INTERNATIONAL COMMODITY AGREEMENTS: REALITY AND THE FUTURE*

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I. EMERGENCE OF THE PRINCIPLE

1. The main purpose of this paper is to evaluate postwar experience of international commodity arrangements[1] as instruments for promoting economic stability and growth, particularly in developing countries. Until some practical importance was attached to the compensatory financing scheme, it had usually been held that there was no practicable measure for reducing the international impact of short-run fluctuations in the primary commodity trade, other than a direct and detailed attack on the problem through the creation of a widespread network of individual commodity agreements. Although some have cautioned against the practicability of international commodity agreements,[2] fear of having burdensome surpluses, especially of agricultural commodities, so dominated the immediate postwar years that high hopes were expressed of the network. Contrary to the above hopes, deep disappointment in the achievements in these fields has been expressed in recent years.

Needless to say, the international commodity arrangements are instruments that came into use between the wars in order to meet the commodity problems of those days. The record of international commodity arrangements of this period[3] shows that the sharp decline in

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1 The term "international commodity agreement" is used in this paper only for the intergovernmental commodity agreements which are provided under Chapter VI of the Havana Charter. For the others the term "international commodity arrangement" is used.

2 United Nations, *Measures for International Economic Stability*, para. 36 (1951. II. A. 2).

3 The international commodity arrangements concerned relate to wheat (1933), sugar (1937), tea (1933, 1936 and 1938), rubber (1934, 1936 and 1938), timber (1935), tin (1931, 1933, 1934, 1937 and 1938), and coffee (1940).

primary commodity prices in these years was mainly caused by these actions. Although a number of international controls were introduced prior to 1921, a number of *intergovernmental* arrangements had been developed in the years following the Depression.

It should be noted that the intergovernmental commodity arrangements covering rubber, tin, tea, and a number of other commodities originated from purely private cartel arrangements lacking the support of governmental authority. They had been conceived mainly to correct specific maladjustments affecting individual commodities. The growing competition of producers outside the cartels diminished the effectiveness of the controls of exports and production for which these had been created, and on the solicitation of important producing groups, but not at the instance of affected consumers' interests, governments intervened in the international marketing of the commodities. In this sense these private cartel arrangements were the antecedents of intergovernmental arrangements. Another antecedent was national valorization, or national price support schemes. The coffee arrangements were the result of Brazil's unilateral actions. The Chadbourne sugar plan was the outcome of Cuba's unilateral efforts.[1] The International Wheat Agreement of 1933 had a counterpart in the international activities of the Canadian and Australian Wheat Boards. In the case of these commodities intergovernmental action was taken after it became clear that unilateral national measures were quite inadequate to deal with problems which were by nature international in scope. The international operations in the twenties were purely producers' schemes, and *those of the thirties were disguised producers' schemes.* Therefore, it is quite understandable that these international transactions were severely criticized at the World Economic Conference of 1927 (Geneva), at the London Monetary and Economic Conference of 1933, and at the League of Nations Committee for the Study of the Problem of Raw Materials of 1937 as being detrimental to some of the interests concerned.[2]

2. Although new developments took place in this field during World War II, the outbreak of the war interrupted discussions between interested countries which might have reached some agreement in one form or the other if there had been no interruption. The line of effort

1 E. S. Mason, *Controlling World Trade: Cartels and Commodity Agreements*, New York, McGraw-Hill, 1946, pp. 152–153.

2 For the reports of these conferences, see The International Labour Office, *Intergovernmental Commodity Control Agreements*, Montreal, 1943, pp. 133 ff.

