

Individual Commodity Agreements - Progress of Negotiations

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Individual Commodity Agreements - Progress of Negotiations 1

Review

1. This paper describes, in respect of the commodities covered by the Integrated Programme for Commodities :

- (i) The state of progress of negotiations towards international agreements (ICAs).
- (ii) The kinds of measures being considered, in particular, the need for buffer stocking and "other measures" that could require Common Fund financing.
- (iii) Attitudes of the principal proponents and opponents.
- (iv) Prospects of successful completion.

The treatment of the three commodities for which agreements are already in existence (coffee, cocoa and tin) is intended to clarify features in those agreements for which the Common Fund would have relevance.

2. In the effort to speed progress, bearing in mind the target date of December 1978 for completion of agreements, UNCTAD has revised its schedule for forthcoming meetings. By March 1978 preparatory meetings will have been held on five further commodities (iron ore, phosphate, meat, bauxite, tea) in addition to the nine for which meetings are already in course (copper, jute, hard fibres, rubber, tropical timber, manganese, cotton, vegetable oils and sugar). This leaves bananas for which the UNCTAD preparatory meeting date in 1978 is still unspecified. Reviewing progress in July, the Secretary-General of UNCTAD reported limited achievement, with work still in the preliminary stage in most commodities. He looked forward, nevertheless, to a new and more constructive approach to commodity discussions, following the expression of support for a Common Fund by the developed countries.

3. As a result of the consultations between Governments in July, there is now some room for optimism as to the outcome of the Sugar Conference which is being resumed in September. As regards the preparatory discussions on other commodities, the UNCTAD Secretary-General thought in July that only in the case of rubber could Governments perhaps be said to have reached the stage of focusing on clearly defined measures for an agreement. This reflects the encouragement provided by the existing rubber producers' scheme which aided understanding of the issues. Recommendations on the elements of an agreement on natural rubber are to be made by a small group of producer and consumer countries to the next preparatory meeting in March. Better prospects for an agreement on jute have arisen at the Fourth Preparatory meeting in July. Although the form of any market stabilisation scheme has still to take shape, it is hoped that proposals on the elements of an agreement may emerge from a working group by January. For tea and bananas there have been preparatory discussions under FAO auspices, and there is to be further consideration in each case in that forum before the negotiations are taken up in UNCTAD next year. The resolution of differences between producers is still a necessary step for the success of arrangements for tea. As regards bananas, consensus has been reached between exporting and importing countries as to the nature of a possible agreement, and the FAO Group hopes to be able to present an advanced working draft in the

1 Up to end of August, 1977, but giving in some cases details up to early October.

latter half of 1978 for negotiation in UNCTAD. Progress on other commodities for which meetings have so far been held is not encouraging. A great deal of work has been done on copper, but present activity in the preparatory meetings is still of the nature of fundamental studies; developed countries are not yet convinced that a case has been made out for an international agreement or for any particular mechanisms, and have been unable to accept that a negotiating conference should be held in the latter part of 1978. After one meeting, alternatives for cotton are being considered in view of the inability of producers to agree on the desirability of buffer stocks. For hard fibres, vegetable oils and tropical timber initial discussions have done no more than to set out areas for study with a view to determining problems and their suitability for international action; these commodities are, therefore, at some distance from the negotiating stage. Both producers and consumers of manganese were also impressed with the need at this stage to identify problems, while international stockpiling had no appeal for producers; the question of a further meeting on manganese has been left unsettled. Of the commodities on which preparatory meetings have yet to be held, little can be said of prospects. However, in three cases (bauxite, iron ore and phosphates) existing arrangements for cooperation between producers may have cleared some ground for the approach to international agreements. Meat faces special problems; developing countries are seeking to rationalise world production and trade patterns, but quick progress is not expected in view of the rigidities of protective policies in consuming countries.

4. Even including commodities which are already the subjects of international agreements, the number of those for which international buffer stocking is in practice or seen as appropriate is limited, e.g. cocoa, tin and rubber; however, while the present coffee agreement does not at present provide for such measures, certain coffee producing countries are now, following recent downward pressure on world coffee prices, initiating moves towards international stocking arrangements. Producing countries would favour international buffer stocks for copper, cotton and jute, but have not met agreement on the part of consuming countries. Suggestions for international stocks have been made also for tea and hard fibres (sisal), but these have not so far been given full consideration in the international arena. The latest proposals for sugar envisage in effect national stocks in exporting countries, supported by international funds. The alternative of some form of international financial support for national stocks held by producers may provide the solution on which a jute agreement will be reached; similar suggestions have been made for hard fibres and vegetable oils. Supply management (export quotas) reinforcing stocking arrangements is incorporated in the cocoa and tin agreements and is proposed as a feature of agreements on sugar, rubber, jute, tea, cotton, hard fibres and copper. Export quotas have to date been the main instrument of stabilisation in the coffee agreement, and might fill the basic role in any banana scheme. For certain minerals (iron ore and manganese) where stocking is less appropriate because of a high degree of flexibility of production, and phosphates, regulation of exports and/or export prices may be employed. Multilateral supply and purchase commitments are also thought suitable by the UNCTAD Secretariat for these minerals, together with copper and bauxite, and also for cotton, hard fibres and jute. While the need for production policies may be implicit in supply management measures, direct references to rationalisation of production and diversification are less frequent. The rubber working group is examining supply rationalisation as a contingency measure in support of floor or ceiling prices, and banana producers have accepted in principle the need to adjust production to meet demand and price objectives. Jute producers would contemplate rationalisation of production only in support of an international agreement where there was harmonisation

of synthetics production. The coffee agreement no longer has a diversification fund, though members may obtain technical and financial assistance and are expected to cooperate to ensure a balance of world supply and demand. Cocoa agreement members have a similar obligation. Compensatory financing and related needs, such as crop insurance and adjustment assistance, have figured among proposals for certain commodities only (tea, cotton, vegetable oils, bananas, tropical timber, iron ore). Various other measures feature more generally in existing agreements and proposals, e.g. the promotion of consumption, and related aspects such as removal of obstacles to consumption and limitation of substitutes; development of processing and access for manufactured goods; studies and research; and the need for information collection and dissemination.

