence of individuals who felt the need for a rule and knew how to express it in such a way as to be acceptable to public opinion.

Dr. Blau has shown that the first of these is unfortunately far too weak for an international code!

I should like to ask her if, in her experience, it is possible to develop the second kind of force, and bring together forces of good will, so that they can become efficient and join together to accelerate the setting-up of these codes of international relations?

D. G. R. Belshaw, *Uganda/U.K.*

Dr. Blau's analysis, to my mind, does not emphasise sufficiently the usual distinction between the 'valorisation' and 'stabilisation' objectives of international commodity policy. The paper further implies that all less-developed countries (L.D.C's) favour the extension of commodity agreements similar to that for coffee to other major tropical commodities e.g. the proposed schemes for tea, sisal and cocoa. These are schemes of the Valorisation type i.e. through restriction of supply the price is maintained above the long run equilibrium level. The assumption of uniform L.D.C. support neglects the actual income distribution pattern resulting from such agreements, both between different producing countries and between producers within one such country.

It is clear that in the short-run, gains are secured by all currently producing countries through the restriction of supply, the valorisation of the price level and the ensuing transfer of incomes from consuming countries, since world demand for such primary commodities is price-inelastic in the region of current price levels. Incidentally, these gains will not persist in the longer term if the higher price causes consumer reaction, e.g. a new taste for weaker coffee, or intensified research or market promotion for economic substitutes, whilst even the short-run gains would prove to have been overestimated or even illusory if a higher price elasticity were experienced in the (unexplored) regions of significantly lower prices.

Nevertheless, assuming the reality of the net short-run gains from valorisation schemes, it is obvious that the systems of basing the individual producing country's quota on its historical share of world trade ensures that the greater proportion of such gains accrue to the historically major producing countries. At the same time, the gains of late-entrant or small, low-cost producing countries are unlikely to exceed by the same margin the additional income they would have derived from expanding sales under free market conditions. In that situation the additional sales of small-producing countries would have been faced, *ipso facto*, by demand curves of greater elasticity than those from the major producers.

Many L.D.C.'s e.g. most countries in Tropical Africa, are both late entrants and low cost producers in the sense that the social prices of unused fertile land and underemployed agricultural labour are relatively low (and for labour tending to fall even further under high rates of population growth). If further commodity agreements are enjoined along lines urged in Dr. Blau's paper, such countries will be faced by a battery of quotas on their major potential export commodities. Since the income from these more profitable crops are restricted to a minority of early adopters, their governments become subject to intolerable social and politcal pressures arising from the resultant inequitable income distribution patterns. Schemes for diversification and export processing industries can achieve in practice neither the growth nor the income–equalising effects of a rapid, simultaneous expansion in the acreage of several major export crops.

On grounds of international equity, considering the interests of all L.D.C.'s there is a strong case for permitting world commodity supplies to resume (or continue) their expansion paths so as to move world prices towards long-run equilibrium levels, i.e. stabilising world prices around a downward trend towards equilibrium over a longish period, say 10–15 years. There are several possible mechanisms to achieve this, the essential features are that world supply is permitted to expand marginally, but not excessively, faster than world demand and that all investment in commodity production schemes is based upon an awareness of the future price trend.

Consuming countries, one would confidently expect, would be more prepared to view the short-run costs of new commodity agreements if they could look forward to the eventual creation of stabilised prices at or near long-run equilibrium levels. A gradual movement in this direction would permit for a time the continuance of indirect aid from D.C.'s to L.D.C.'s through the transfer of their consumers' incomes. Unlike the present structures, however, it would enable a large group of L.D.C.'s to experience renewed growth and greater income equality through the exploitation of their comparative advantage. Also, the benefits to consumer and producer alike if stabilised markets would be extended immediately to a wider range of commodities without awaiting the moral reformation of national governments.

It may be concluded from the above that the design of current agreements is inefficient in securing 'the greatest good of the greatest number', but rather that the interests primarily served are those of a few dominant producing countries. The case of these countries for aid from the D.C.'s may be an excellent one, but they should receive this in a direct form rather than in such a way that the third party interests of other L.D.C.'s are harmed in the process.

A. Weber, *W. Germany*

I want to make three points. My first point relates to Mr Hiscock's contribution. I think we should bear in mind that there are many sources for the products with which we are dealing and that agreements must take this into account. Second, with regard to Buffer stocks, Dr. Blau makes an important contribution. However, buffer stocks are not available in all cases, and she does not indicate clearly where we can expect them to be available and where we cannot. If there are not many countries participating in a buffer stock scheme, it may have the consequences that these countries suffer from devaluation earlier because their resources have been exhausted. The more countries take part in such agreements, the less probably it is that the reserves will be exhausted. If we really want success in buffer stocks, we must have sufficient of these buffer stocks to be able to have an effect on prices. A point of Dr. Hiscock's, it is very difficult for countries which supply different products to come to an agreement which could be ratified and signed by their governments. It is very important that agreements should work out the technical details for operating in these markets.