that was taken was one which would not disrupt the series of actions completed to date and at the same time would pave the way for dealing with postwar problems. For example, the Wheat Protocol of 1942, signed by four major exporters and the United Kingdom, provided for a postwar International Wheat Conference. However, the following facts were far more important than the wartime continuous efforts on individual commodities. The question of commodity arrangements was considered from a regional standpoint at the Second Inter-American Conference of Agriculture (Mexico City, July, 1942) under the auspices of the Pan American Union, and the subject was once more reviewed by the United Nations Conference on Food and Agriculture (Hot Springs, May-June, 1943). The latter conference recommended, among other matters, that an "international organization should be created at an early date to study the feasibility and desirability of such arrangements with reference to individual commodities and, in appropriate cases, to initiate or review such arrangements to be entered into between governments, and to guide and co-ordinate the operations of such arrangements in accordance with agreed principles . . ." This recommendation was the first step in the formation of a postwar international commodity stabilization policy. The subject was again discussed at a Preparatory Committee of the United Nations Conference on Trade and Employment at London (October, 1946). This committee finally produced——after two long sessions at Geneva in the spring of 1947 and at Havana in the following winter——the Havana Charter (the ITO Charter), Chapter VI of which details an international commodity stabilization policy, the result of these discussions. Chapter VI is of very great importance since it has been taken as the guiding principle of policy up to the present time.[1]

3. Article 52 in the chapter provides for three special instances that could affect primary commodities, and might necessitate *special measures* in international trade of such commodities by intergovernmental agreement. These are the tendency toward persistent disequilibrium between production and consumption, the accumulation of burdensome stocks, and pronounced fluctuation in prices. Objectives of the intergovernmental commodity agreement are provided in Article 54 of the chapter.

1 For the details of the Havana Charter, see William Adams Brown, Jr., *The United States and the Restoration of World Trade: An Analysis and Appraisals of the ITO Charter and the General Agreement on Tariffs and Trade*, Washington, The Brooking Institution, 1950.

These are to prevent or alleviate the serious economic difficulties which may arise when adjustments between production and consumption can not be effected by normal market forces alone as rapidly as the circumstances require; to provide, for as long as it may be considered necessary, a framework of the consideration and development of measures which have as their purpose economic adjustments designed to promote the expansion or a shift of resources and manpower out of over-expanded industries into new and productive occupations; and to moderate pronounced fluctuations in the price of a primary commodity with a view to achieving a reasonable degree of stability on the basis of prices fair to consumers and remunerative to efficient producers, having regard to the desirability of securing long-term equilibrium between the forces of supply and demand. (The other three objectives defined in the same article do not have importance in this connection.)

As stated in Section 1, these above-mentioned difficulties can be dealt with through an international cartel or unilateral national action.[1] However, the special treatment of international trade in primary commodities may appropriately take the form of intergovernmental commodity agreements which are subject to *a code of conduct internationally agreed upon.*

This code of conduct is strictly defined in the chapter.

(1) Commodity *control* agreements[2] may be employed *only when* it is determined that: (a) a burdensome surplus of a primary commodity

1 It should be noted that to enable countries to find solutions to special commodity difficulties without resorting to unilateral action was considered to be one of the three objectives originally presumed in the Preparatory Committee's discussion. This objective was not included in its final form since many countries feared its inclusion might be construed as limiting their freedom to carry out some of their national programmes (see, W. A. Brown, Jr., op. cit., pp. 121–122). There is no record of discussions about purely private international cartels. However, there is no question that the general opinion had been accepted that purely private commodity control should be avoided in international conferences.

2 In the chapter a distinction is made between regulatory (control) and non-regulatory agreements. The former involve the regulation of production or the quantitative control of exports or imports, or the regulation of prices. Since control agreements deal with special difficulties, these agreements depart more radically from the general principles of the Charter as a whole, and the conditions justifying them are more strictly defined than in the case of the non-regulatory agreements. It can be easily understood that the agreements not involving the regulation of production or the quantitative control of exports or imports but involving the regulation of prices related to the last special difficulty (the pronounced fluctuation in prices) defined in the Article 52. This reflected the general desire of many countries to emphasize price stabilization as a primary objective of commodity agreements.

has developed or is expected to develop, or (b) widespread unemployment or underemployment in connection with a primary commodity, arising out of difficulties of the kind referred to in Article 52, has developed or is expected to develop (Article 59).

(2) The chapter provides a carefully defined procedure leading to the conclusion of a commodity control agreement as follows: (a) an investigation by a *Study Group* of the existence of the circumstances justifying employment of the commodity agreement technique; (b) an exploration by the Study Group of methods of meeting special difficulties relating to each commodity under question; and (c) a convening of a *Commodity Conference* which decides to establish a commodity agreement related to the commodity. Countries are under a general obligation not to enter into a control agreement except on the recommendation of a Commodity Conference.