5. Considering the discussions so far, it can be observed that in the context of individual commodities, "other measures" have not been a contentious issue, in marked contrast to the Common Fund debate. Developing countries have, however, frequently insisted that the role of "other measures" be regarded as supportive of the main instruments of price stabilisation and have resisted suggestions (e.g. for jute and cotton) that "other measures" could be contemplated in isolation. It is upon the questions primarily of the kind of international action needed to achieve stabilisation, and upon the appropriateness of buffer stocking as a mechanism, that differences of view are impeding progress in the commodity discussions. Doubts on these issues may in general be identified with developed consuming countries (although in the case of cotton and copper they are shared by some developing producing countries). Some European consumers, however, (Scandinavia, Netherlands) are generally favourable in attitude, while certain important consumer countries have taken positions which vary from case to case; e.g. the adverse stand taken by the United States on cotton, hard fibres, and indeed to date on jute, contrasts with its anxiety to reach an agreement on sugar and a willingness to concur in the proposals for rubber. Japan also appears able to be less negative on rubber than other commodities. From such instances it appears that countries are still more motivated by individual interests than by the wider advantages of a restructuring of commodity trading as advanced in the context of the New International Economic Order. The Soviet Union and East European countries have followed a detached line, apparently supporting stabilisation in principle while declaring either that it concerns only the trade of Western countries (rubber) or asserting that contributions to buffer stock financing should be voluntary (sugar, cotton).

Edibles

Bananas

6. The FAO Study Group on Bananas later redesignated as the Intergovernmental Group on Bananas (IGG), was set up in 1966 to consider problems of the world banana economy and measures to solve them. Following a recommendation in April, 1975 by the Sub-group of Exporters of the IGG, the FAO established a Working Party of the whole Group to study the possibility of negotiating an international banana agreement with a view to improving banana prices on the basis of regulating supplies to importing countries.
7. At the Working Party meeting in July 1976 agreement between importing and exporting countries was reached that bananas could be covered by an international agreement, which might, inter alia, include the following elements:
- (i) Establishment of production and export goals compatible with banana requirements.
 - (ii) Provision for the examination of appropriate economic measures designed to secure prices remunerative to producers and reasonable to consumers.
 - (iii) Improvement of the quality of bananas.
 - (iv) Plans to increase consumption.
 - (v) Diversification schemes.
8. The Second Session of the Working Party in May-June 1977 reaffirmed that the essential basis for an international agreement would be for producing countries to undertake to adjust their production objectives to a level which would be compatible with aggregate requirements for exports plus domestic consumption. Exporting countries accepted this principle, noting that they would need the assistance of importing countries in assessing the market and selling agreed quantities. The Working Party agreed in principle to endeavour to develop an export quota type of agreement designed to achieve specified price objectives, and to safeguard the interests of preferential suppliers. It was unanimously agreed that increasing consumption was one of the best means to achieve a balance between supply and demand. As regards additional elements of a possible agreement, the Working Party recognised the importance of diversification, and agreed on cooperation in this area and in the field of research and documentation. Although the Working Party's attention was directed to compensatory financing and to crop insurance and "reserve production" schemes, there were no recommendations on these subjects.
9. From the Session of the Working Party there emerged a request to the FAO Secretariat to draw up detailed draft proposals for a possible international agreement; this means calling a meeting as soon as practicable of the Sub-group of Exporters to examine a mechanism for setting individual export quotas, and seeking the advice of technical experts on practical aspects of the alternative approaches to a price and quota mechanism. After sufficient elaboration of a working draft in the Sub-group, the Working Party should meet again, preferably in the first half of 1978, to be followed by a session of the full Intergovernmental Group.

10. The FAO Working Party recorded its anticipation that during the second half of 1978 it should be able to present, through the Intergovernmental Group, an advanced working draft which could form the basis for negotiation in UNCTAD of an international agreement on bananas.

Cocoa

11. After a number of abortive attempts in the 1950s and the 1960s the International Cocoa Agreement (ICCA) between cocoa exporting and importing countries, which was negotiated in December 1972, finally came into force on 30th June 1973. After renewal in 1975 without major alterations the Agreement entered into force on 1st October 1976 for a further period of three years with the possibility of a two year extension if the International Cocoa Council (ICCO) - the administrative authority of the Agreement - so decides. Like its predecessor the 1975 ICCA includes major exporting and importing countries except the United States - the world's largest importer.

12. The Agreement is intended to alleviate economic difficulties arising from imbalance of production and consumption of cocoa; it aims to reduce price fluctuations for cocoa, to stabilise and increase export earnings of cocoa producers, to assure adequate supplies, and to expand consumption.

13. For the purpose of price stabilisation, the Agreement established an export quota and buffer stock system, linked with a minimum and maximum indicator price range. Before the beginning of each quota year the overall export quota is determined by the Council and is distributed pro rata to those exporting members with basic quotas (i.e. producing 10,000 tonnes or more of ordinary cocoa annually), the distribution being revised annually according to a member's average production in the preceding five years for which final figures are available. The provision to establish a buffer stock of a maximum of 250,000 tonnes of beans, (which could not be realised under the 1972 ICCA because of shortage of cocoa supplies) has been renewed under the new Agreement. The price range set in 1975 ¹ was 39-55 U. S. cents per lb., compared with 23-32 cents set in 1972, revised to 29½-38½ cents in 1974.

14. Finance for buffer stock operations has been raised from a levy of one US cent per lb on all cocoa first exported by member countries (excluding exports of fine or flavour cocoas) or imported by member countries from non-members. Under the current Agreement the Council has authority to effect a reduction in the rate or to suspend the levy altogether; funds temporarily surplus to buffer stock requirements may be suitably deposited in importing and exporting member countries. The current annual intake of this Fund, which has to date accumulated US\$110 million, is put at US\$26 million.