F. I. Mikhaltchenko, *U.S.S.R.*

One of the most important international economic problems is the stabilisation of world markets for raw materials including agricultural products. This is especially important for developing countries, the economies of which depend to a considerable extent on the development of these world markets.

Markets for the above materials are characterised by slow rates of growth, the shrinkage of the share of these goods in the total volume of world trade and sharpe fluctuations in prices. A serious obstacle to the solution of these problems is presented by the policy of protectionism which is being pursued by a number of advanced capitalist countries, the influence of capitalist monopolies on many raw materials, markets and a whole series of other factors pertaining to the capitalist economy.

The foreign trade of socialist countries and the foreign policy of many developing countries are having an ever increasing stabilising effect on the world market.

The mechanism of agreements on sugar, coffee and food is aimed at creating an inequality of supply and demand and an imbalance in international trade. By its structure, this mechanism does not affect the basis of the market and prevents the removal of the causes or the alleviating of the effects of many factors influencing sudden and extreme fluctuations in prices. Only in some cases does the mechanism of agreements allow a partial stabilisation in prices.

Moreover, if the agreements on sugar and coffee exert some sort of stabilising effect on the development of the markets for these products, the wheat mechanism is practically unable to control the world wheat market. The mechanism of the above agreements does not take into account changes in the economic and political conditions of international trade; it does not reflect the real conditions for the growth of world markets. Besides that it has a number of other definciencies.

We propose as a genuine measure for the stabilising of markets the concluding of new types of agreements–stabilised international trading agreements. The mechanism of these agreements must take into account the elemental nature of the growth of economies of the capitalist system and also the planning characteristics and programmed growth of the economies of socialist and of a number of developing countries.

The main exporters and importers must be parties to these agreements and there must be provision for securing the growth of the volume of trade and for establishing economically based price levels.

An important proposal is for the combining of the principle of establishing export and import quotas with the principle of including within the agreement bi-lateral long-term trading agreements and contracts allowing the steady growth of the exchange of goods over a number of years. A similar agreement has achieved fairly wide recognition and acceptance in international trade. This is also noted in the publications of the UNCTAD.

The Soviet Union, in particular, widely practices this method of conducting foreign trade with many developing countries.

The stabilisation of prices and the growth of income from the export of raw materials must be concerned with the growth problems of the economies of developing countries.

Finally, these stabilised trading agreements must have provision for control by the governments of participating countries over the effects of foreign capital in the appropriate branches of the economy and foreign trade so that profits resulting from the stabilisation of markets go to the developing countries.

R. Saran, *India*

Dr. Blau's paper is an excellent report on the subject of Commodity Agreements which gives us an insight into the factors that have inhibited the emergence of international agreements in several commodities. It has been rightly pointed out that when negotiations involve the interests of parties of unequal economic strength, what is needed is a political will on the side of the economically strong party. However, it appears to me that the developed countries will derive even certain economic advantages through commodity agreements. It is quite possible that in some cases, the prospects of their export trade will appear to lessen after a commodity agreement has been reached. But I am sure that any reduction in exports in that commodity, if called for, will result in better allocation of resources within their countries. The increase in the exports of the concerned commodity from the developing to the developed countries can be expected to be associated with increase in their imports of capital goods or other products from developed countries. The final result will be diversification of production and of exports of developed countries and no overall reduction. No doubt these countries are likely to face certain problems of diverting resources from one sector to another. If developed countries could work out in detail a smooth process of diverting resources to other sectors and see through the ultimate advantage to their economy, I am sure that their political will to negotiate commodity agreements will also be strengthened. Dr. Blau has rightly pointed out that the more developed a country's economy, the better ought to be its opportunities of alternative resource use, and that agriculture economists can play an important role in developing a scheme of alternative use of resources.

Coming to the agreements already entered into, one conclusion that emerges is that when a multilateral contract for wheat or grains is to be concluded, the prices to be fixed for the purpose of the agreement and other provisions thereof should be such as to help to bring about a balance between demand and supply, and not result in ever-increasing surpluses.

Another point that follows from Dr. Blau's paper is that in the course of negotiations for agreement in any commodity, due consideration should be given to the technological improvements taking place in the developing countries which might result either in reduction in their imports or expansion of exports. Moreover, the agreement should be for a period which can allow for such adjustments in the supply position of developing countries; in some cases, the very status of developing countries is changing from being an importer to that of an exporter. Further, from the point of developing exporting countries i.e. the weaker parties in the agreements, what is needed is to secure for them a guaranteed share in the increments in the total world trade.

Finally, I wish to say that there is a large scope for expansion of trade among developing countries themselves, through regional co-operation. The countries of the ECAFE region i.e. of Asia and the Far East, have already agreed upon the Asian Trade Liberation and Development Programme. It is hoped that commodity agreements will have a good chance of being negotiated successfully in the wider context of programmes of regional co-operation.