(3) There are also provisions for participation and voting. Any study group or commodity conference should be opened to participation of all countries interested in importation or consumption of the commodity under consideration, as well as those interested in its exportation or production, on terms no less favourable than those accorded to any other country. A provision for adequate participation of interested countries should be included in any intergovernmental commodity agreement.[1] Any intergovernmental commodity agreement should include a provision which assures equal allocation of votes between producing countries and non-producing consuming countries (Article 60 (b)).

4. Conclusions derived from the preceding three sections are as follows:

(1) Chapter VI of the Havana Charter reflects the prewar experience in the field.

(2) The guiding principles contained in the chapter are as follows. There are special difficulties affecting international trade in some primary commodities which necessitate, or justify, special treatment of international trade in such commodities; appropriate forms of such special treatment are the intergovernmental commodity control agreements;

1 The International Tea Agreement which expired in 1955 was criticized in this connection. The agreement had been made between the four producing countries which had been parties to the former 1948–1950 agreement, and other countries were not invited to participate in the preparation of the new agreement. See the Interim Co-ordinating Committee for International Commodity Arrangements, *Review of International Commodity Problems*, 1950 p. 5 (1951. II. D. 1).

all such agreements should be subject to a code of conduct internationally agreed upon; and, since these agreements provide for special treatment, the code must be strict.

Therefore, it should be clear that the chapter does not aim at increasing control over the primary commodity market, or increasing the number of intergovernmental commodity agreements, but only aims at determining an appropriate type of agreement, should one be necessary. This must account for the phenomenon that in the 17 years since the end of the war, international agreements have been concluded for only five commodities, although it is true that the general economic climate in the postwar world is much more favourable to primary exporters than before the war. Moreover, according to the procedure defined in the chapter, the time that elapses between the commencement of negotiations and the final ratification of agreements must generally be reckoned in years. This partly explains the fact that the postwar scene has been dominated by less formal and more modest approaches to the commodity problem, while study groups and conferences have rarely resulted in formal intergovernmental agreements.[1]

II. POSTWAR REALITY

5. The main features of the postwar economic climate in connection with the international commodity problems must next be discussed. First of all, it should be noted that as early as 1951 the experts who submitted the report entitled *Measures for International Economic Stability* to the Secretary General of the United Nations expressed the following unanimous view:—

> "A necessary condition of reasonable stability in the demand for primary products is the avoidance of fluctuations in economic activity in the manufacturing countries. We assume that this will be achieved to a large extent and that serious depressions will be avoided. But we have seen that even quite small industrial fluctuations, which we cannot assume will be avoided, can have greatly magnified repercussions on the primary producing sector of the world economy. Special commodity arrangements are required to help combat these remaining fluctuations."[2]

Since then the above experts' view has scarcely been denied by anyone. The view that "contrary to widely held views, export proceeds

1 United Nations, *World Economic Survey 1958*, p. 113 (1959. II. C. 1).

2 United Nations, *Measures for International Economic Stability*, para. 59 (1951. II. A. 2).

were decidedly more stable for primary goods than for manufactured goods"[1] has even been expressed. What is the present day problem? We cannot object to Professor Wallich's view that "the really new element today comes not from the commodities themselves but from the countries producing them."[2] In almost every part of the world the export economies have become politically, and in less degree economically, independent in the past decade or two. In these economies, while a direct and automatic balancing of international payments operative before the day of independence is being progressively displaced, it is not being replaced by either the mechanism of price change nor the mechanism of the foreign trade multiplier as generally asserted by academic economists. Instead, new elements such as the determination to carry out ambitious new development programmes or to expand consumers' expenditures regardless of reductions in export earnings act upon the import demand of these economies. The consequence has been widespread balance of payments difficulties among the export economies in recent years.[3]

The development programmes require a steady inflow of foreign exchange receipts during the whole programme periods. Since these countries depend on exports of a small number of primary commodities, they are concerned very seriously with the prices of primary commodities exported in relation to the price index of manufactured goods imported. The world has become highly conscious of the terms of trade.[4] During the nineteen-fifties the terms of trade of developing countries deteriorated.[5] Under these conditions, the need for stabilization of primary commodity trade is urgent.