15. Operational procedures for dealing with buffer stocks were strengthened under the 1975 Agreement. Cocoa held in the buffer stock will be the property of the International Cocoa Organisation and under its control. Furthermore, it will be sold through normal channels mainly to firms and organisations in importing member countries and will have to be stored in such locations as will facilitate immediate ex-store delivery to buyers. Previously producers were entitled to an initial payment of 10 US cents per lb f.o.b. on delivery of cocoa beans or up to 15 per cent if the Council so decided and to a complementary payment on the sale of the cocoa beans. Under the 1975 ICCA, they have a choice either of accepting the current market price (i.e. presumably not less than the floor price of 39 US cents per lb) as full payment on delivery or of accepting an initial payment of 25 cents and a complementary payment equivalent to the sale proceeds less the initial payment and costs of handling and maintenance. The efficiency of these recommendations has not been tested because of the shortage of supplies.

¹ See below for the revised range newly negotiated under the new Agreement.

16. Under the 1975 Agreement the price range must be reviewed before the end of the first year, and again, if the Agreement is extended, by the end of the third year. In discussions this year producers at first requested a new range of 75-91 cents per lb., while consumers offered 52-68 cents; the gap was narrowed in July, when producers lowered their proposed levels to 73-89 cents while consumers raised their suggested levels to 57-75 cents. Current market prices remain far higher (about 195-200 cents per lb).

17. In relation to the Integrated Programme for Commodities and the Common Fund, the question arises of what relationships are to be expected between a new institution and the established organisation of the ICCA. While it would be quite possible to continue an entirely separate existence, certain of the advantages seen for the Fund are dependent on the participation of a number of commodities. The International Cocoa Organisation itself might benefit from participation through the possibility of greater access to capital.

18. Attitudes of cocoa producers and consumers have not been established, nor perhaps is it reasonable to expect their views to crystallise before a Common Fund of some kind is in existence. Some opinions have been expressed that individual commodity interests might be unwilling to accept participation in the Common Fund, for fear of some loss of autonomy, or see little advantage in it, where, as in the case of cocoa, the individual commodity organisation has made some provision for its financing needs. Cocoa is in the exceptional position of having built up large funds, sufficient it would appear to meet conceivable stocking needs in the foreseeable future. Cocoa producers may therefore be somewhat uninterested in the proposals.

19. Apart from the instruments of price stabilisation (buffer stocks, price range, export quotas) certain other supporting measures, analogous to those being considered in the context of the Common Fund, are features of the present ICCA. These include recognition of the necessity of keeping production in reasonable balance with consumption (Article 50). The Agreement, however, does not specifically refer to diversification, but rather gives emphasis to expansion of consumption, by removal of obstacles and a promotion programme, and by measures to check use of cocoa substitutes (Articles 51-53). The need for extension of processing and development of markets for manufactured products is also recognised (Article 54). Information exchange, and research and development needs are other activities already within the agreed framework of operations; the Council is to promote studies of production and distribution, and opportunities for new end-uses, which would include uses of waste products (Articles 57 and 58). Finances raised by the levy are reserved solely for buffer stocking purposes; requirements for other purposes would come from a separate administration budget. Supplementary finance for such supporting measures from the Common Fund could be of significant value to Governments.

Postscript.

20. The International Cocoa Organisation's Council at a meeting in London on 20th September, 1977 approved a buffer stock price range of 65-81 US cents per lb.

Coffee

21. Coffee, the top ranking agricultural export of the developing countries, has for long suffered from severe price instability, caused mainly by large annual variations in supplies arising from natural disasters and other difficulties. Export earnings from coffee were affected by the declining trend in prices until the late 1960s, which was largely a reflection of increased supply from Brazil, the country which alone normally accounts for some three-tenths of world output and one-fifth of world exports of coffee. Early attempts to stabilize coffee prices on the international markets were made by Brazil in the beginning of this century; these not only included restrictions on new plantings but also state-financed "valorisation" schemes, under which surplus coffee from bumper crops was purchased and held as buffer stocks. Subsequently joint efforts to stabilise prices were made by coffee producers in Latin America and the proposal for establishing an international buffer stock of coffee was mooted in 1957, much before the first International Coffee Agreement was concluded in August 1962.

22. The 1962 International Coffee Agreement (ICA) had a goal of achieving a reasonable balance between supply and demand through a system of export quotas linked with changes in indicator prices and alleviating hardships caused by surpluses and price fluctuations. However, the Agreement did not provide for the establishment of an international buffer stock despite the desire for this by Brazil and Colombia - holders of most of the world's coffee stocks in the producing countries. Instead, the International Coffee Council - the administering body of the Agreement - was required to take measures to collect information on levels of inventories in both exporting and importing countries and to establish a policy regarding these stocks for compliance and implementation by the member countries. The Agreement was renewed in 1968 with similar provisions regarding policy relative to stocks and stipulated that producing member countries would ensure that adequate facilities exist in their respective countries for the proper storage of coffee stocks. Following the failure of producers and consumers to agree on the indicator price level for 1971-72 and the suspension of export quotas in December 1972, most coffee producing countries combined (in Cafe Mundial and Cafe Otros Suaves) to achieve their price objectives by regulation of exports and retention of supplies. These efforts broke down through difficulties deriving from inadequate national storage facilities and the need for foreign exchange.

23. At the time of negotiations for the 1976 ICA, the producers desired to complement export quota/indicator price mechanisms of the previous Agreements with internationally financed stocks of between 10-20 million bags. Studies of the year to year variations in world production of coffee made by the International Coffee Organisation in 1975 indicated that within this range, a level of 15 million bags could, at most times, be regarded as a reasonable average for a reserve stock and that the existence of such a stock would generally help to achieve price stability. A high degree of international coordination of national actions and policies towards the achievement of agreed price objectives would, however, require a smaller reserve stock.

24. Despite these efforts the 1976 ICA, which was negotiated against a background of doubts concerning the adequacy of world supplies to meet demand in the immediate future, has renewed provisions for the establishment of a policy relating to stocks and the creation of proper storage facilities in producing countries but has not included any specific recommendation regarding the role of an international buffer stock of coffee, its financing or its operations. However, the International Coffee Council has been instructed

to study the feasibility of supporting the objectives of the Agreement by an international stock arrangement. The new Agreement is more flexible in that it permits the market to operate without quotas while prices are above agreed levels but it continues to provide inter alia for the introduction of quotas (adjusted according to the level of indicator prices and distributed in part according to member countries' stock levels) to prevent serious declines in prices, rationalisation of production and promotion of consumption.