Dr. Blau *in reply*

In relation to Dr. Hiscock's discussion and the prospects for another agreement, we have to bear in mind that another agreement would only be for another five years and this is a short period for the growers of tree crops. Dr. Saran also spoke of the need for the agreement to be long enough for supply adjustments to be made. One of the problems is to decide on the 'right' period for such agreements. There are obvious advantages in respect of stability in having a long one but there is a better chance of reaching agreement if we have a relatively short one because of the more limited commitments demanded of governments. The difficulties of the negotiations increase as the period is extended.

Though I spoke of the difficulties I would not like to give the impression, as I may have done to Dr. Hiscock, that we should not go on trying even harder to reach a workable arrangement. Though we may differ on our assessment of how much is achieved, certainly something is better than nothing. If you look at the world agricultural production and at the five agreements which we have got in twenty-five years–one of them for a non-agricultural product, and one for olive oil which is scarcely an international agreement in the present sense.–we are left with three. I am not too impressed with the price stability which has been obtained under the sugar agreement, and I do not think that the achievements compare very well either with the high hopes or with the actural needs. There was one question which I did not mention in the paper though I referred to it in the introduction, namely the matter of 'informal undertakings'. It is one of the facts of life that the greater the pressures of market conditions the greater are the dangers of informal agreements dissolving under the strain of such pressures and these are the situations where binding agreements are most wanted. Of course there is value in the work of study groups–the provision of intelligence, projections, confrontation of policies etc., and I have spent much time in the past in work of this kind. Nevertheless there is need to use much more effort in an attempt to get binding agreements if there is any chance of negotiation being started.

One of the most difficult, and one of the unsolved problems, is, in my view the whole question of the criteria for the determination of shares. Certainly I do not think that absolute costs in terms of relative technical efficiency–international cost comparisons are very difficult–can provide the whole of the answers. I think you will have to go further and take into account the underlying philosophy, you will have to work in terms of opportunity costs, and this is an economic argument; not only a social one, which may be very different from efficiency costs. A relatively high cost producer may still have a relatively low opportunity costs. This argument is rather like the comparative advantage argument of international trade. Some of you may well have a situation of underutilised resources. You may not have the situation where you have the alternative of either having more 'A' or of 'B', but you may have a situation where you could have more of both 'A' and 'B'. This is a rather complex implication and could be developed a good deal further. To answer the question, economic efficiency is one of the criteria, but so are a number of other aspects and this is, in fact, one of the practicable difficulties which must be acknowledged. A country which has, so to speak, held an umbrella over others, watching them coming up, might now have a strong case on a historical basis; another country which is a newcomer and has a small share might have a strong case because it is efficient. But if it is inefficient and poor it may have a case because it has no opportunity costs. We have to do our best with this difficult mixture of criteria and it is not easy admittedly to achieve this. Fr. de farcy of France has raised a fundamental point in relation to the code of international behaviour. In the international code there are two sets of elements one of circumstances and necessity and the other the political views on acceptable terms. We have to face the inevitable fact that political considerations are a fact of life, I do not think it would help us to try to go further on this question.

Several of the Speakers have left realism behind I believe by speaking of some kind of Super World Government. Given that we have developed a world contract which is the best that we can obtain, given the sovereignties of the various countries, and so on, then our crucial problem is that the political will is not nearly strong enough in face of realities. The question is, how we can strengthen the political will? I would stress that in this sense international codes begin at home, I think economists, agricultural economists, and agriculturalists have a major role to play. Governments cannot go much further than public opinion wants them to go.

One other of the principal points made in the discussion was made by Dr. Weber on the question of Buffer Stocks and the question of the insecurity of current exchanges, I would entirely agree that this is one more of these technical problems. Another one which perhaps belongs in a similar category is that, in order to operate Buffer Stocks you need a high degree of international mobility, a high degree of international trade without quantative restriction, and also something that you can declare as a representative world price unconfused by special prices of produce moving under bilateral or concessional terms. It is very difficult, admittedly, for Buffer Stocks to operate under such complex conditions. A further problem and one involving the most intricate questions is 'what is the right size of the Buffer Stock?' Stocks mean costs and the question of costs is another one which would require quite a detailed discussion. First, my view is, whatever the costs as calculated, they are very much less in real costs than the text book says. I raised this matter during my travels in developing countries and initiatived a good many huddles while people discussed the relative significance of those storing under very primitive conditions and those in more orthodox types of buildings. Trying to compare the costs of such extremes and intermediate stages is highly difficult.

If I may make one final point, I see in the programme that my name has been associated with the F.A.O. I have indeed been engaged in the work of this Organization for well over two decades and I naturally identify myself quite largely with its activities. However, I have recently left the service of that Organization and I am now in the state of being an independent economist.