Four additional facts may be mentioned briefly. The first is the development of synthetic substitutes.[6] Clearly this development inten-

1 Joseph D. Coppock, *International Economic Instability: The Experience after World War II*, New York, McGraw-Hill, 1962, p. 35.

2 Henry C. Wallich, "Stabilization of Proceeds from Raw Material Exports," in Howard S. Ellis ed., *Economic Development for Latin America: Proceedings of a Conference Held by the International Economic Association*, London, Macmillan, 1961, pp. 343–344.

3 Jonathan V. Levin, *The Export Economies: Their Pattern of Development in Historical Perspective*, Cambridge, Harvard University Press, 1960, pp. 10–13.

4 Henry C. Wallich, op. cit., p. 344.

5 United Nations, *World Economic Survey 1962*, Part I, p. 50 (1963. II. C. 1). However, the view that the future of the world primary commodity trade is gloomy, is not beyond question.

6 Although it is not a development of a synthetic substitute, the effect of the development of the aluminium industry is far-reaching. New technology which brings saving

sified commodity difficulties. In some commodities such as rubber and cotton, this development has added complications to the establishment of a commodity agreement. However, it should be noted that it is not certain whether this development can upset a commodity market. The second is the stockpiling policy of a nation, especially that of the United States. This policy has been very favourable, for example, for rubber, or tin producers in Southeast Asia. The world grain market is protected by the United States price support policy. Since the buying or disposal of the national stockpile is usually done in bulk, if the country which pursues a stockpiling policy is internationally-minded, the national stockpiling policy is effective in stabilizing the world commodity market. However, a policy of security stockpile does not always coincide with an international stabilization policy. The third is the fact, stated above, that while the terms of trade in primary commodities for manufactures have deteriorated in recent years, in the centrally-planned economies the reverse is true. The concentration of investment in manufacturing and the low priority given to agriculture in development policies has resulted in a very considerable increase in industrial productivity in relation to agriculture in the centrally-planned economies.[1] The primary exporting countries have entered into a number of, mainly bilateral, arrangements with the centrally-planned economies. The fourth is the fact that the agricultural support policies of the developed countries have far-reaching effects on world agricultural trade. Supported prices of agricultural commodities in these countries are determined on the principle of parity for agriculture. This adds a standpoint to discussions of the target price range in international commodity policy.[2] The primary effect of the agricultural support policy on the world commodity market is to narrow the market for the exporting, or the developing countries. This effect is very serious in the cases of sugar, cotton, etc.

6. The second fact to be discussed in the postwar scene is the fact that in the postwar period there has been great improvement in *stabilization techniques*. For example, the whole scheme of the postwar

in the use of a raw material, such as the development of the electrolytic process in tin, should be included in this category. Most important in this connection is the fact that *these developments occur exclusively in the developed countries.*

1 United Nations, *World Economic Survey 1962*, I, Chapter 5.

2 Gerda Blau, "International Commodity Arrangements and Policies," *Monthly Bulletin of Agricultural Economics and Statistics*, September, 1963, p. 2. The other is the terms of trade standpoint held by the developing countries already mentioned.

International Wheat Agreements have "something of the elegance of the theoretical economists' model and the attractiveness of a compromise between the twin aims of commodity policy——stability simultaneously with the adjustment of supply to changes in demand."[1] Moreover, many new techniques are expressed in publications.[2] As a result of these improvements, the postwar agreements look much more like an economists' conception of a good commodity agreement.[3]

The second result of the above improvement is that it is difficult to conclude an international agreement other than for five commodities ——wheat, sugar, coffee, tin, and olive oil——since the interested governments are much more strict about the possible type of agreement than in the inter-war period. As stated earlier, there have been many informal arrangements in the postwar period.