25. The chances for the appearance of a large surplus for building up an international buffer stock in the medium-term (up to 1980) appear remote. It is possible, however, that a sizeable proportion of the existing stocks in producing countries and a modest one from bumper crops in others (wherever and whenever they appear) would spill over into such a facility should it come into existence. On the basis of its storability without loss of value in the medium term, and stocking operations already undertaken by Brazil and Colombia, together with a tendency for fluctuations in other countries' production to increase in magnitude, an international buffer stock arrangement would be appropriate for coffee and would help reduce supply and price fluctuations.

26. The UNCTAD Secretariat's most recent proposals envisage a buffer stock of about 10 million bags (60 kg), operating in conjunction with supply management measures (export quotas). The proposed Common Fund would not only offer financial assistance for buffer stocking operations but could also help with other measures. Such measures referred to in the 1976 ICA include diversification in support of production policies; the promotion of coffee consumption (for which the Agreement established a specific fund); the removal of obstacles to consumption; restraints on substitutes and mixtures; increased industrialisation and export of manufactured products; information collection and exchange; and studies, e. g. on opportunities for new end-uses and the practicability of establishing minimum export standards.

27. In recent weeks there has been a proposal from Mexico to establish a coffee price stabilisation fund within the framework of the ICA, which has met with approval from other Latin American coffee producers. A meeting in August between Bolivia, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Venezuela, and Ivory Coast as observer, agreed on outlines for a fund to finance international coffee stocks in order to counter excessive price fluctuations; both exporting and importing member states of the International Coffee Organisation would contribute to the fund. The scheme is being studied by the ICO.

Meat

28. A preparatory meeting to discuss international action on meat under the Integrated Programme for Commodities will be held in December 1977.

29. Features of the world beef market are that two major importing areas, the United States and Japan, are mainly or entirely supplied by developed exporting countries, while the third, the EEC, is predominantly supplied by developing exporting countries. This can be explained by traditional links and by the effect of health and sanitary regulations. In recent years a situation of depressed demand and over-supply have led to restrictive actions by importing countries which have greatly distressed traditional exporters. In the case of the EEC this amounted to a total ban on imports from third countries. These events have highlighted the need for international action directed particularly to access to markets, stabilisation of supplies and prices and greater coordination of national policies. The special patterns of trade, the heterogeneous nature of meat, the non-existence of a representative international market, are reasons to expect that any international agreement on meat will be of non-conventional character. Primarily a link is needed to reconcile domestic agricultural policies with a rational international trade policy. High levels of agricultural protection have been responsible for the transfer of world production to relatively inefficient and protected producers from relatively efficient producers elsewhere. This is a primary issue in any endeavour to rationalise world production: a second is the need to provide assurances of sufficient supply in all circumstances from more distant producing countries. Thus important objectives are:

- (i) Efficient allocation of resources in the world meat economy.
- (ii) Improvement of market access.
- (iii) Long-term market and price stability.
- (iv) Assurance of supplies.
- (v) Special measures for developing exporting and importing countries.
- (vi) Cooperation and consultation among Governments on issues affecting meat policy.

30. An approach to the problem of long-term security of access for exporters, for example to the EEC market, and of assurance of supply to importers suggested by the UNCTAD Secretariat could be based on the idea of a self-sufficiency ratio; this would govern the level of importation, with voluntary restraints on the part of exporters over the agreed amount, and non-commercial disposal of any excess domestic production. Difficulties of access arising from disease regulations should be met in two ways; first by efforts to eradicate disease, and second by intensified examination of the regulations in order to eliminate elements of hidden protection. Surpluses in meat production might usefully be diverted through the inclusion of meat as an element of food aid.

Sugar

The May 1977 negotiations. 1

31. The United Nations Sugar Conference held in Geneva from 18th April to 27th May, 1977 had before it a draft text of a new Sugar Agreement which had been prepared by the Secretariat of the International Sugar Organisation to serve as a working document for the negotiations. The draft Agreement proposed a quota type Agreement supported by minimum stocks to be held by exporting members (possibly with some financial assistance under certain circumstances) and a balancing system of purchase and supply commitments in high and low price situations.

32. The European Economic Community had made it clear that it could only contemplate membership of an Agreement based on a system of nationally held buffer stocks rather than export quotas - a position in which it stood alone. The Conference participants were fully aware of this difficulty but felt that this should not necessarily preclude the conclusion of an effective Agreement in which the EEC would not participate.

33. A major developed consumer whose position had not been made clear during the preparatory discussions proposed after the Conference had opened that the new Agreement should contain provision for the establishment of special stocks in exporting countries, partially financed by the importing members, in addition to minimum stocks as contained in the draft text. This country made certain other proposals too but it was this insistence on special stocks, originally put at 2 million tonnes, in addition to 2 million tonnes minimum stocks, which was a major departure in concept from the draft Agreement, and proved very difficult to accommodate. There was disagreement also on several other issues; in fact the Conference was faced with the task of coming to an accord on the basic principles of a new Sugar Agreement rather than negotiating the details of the draft text. In the event the working groups established by the Conference were unable to make much progress because of the proliferation of alternatives which had to be included in their reports.

34. During the final week of the Conference the Chairman, after consultation with a group of major sugar importers and exporters, produced new tentative compromise proposals. These covered quotas and price levels and included provision for both minimum and special stocks; the former (1.75 million tonnes) to be held by exporting countries at all times and released when sugar prices went above specified levels, and the latter (up to 720,000 tonnes or 6 per cent of quotas) to be built up in addition to minimum stocks as quotas were reduced below certain levels and then used to help exporting members meet their commitments when export quotas were again raised in response to rising prices.

35. Various objections were raised to these suggestions. The exporters, including the large developing exporters, were opposed to the idea of large stocks whether designated minimum or special stocks. They agreed that the stocks would act as a psychological depressant on the world market and reduce the scope for exporting countries cutting back production or increasing domestic consumption, which would not be the case when quotas were cut. Exporters still were unwilling to hold

1 Negotiations were completed on Oct. 7 for a new Agreement. The main features are provided in the postscript to this section: see para 46.

stocks larger than those negotiated under the 1968 Sugar Agreement, i.e. minimum stocks at 10 per cent of individual basic export tonnages. The question of finance for these stocks was equally contentious. Two of the largest developed importers were not willing to help finance part of the stocks held in exporting countries, arguing that these stocks would be self-financing. The importing country which had proposed the establishment of special stocks and the EEC both offered finance, but the latter was conditional upon an Agreement without export quotas which had no chance of acceptance by the Conference. Among the exporters there were also differences in the degree of opposition to the stocks - one large Asian exporter, for example, would hold minimum stocks only with financial assistance.