The third result is that target price ranges provided under each of these agreements are not narrow. Ranges under these agreements as percentage of ceiling are as follows:

	1st.	2nd.	3rd.	4th.	5th.
Sugar	25.3	21.3			
Tin	27.13	17.0	17.0		
Wheat	16.7–33.3	24.4	25.0	21.0	19.7

Another additional three points should be noted. First, both the International Tin Agreement and the International Sugar Agreement failed when they were most needed. Second, the price of wheat has been confined to the above range not by the International Wheat Agreements, but by US-Canadian government policy.[4] The current ceiling on tin prices is governed rather by the United States disposal of tin from her stockpile than by the price range provided for by the agreement. Third, except for the International Coffee Agreement, economic provisions of the agreements are not operative when market prices of these commodities are between the target price ranges.

1 C. D. Harbury, "An Experiment in Commodity Control——The International Wheat Agreement, 1949–53," *Oxford Economic Papers*, February, 1954, pp. 82–83.

2 See, for example, Food and Agriculture Organization of the United Nations, *A Reconsideration of the Economics of the International Wheat Agreement*, September, 1952; R. S. Porter, "Buffer Stocks and Economic Stability," *Oxford Economic Papers*, January, 1950; United Nations, *World Economic Survey 1958*, pp. 124 ff.; E. M. Harmon, *Commodity Reserve Currency, the Graham-Coudriaan Proposal for Stabilizing Incomes of Primary Commodity Producers*, New York, Columbia University Press, 1959; etc.

3 Henry C. Wallich, op. cit., p. 343.

4 Helen C. Farnsworth, "International Wheat Agreements and Problems, 1949–56," *Quarterly Journal of Economics*, May, 1956.

In sum, the postwar international commodity agreements have been not only small in number, but the agreements negotiated have not been effective in stabilizing price fluctuations. So far as burden surpluses are concerned, the postwar international commodity agreements have not been very much concerned with the problem.[1] The principles of surplus disposal recommended by FAO have been somewhat effective in keeping normal market situations for the commodities facing surplus disposals. This fact shows that *national actions are not always harmful to international economic stability if they are carried out in accordance with pertinent internationally agreed principles.*

7. The workings of the *commodity study groups* offer the highest hopes. According to Articles 55 and 56 of the Havana Charter (Commodity Studies and Commodity Conferences), these informal bodies arrange the studies and conferences which are directly related to particular international commodity agreements. However, as early as 1954, the following opinion was expressed:

> "....the usefulness of study groups is not necessarily exhausted when international commodity agreements have been negotiated on the basis of their recommendations. It is desirable that Governments should consider, in each case when a commodity agreement has been reached, whether there may not be continuing benefit in maintaining the study groups."[2]

At the same time it was realized that the study groups set up at the initiative of the FAO might be interested not only in those studies directly related to the negotiation of formal agreements, but also in studies of many other matters of primary importance in relation to production, trade, and consumption.[3]

What is the main merit of the commodity study groups? It is said that "the system of regular meetings of study groups consisting of representatives expert in problems of individual commodities has contributed something towards the achievement of stability."[4] The exchange of information about the commodity concerned on an intergovernmental basis at such meetings is expected to promote greater

1 Recent two International Wheat Agreements show some interest in the problem of surplus disposals. See, United Nations, *United Nations Wheat Conference, 1962, Summary of Proceedings*, pp. 25 ff (1962. II. D. 2).

2 Interim Co-ordinating Committee for International Commodity Arrangements, *Review of International Commodity Problems, 1954*, p. 13 (1955. II. D. 1).

3 Ditto, *Review of International Commodity Problems, 1954*, p. 14.

4 Ditto, *Review of International Commodity Problems, 1952*, para. 44 (1953. II. D. 1).

sympathy and mutual understanding which, in turn, coupled with general awareness of the problem of stability, leads at least to a better co-ordination of national action in the direction of stability. Periodic reviews of the current situation and the short-term outlook for the commodity concerned are very often undertaken at regular intervals. The assessment of the current situation and short-term outlook may enable the governments to adjust their policies in the light of expected production and consumption trends elsewhere. Recently the Committee on Commodity Problems of FAO published *Agricultural Commodities-Projections for 1970.*[1] This is very useful in enabling the governments to adjust their policies to the projected commodities situation in 1970. All these help not only the primary commodity trade stabilization, but also the increase in productivity in primary commodity production, and in efficiency in primary commodity marketing.