36. The 11-21 cents per lb price range proposed by the Chairman commanded fair support, but some exporting countries, including a large developing centrally planned exporter, who had proposed 15-25 cents per lb., thought the minimum was too low. Further difficulties arose over questions of quota determination and allocation.

37. The Chairman therefore drew up revised compromise proposals which it was agreed would act as a working base for discussions in London in the second half of July. It would then be decided whether a second negotiating Conference would be convened in the autumn.

38. These revised proposals differed from the first in a number of respects: notably (i) the size of minimum stocks was left open to negotiation (with no change for special stocks); (ii) the size of the global quotas was no longer specified; (iii) the price range was retained, but with alterations to the quota adjustment linkages. An important addition was a section on financing to enable provision to be made for a member who might require assistance for the purpose of holding stocks to obtain cash from a Fund to be established by the International Sugar Organisation by means of contributions from members; the Fund would be empowered to borrow from the Common Fund when established.

39. The reaction to the document at the final Executive Committee and Plenary meetings was mixed. A large developing centrally planned exporter, in particular, felt that the document left too many questions unanswered, especially on the allocation of quotas and the minimum price. A large developed exporter, on the other hand, thought the document would serve as a useful focus to achieve further negotiations. Another, a medium sized exporter, saw difficulties and discrepancies in the proposed framework but was eager to cooperate to achieve a new Agreement. Certain European countries were disappointed that this Conference had not been able to set a precedent of progress for the discussions on other commodities in the UNCTAD Integrated Programme but supported the suggested procedure for continuing the negotiations. The small exporters were very concerned that they should be involved in the discussions in London so that their interests could be reflected in any final framework; they had not been involved in the preparation of either of the two compromise documents although as a group they accounted for a considerable share of the world sugar supplies. Several countries, including some major exporters and importers, doubted that the Conference had made significant progress towards a new Agreement but there was a general consensus that the procedure proposed by the Chairman should be accepted and every effort made to finally achieve a new Sugar Agreement.

40. Before adjourning, therefore, the Conference endorsed the proposal for the Chairman to proceed to consultations with Governments in the light of which he would decide whether the Conference should be reconvened.

London consultations, July 1977.

41. Representatives of 20 Governments, as well as of the IMF and the UNCTAD Secretariat, met in London for consultations, 20-29 July 1977. Following the meeting the Chairman reported sufficient progress to justify his belief that a new International Sugar Agreement with economic clauses could be negotiated in 1977. The Conference is, therefore, being reconvened for 12-30 September 1977.

42. A major feature of the London consultations was the emergence of a new proposal from a major developed consumer which is seen as a possible answer to differences between consumer and producer countries on the question of stocks and their financing. This country is now suggesting a reserve stock of 3 million tonnes, nationally held (by exporting countries) but internationally financed. Stocks would remain the property of the country holding them, but the costs of carrying them (possibly including interest costs on the value of the sugar) would be met from funds produced by a levy on all sugar traded on the free market. This would be paid by importers or exporters, directly to the ISO, on all imports from members and non-members and on exports to non-members. There would be no distinction between minimum and special stocks. Reported reactions to the proposal are not unfavourable, except that producers are understood to be unwilling for stocks to go above 2 million tonnes or at most 2.5 million tonnes. The rate of levy would depend on the size of reserve stocks and various other factors, and could range up to a maximum of \$6-7 per tonne if the stocks were accumulated within one year.

43. At the consultations there was also a narrowing of differences over an acceptable price range. The highest proposal was reduced to 13-23 cents per lb (as against 15-25 cents per lb at the May negotiations, and the Chairman's proposal of 11-21 cents per lb).

44. Discussion of quota mechanisms revealed almost unanimous acceptance that the quota system should not apply throughout the price range; it appeared that a mechanism applicable only in the lower half of the price range would be acceptable to a majority of countries. The desirability of basic export tonnages in the first two years of the Agreement was generally recognised, together with the need for some sacrifices by exporting countries if the total was to correspond with prospective free market requirements. The part played by special arrangements in the world sugar market was also discussed, and the need agreed for them to be recognised in any new Agreement. It was felt that questions of market access, currently under discussion in the GATT multilateral trade negotiations, should also be included in the topics for the resumed Conference.

45. The Chairman's view was that representatives at the July consultation had moved nearer to each other on most of the major issues, and if the same spirit was revealed in Geneva, there would be a successful outcome of the renewed negotiations.

Postscript. International Sugar Agreement concluded.

46. The resumed negotiations in September were successful in concluding a new International Sugar Agreement which will come into force on 1st January, 1978, and operate for five years. The principal features of the new Agreement are as follows:

- (i) A price range of 11-21 cents per lb with quotas to be suspended when the price increases to 15 cents and reimposed when it moves down to 14 cents.
- (ii) A total of basic export tonnages subject to quota adjustment of 15,905,000 tonnes for the first two years of the Agreement.
- (iii) The basic export tonnages to be subject to a maximum quota cut of 15%, except that in the first year they may be automatically reduced by a further 2½%, and in the second year similarly further reduced if the Council should think it necessary. However, those exporting countries whose exports to the free market amount to more than 60% of their production will not be subject to the additional 2½% quota cuts; rather an equivalent amount will be deducted from the basic export tonnages of those countries less dependent on the free market (which will represent about another 1% of their basic export tonnages). This exemption from quota cuts is to be made good by the beneficiaries when quotas are increased in response to rising prices or whenever quota shortfalls of exporting members are reallocated.
- (iv) The basic export tonnages are to be renegotiated after two years, but if this renegotiation is not successful a fallback formula to determine basic export tonnages on the basis of relative export performance will be applied in each of the remaining three years.
- (v) Minimum reserve stocks of 2.5 million tonnes will be established in exporting countries during the first three years of the Agreement pro rata to basic export tonnages (with certain exemptions for small exporters). A Stock Financing Fund, financed by a levy on all imports of sugar and exports to non-member countries, will make interest free loans to members to cover the operating costs of holding the reserve stocks. The stocks will be released in three equal tranches when the price rises to 19, 20 and 21 cents per lb.

47. Rather than be a full member of the Agreement the EEC offered to impose what it saw as equivalent restraints on its exports of sugar to the free market and to hold 225,000 tonnes of sugar in addition to the 2.5 million tonnes of reserve stock to be held by other exporters. The restraints, however, would not apply to an amount of exports equal to its imports under the Lome Convention. This limitation was not acceptable to the other participants and it was agreed that the terms of the EEC's accession to the new Agreement be renegotiated at a later date.

Tea

48. Considerable efforts have been made by FAO and UNCTAD to establish a long term international Agreement for tea in recent years. In the second half of the 1960s these efforts were based on the idea of an export quota scheme and in Mauritius in 1969 an informal arrangement was made to that effect under the aegis of FAO. However, export quotas were too liberal to have a lasting effect on market prices, although for a while the arrangement in itself provided a boost. The arrangement lapsed after 1975-76. The main reason for the failure of these efforts was the difference of opinion between the established producers in Asia and relatively new producers in Africa and Latin America. The latter see tea as a means of economic diversification and rural development and as such consider any long-term commitment to export quotas as an implied threat to their future tea expansion programmes. Attention has, therefore, been switched from a purely export quota scheme to a multi-dimensional programme, including a minimum price arrangement, coordination and regulation of marketing, generic promotion, a market intelligence service, and rationalisation of marketing and transportation.

49. At the most recent meeting of the FAO Intergovernmental Group on Tea (held in London in February 1977), which was the first meeting of the Group since UNCTAD IV, the opportunity for the Group to clear preliminaries for a negotiation on tea within the Integrated Programme for Commodities was recognised. The arrangements for the UNCTAD Preparatory Meeting on Tea, now scheduled for 4 - 13 January 1978 are being undertaken in close collaboration with FAO.

50. The meeting had before it new proposals from FAO for an international tea agreement incorporating a "stand-by" export quota scheme. The sensitive nature of the question of export quotas was reflected in the proposals, which suggested careful elaboration of the circumstances in which they should be introduced, including exemption for smaller producers; such a scheme would specifically not include provision for restrictions on plantings. The proposals also recognised the role of an internationally managed stocking arrangement to supplement a "stand-by" quota scheme, which could be expected to result in some increase in supplies of tea remaining in exporting countries. While the Group acknowledged that, if it was agreed to include provisions for supply management in an international tea agreement, they should be of a "stand-by" type, they did not give fuller consideration to the proposals. The Group, however, agreed in principle on the following objectives of an international programme for tea, and an ad hoc Working Party of 14 tea producing countries was asked to consider and recommend measures and techniques in accordance with UNCTAD Resolution 93 (IV) to achieve them:

- (i) To improve, in real terms, export earnings from tea and returns to growers.
- (ii) To cater and provide for the special needs of smallholder tea growers.
- (iii) To create stable conditions in the international tea trade, while avoiding excessive price fluctuations by promoting and maintaining equilibrium between supply and demand within an expanding world tea trade.

- (iv) To ensure that the prices of tea in international trade are just and remunerative to producers and equitable to consumers.
- (v) To take account, in establishing price objectives for tea, of changes in the world monetary system and the rate of world inflation.
- (vi) While avoiding excessive accumulation of stocks in importing countries, to assure them of regular supplies of tea.
- (vii) To improve access to tea markets by the removal of tariff and non-tariff barriers, as well as internal and transit taxes, and to expand demand for tea in both traditional and new markets by removing all obstacles to tea consumption.
- (viii) To provide and strengthen statistical and market intelligence on tea.

51. In a document giving consideration to these objectives circulated by FAO for the September meeting of the Working Party, it is suggested that the feasibility of applying some system of international stock management to tea should be investigated. If it was found feasible to put such a system into effect as a first defence against a fall in prices, the need for application of a stand-by quota system could be delayed, though it would be in any event desirable for an agreement to provide for an export quota system on a contingency basis. The application of either system would require the setting of price objectives and the adoption of indicator prices.

52. Other elements of an international tea programme set out in the recent FAO document include promotion of tea consumption, improvements in market access, improvement in marketing, compensatory financing, market intelligence and studies, and measures for the improvement of tea production and coordination of national production policies. The possibility of finance from the Common Fund is suggested in particular for consumption/promotion activities and for studies to examine specific problems of tea producers.

53. These proposals reflect basic elements of a programme for tea similar to those which have been advanced by UNCTAD. With the retiming of the UNCTAD preparatory meeting to allow for a meeting in FAO in September and October of the ad hoc Working Party and the Intergovernmental Group on Tea, the course of meetings leading to negotiations in UNCTAD was fully coordinated. Prospects of eventual agreement appear to continue to rest with producing countries, with considerable significance attaching to the acceptability or otherwise of a "stand-by" quota system for African and Latin American producers. On the side of consuming countries, the United Kingdom and EEC are favourably disposed both to the "stand-by" proposals and to the suggestion for examination of buffer stock feasibility. The United States might be expected to support an agreement which does not artificially cut production, and has not opposed export quotas.

Vegetable Oils and Oilseeds

54. The FAO Intergovernmental Group on Oilseeds, Oils and Fats, set up in 1965, has been the main forum for the discussion of the problems and possible solutions in the oils and oilseeds sector. The Group normally meets once a year, and is supported in its work by a Statistical Sub-group.