The emergent actions of the Lead and Zinc Study Group are very interesting. In May, 1959, the Lead and Zinc Study Group adopted a voluntary curtailment in production, export, and sales, designed to adjust the relationship between supply and demand. The *emergency* nature of the action was recognized at the session of the group held in January-February, 1960. Again in March, 1962, the group adopted an arrangement for temporary limitation of supply.[2] This experience shows that some kind of effective stabilization action can be worked out by a commodity study group.

Though the contribution of study groups towards the achievement of stability is limited, it is clear that the formation of study groups is much easier than the negotiation of intergovernmental commodity agreements. If the world economy in general is stabilized, one of the commodity study groups which covers a sufficiently large part of the world primary commodity trade may be very effective in stabilizing the world primary commodity trade.

8. The *bilateral arrangement*——sometimes called the *long-term contract* when it covers two or more seasons——has not been recommended as an international arrangement for solving the international commodity problem. However, the postwar world economy has been in fact dominated by a large number of bilateral arrangements. The

1 FAO, *Agricultural Commodities Projections for 1970* (FAO Commodity Review 1962, Special Supplement), Rome, 1962 (E/CN. 13/48, CCP 62/5).

2 For the emergency nature of the action, see United Nations, *Official Records of the Economic and Social Council,* Thirtieth Session, Annexes, agenda item 8, paras. 12–14 (E/8374).

trade problems between the developing countries and the centrally-planned economies are closely related to the issue of bilateral arrangements.[1] Among countries in the southern part of Latin America, whose products were to some extent complementary and whose members did not belong to the hard currency area, about ninety per cent of total trade took place under bilateral clearing arrangements by the mid-nineteen-fifties.[2] It is even said that, in some cases, bilateral arrangements are the only practical means of opening up a potential market, and they tend, therefore, to create demand.[3]

Since the expansion of consumption and of production is one of the important, if not indispensable, conditions for a successful commodity policy, bilateral arrangements may be desirable if there is no unfavourable effect on non-participating countries. Even if bilateral arrangements are not desirable, the existence of a number of bilateral arrangements in the postwar world is undeniable. It may be pointed out that a number of long-term contracts between the United Kingdom and one of, or some of, the Commonwealth countries were concluded during the period immediately after World War II, the principal objectives of these contracts being to secure for the United Kingdom larger food imports; to reduce fluctuations in the supplies and prices of commodities which the United Kingdom imported; to provide overseas producers with a degree of security through forward pricing and an assured market; and to facilitate colonial development.[4] A second fact to be pointed out is that Article 54 of the International Coffee Agreement, 1962, shows that the member countries of the agreement are not being asked to refrain from engaging in barter transactions involving the sale of coffee in certain areas having considerable potential for expansion of consumption.[5] A third fact to be pointed out is that, although, generally speaking, barter (the most typical of bilateral arrangements) is hardly ever steady and regular, and all trade between two countries in a bartered commodity may cease on the delivery of the contracted amount,[6] the state-trading countries in Eastern Europe

1 United Nations, *World Economic Survey 1962*, Part 1, p. 107.

2 James P. O'Hagan, "International Barter Involving Agricultural Products," *Monthly Bulletin of Agricultural Economics and Statistics*, July/August, 1962, p. 4.

3 United Nations, *World Economic Survey 1958*, p. 115.

4 Food and Agriculture Organization of the United Nations, *The Long-Term Contract*, April, 1953.

5 For detailed information about the bilateral arrangements concerning coffee, see Pan-American Coffee Bureau, *Annual Coffee Statistics*, 1960, New York, pp. 11–13.

6 James P. O'Hagan, op. cit., p. 4.

have in recent years been following a policy of replacing one-year trade arrangements by longer term arrangements which are considered to be better suited to their planned economies.[1] All these three facts show that, in some cases, bilateral arrangements are beneficial in the solution of primary commodity problems.