55. The main problems in the oils and oilseeds sector for developing countries have all been discussed in the Intergovernmental Group. They are:

- (i) The complex inter-relationships between the markets for the various oilseeds, vegetable oils and oilcakes which make the traditional international commodity arrangements, such as export quotas, minimum and maximum prices and multilateral contracts, inappropriate.
- (ii) The weakness of many developing countries in marketing their products vis-a-vis the sophisticated market organisations and superior market intelligence at the disposal of developed countries. Developing countries are also handicapped in market research and development.
- (iii) Access to markets. There are tariffs in developed countries, especially on vegetable oils, and these escalate in respect of the degree of processing of the product. Non-tariff barriers consist of sanitary requirements and agricultural support programmes of importing countries for competing goods.
- (iv) The high degree of instability of export earnings and export unit values.
- (v) The falling real prices of oils and oilseeds since the early 1960s.
- (vi) Competition from synthetic products for certain oils and in certain areas of consumption.
- (vii) Developing importing countries - especially the least developed and most seriously affected - have low per caput consumptions of vegetable oils. They face serious difficulties in raising their domestic production and in endeavouring to increase their imports on concessional terms.

Solutions to problems along the lines of Resolution 93 (IV).

56. The paper prepared jointly by the FAO and UNCTAD for the preparatory meeting on oils and oilseeds held in Geneva late in June 1977 examined some possible solutions under the following headings:

- (i) Improved national stocking and storage policies. Since international buffer stocks (even for lauric oils) had been shown by earlier studies in FAO to present serious difficulties,

it was suggested that international action be directed to improving national stocking and storage policies, and their harmonisation if possible. For technical oils (linseed, castor and tung) their special characteristics suggested that stocking measures and export quotas might be beneficial.

- (ii) Financial and technical assistance should be made available to establish and improve storage facilities and stocking policies in developing countries. There should also be closer cooperation among all countries in the operation of these policies.
- (iii) Reference prices could be established for edible vegetable oils exported by developing countries; a fall in world prices below these would result in a proportion of exportable supplies from developing countries being bought for delivery to developing importing countries. Appropriate financial arrangements would be needed, both for the purchases of the oils and to assist in the provision of storage facilities in the developing importing countries. (The UNCTAD/FAO document makes no suggestions, however, regarding the sources, e.g. the Common Fund, which might finance these arrangements).
- (iv) In the sphere of market access developed countries should impose no new barriers to imports from developing countries; furthermore the GSP should be extended to allow free access for all oilseeds and oil products. Non-tariff barriers and domestic price support schemes should be phased out in accordance with a timetable.
- (v) Further consideration should be given to schemes for compensatory finance in stabilising export earnings, e.g. the possible extension of the EEC Stabex scheme to all developing countries. Such schemes would not supplant the need to continue to seek market and price stabilisation.
- (vi) The competitive position of developing countries should be strengthened through improved market intelligence, research and trade promotion; additional assistance in the field of production, storage and processing methods; and an improvement in the competitive position of natural products relative to synthetics.

Progress of negotiations.

57. At the preparatory meeting in June developing producing countries broadly endorsed the possible solutions in the paper presented to the meeting jointly by UNCTAD and FAO, but without elaborating upon any of them. The consuming countries noted that owing to the complexity of the vegetable oils and oilseeds group it might be necessary to start from fairly modest beginnings and to build up from that position over time; they considered that the question of security of supplies should also be among the objectives of any international arrangement.

58. The United States, as a significant exporter and importer, thought that the complexity and interchangeability of vegetable oils made international

commodity arrangements with price and/or stocking operations questionable, but agreed that more attention should be focused on improving storage facilities and coordinating national stocks.

59. In its consideration of follow-up action the preparatory meeting recommended that a Second Preparatory meeting (now to be held 13-17 February 1978) should consider and make recommendations broadly along the lines set out in headings (i) to (vi) in the preceding section. Heading (iii) was re-drafted to read "Promotion of purchases from exporting developing countries for delivery to net importing developing countries" (i.e. the allusion to the establishment of reference prices was omitted). In addition, a new aspect of the problem was delineated for study, viz. "Analysis of the infrastructure of the vegetable oil processing industry as well as factors affecting location of processing facilities and their effect on the export earnings of developing countries".

60. In brief, a Second Preparatory meeting is to examine all the issues touched upon at the recent meeting, and also to analyse the infrastructure of the vegetable oil processing industry. Little that was new emerged from the preparatory meeting and unless the Second Preparatory meeting is prepared to be a good deal more selective in suggesting measures for further study and international action, it is difficult to see any degree of success rewarding the deliberations in the sphere of oils and oilseeds.

Olive oil

61. The First Preparatory meeting noted that olive oil is at present the subject of an international commodity agreement, due to expire in December 1978. There is to be a preparatory meeting in September, followed by a United Nations conference on olive oil in the first half of 1978.

62. The existing Olive Oil Agreement does not have economic clauses, but attention has been given to market intelligence, trade promotion etc. Because varying yields create marked fluctuations in annual production, the Olive Oil Council is continuing its work on the possibility of buffer stocks to help stabilise supplies.

Fibres

Cotton

63. The International Cotton Advisory Committee is the intergovernmental organisation for consultation on international problems concerned with cotton. Over the past ten years the question of price stabilisation has been raised frequently at its plenary meetings and while a consensus seems to exist on the desirability of reducing price fluctuations, no programme of action has emerged from these discussions.

64. The problems of cotton accounting for sharp price fluctuations are:

On the demand side. (i) Cotton has suffered heavy losses in its relative share of the world textile market as a result of competition from synthetics. However, the recent rise in the cost of producing synthetic fibres has arrested the swing away from the natural fibre, temporarily at least.

(ii) Instability of demand mainly related to the textile cycle.

(iii) Variations in inventories largely related to consumption variation.

On the supply side. (i) The diversity of producing countries and lack of coordination between them has resulted in a tendency to over-production which in turn has a depressing effect on price.

(ii) Export supply and crop variations partly as a result of cotton's susceptibility to weather and disease.

Suggested approach to the problems along the lines of Resolution 93 (IV).

65. The documents prepared by the UNCTAD Secretariat in consultation with FAO for the preparatory meeting on cotton suggest measures bearing in mind the need:

(i) To avoid periodic wide swings in cotton prices.

(ii) For cotton to remain competitive with other fibres in terms of both prices and quality.

(iii) For cotton to remain a profitable and attractive crop to producers thus ensuring adequacy of world supplies.