The postwar International Wheat Agreements are no more than an arrangement, specifying prices and quantities, between more than two countries, i.e., an arrangement by major exporters to make available specified quantities of the commodity concerned at a certain "maximum price," matched by an arrangement by certain importers to buy specified quantities at a certain "minimum price." It is a compromised form between the international quota agreement and the bilateral long-term arrangement. Apart from the problems of membership, there is no difference in principle between the multilateral long-term contract and the bilateral long-term arrangement. Moreover, in many international commodity agreements key countries, such as the United States in the International Coffee Agreement, or Cuba in the International Sugar Agreements, behave like countries engaging in bilateral arrangements.

It is not possible to add to these general observations, since there are many varieties of bilateral arrangements. However, the bilateral long-term arrangement is favourable to the primary commodity trade, if it is additional to, rather than merely a replacement of, normal commercial trade. Moreover, it is possible to avoid many kinds of shortcomings of the bilateral arrangement, if it is placed under the supervision of an international supervising agency.

III. THE FUTURE

9. The lessons which are drawn from the above examination of postwar experience are as follows:

(1) The principles provided in Chapter VI of the Havana Charter must be changed. First, under these principles only a small number of intergovernmental commodity agreements can be established, while there are a number of commodity study groups and other types of intergovernmental arrangements, including bilateral arrangements, all of which are closely related to the problems of international commodity stability. Second, the formal differences between the international commodity agreements and commodity study groups, and between the

1 General Agreement on Tariffs and Trade, *Commercial Policy 1957; including a report on recent activities of the Contracting Parties*, Geneva, October, 1958, p. 44.

international commodity agreements and the bilateral arrangements, are, in some cases, not the real ones. It might be very effective in stabilizing world commodity markets if discussions were held covering a whole series of these arrangements at the same time, as is customary, for example, in negotiation for tariff reductions under the auspices of GATT.

(2) In spite of the improvement in stabilization techniques, the postwar international commodity agreements have not been effective in stabilizing price fluctuations. In view of the fact that there has been no great depression in the postwar years, we cannot be too dogmatic on this point. At least it is clear that the postwar international commodity agreements could do nothing during the violent commodity fluctuations caused by political events such as the Cuban crises.

(3) It is doubtful whether the international commodity agreements under Chapter VI of the Havana Charter are adequate for present day needs. The balance-of-payments difficulties among the developing economies in recent years require a broader attack.[1] The author does not mean to imply by this that the scope of commodity agreements should be made more comprehensive so that they would deal even with the long-term development of trade on the basis of stable purchasing power for exporters.[2] Although examination of the compensatory financing scheme is beyond the scope of this paper, a combination of compensatory financing measures and international commodity agreements might be adequate. The former is concerned in the distribution of international liquidity among countries without regulating the commodity market, while the latter regulates the commodity market and does not intervene in the world money market.

(4) If we take the effect of synthetic substitutes on the elasticity of demand for the natural product into consideration, the long-term elasticity of demand for primary commodities is not always low. The desirability of securing long-term equilibrium between the forces of supply and demand should be considered very seriously.

10. In considering the future of the policies in the field we should be very clear about the fact that the most important factor making for

1 The International Coffee Agreement, 1962, should be noticed in this connection. This is the first international agreement for a commodity in which the developed countries are exclusively importers, and which aims at assuring more export earnings to exports.

2 United Nations, *Towards a New Trade Policy for Development*, 1964, p. 75 (E/CONF. 46/3).

stability in the world commodity market is the remarkable stability and growth maintained by the developed countries. *In a steadily growing world,* demand for commodities exported from developing countries will be fairly stable. Unstable supply is easier to handle than unstable demand. Except for problems which may be occasioned by political events, the stabilization problems will be met most effectively by *the commodity study group,* and the international commodity agreements under Chapter VI of the Havana Charter will be of second importance.

In this steadily growing world the type of international commodity agreement which aims at assuring more export earning to exporters will increase in number.[1] At least, demand for this type of agreement will increase.

If the developed countries are *not successful in maintaining their remarkable stability and growth,* the international commodity agreements under Chapter VI of the Havana Charter will increase in importance. However, the necessity of compensatory financing measures will increase more in the case of commodities mainly exported from developing countries.

1 Negotiation for a cocoa agreement broke down in October, 1963. This fact shows that the importing countries are not very prepared to join in this type of agreement. On the other hand, we should not deny the fact that the "Pisani Plan" which is on the same line has been paid increasing attention.