The measures are:

(i) An international buffer stock or coordination of national stocks. The stocks would be controlled and operated internationally but located in major exporting and importing countries. They would hold a representative sample of different grades

of cotton thereby reducing the complexity of stocking operations. To be effective the stock would need to have the support of the two largest exporting countries - the Soviet Union and the US. A buffer stock of at least 550,000 tonnes is envisaged to maintain prices within a range of + 10 per cent around a pre-determined target price (an estimate UNCTAD now thinks is on the low side).

- (ii) Supply management measures. Production controls and/or export quotas are advocated as temporary measures, and are seen in a supporting role, rather than as alternatives, to a buffer stock scheme.
- (iii) A system of multilateral supply and purchase commitments covering a significant proportion of the world cotton trade could contribute to the achievement of the price stabilisation objectives, though it would be difficult to implement unless embodied in a formal commodity agreement.
- (iv) In addition to the measures to stabilise prices there will be need for some form of compensatory financial assistance for the least developed countries to prevent fluctuations in export earnings.
- (v) Increased processing of cotton by developing countries into manufactured goods for export combined with international action for the reduction and removal of barriers to trade which cotton goods face in most developed markets.
- (vi) Improvements in the marketing, transport and distribution systems for cotton in developing countries.
- (vii) Provision for the coordinated stimulation of cotton research, development and promotion.
- (viii) Development of universal standards for cotton.

Progress of negotiations.

66. The main achievement of the First Preparatory meeting on cotton in June was the decision to meet again at expert level to study cotton's problems in depth. The following guidelines were set for the discussions at the experts' meeting:

- (i) To analyse the current problems of cotton markets and in particular the reasons for recent excessive price fluctuations.
- (ii) To analyse the structure of prices and costs of production and their inter-relationship.

- (iii) To examine measures to stimulate demand for cotton in consuming countries, to encourage research and market promotion and to improve industrialisation of raw cotton in producing countries.

67. In the light of their findings the experts are required to recommend to a further preparatory meeting appropriate measures required to achieve the objectives of Resolution 93 (IV). The date of the next meeting will be 10 February 1978.

68. The question of buffer stocks figured prominently in the discussions at the First Preparatory meeting. However, unlike the case of jute, the attitudes were not rigidly split between producers and consumers, with the former in favour of buffer stocks and the latter against. It emerged from the discussions that among producers there were groups with differing views.

69. A major developed producing country which accounts for about a fifth of world production is opposed to buffer stocks. It regards the problems associated with a buffer stock as being so formidable as to make the scheme technically and economically not a feasible proposition. In its view there is no adequate justification for an international buffer stock for cotton, arguing that cotton price fluctuations are less accentuated than the Secretariat document suggests and in fact play a useful role in allowing the long-term adjustment of world cotton demand and supply. It also maintains that the export earnings of developing countries from cotton have increased in recent years.

70. The ICAC in a rather simplistic argument has also given a rebuff to the buffer stock issue. It has concluded that a buffer stock might help to stabilise prices but while it exists it must have a depressing effect on prices. Therefore it would possibly be of most benefit to consumers who do not favour buffer stocks in any case. The ICAC has long advocated the less troublesome course of more research into production methods and intensifying market research.

71. A leading socialist producing country (whose cotton exports go mainly to other centrally planned countries under stable price conditions) stated its support in principle for the establishment of a buffer stock; it insists however that the financing of the stock should be a purely voluntary affair which presumably means that it is not interested and will not be contributing.

72. Most Central American producers are opposed to buffer stocks but those in South America along with most African, Asian and Arab producers came out strongly in favour of price protection through stocking. They argue: that it would be used to defend a minimum price that would be remunerative to the majority of developing countries - a factor which would permit them long term cotton planning; that in periods of surpluses and declining prices the withholding of stocks would be the only readily available solution to bring about corrective action; that a stocks system would also prevent prices from reaching levels which would endanger the competitiveness of cotton vis a vis man-made fibres; that the stabilisation of prices through stock operations would bring an element of stability in export earnings; and that an international stocking system would be less expensive than the current situation where countries are holding stocks and financing them themselves.

73. However, even developing countries were not unanimous on the need for the establishment of international reserves. Some stressed that a necessary first step in any international action should be an in-depth analysis of the structure and deficiencies of the current cotton market while others (Central American countries) felt that the establishment of buffer stocks did not respond to a real market need.

74. On the consumer side, a group of major developed consuming countries has not taken any definite position. It expressed concern over the large fluctuations in cotton prices in recent years but felt that the search for a solution should be preceded by an identification of specific problems affecting the cotton market. However, within the group, some countries are known to be more favourably inclined to buffer stocks than others. In one, in particular, traders are opposed to buffer stocks because of the many varieties of cotton, the number of its end-uses and the non-standardisation of price structure. A leading Far Eastern consumer was also open-minded at the meeting, maintaining that a sound cotton trade required stabilisation and improved competition with man-made fibres. The Scandinavian countries also stressed the detrimental effects of cotton price fluctuations to both producers and consumers.

75. The fact that producers are split over the need for an international buffer stock and that the two countries which account for 40 per cent of world production are opposed to the idea does not augur well for the successful outcome of the negotiations. The remit to the expert level meeting, calling for studies in depth, would appear to be an avoidance of confrontation on the issues of market stabilisation, and tantamount to a rejection of the complex of measures as detailed in UNCTAD's original proposals. It remains to be seen whether some alternative measures may be found, which might involve less interference with the free market and therefore prove more acceptable. Consideration is being given in UNCTAD to possible alternative suggestions.

Hard fibres

76. The main forum for the discussions of this sector has been the FAO Intergovernmental Group on Hard Fibres which was established in 1966. For sisal and abaca, informal arrangements between producers and consumers involving the fixing of indicative prices and the allocation of export quotas have been in operation for some years and the situation in the coir industry has been kept under constant review. For some periods, target prices and export quotas could not be fixed, while for others the market prices could not be kept within the indicative range.

77. Problems faced by hard fibres and products:

- (i) Instability of prices and supplies.
- (ii) Competition from synthetics which has been responsible for the continuous market losses suffered over the past decade.
- (iii) The need for increasing productivity and reducing production costs.
- (iv) The need for market and product promotion.
- (v) The need for research and development.

Suggested solutions to the problems along the lines of Resolution 93 (IV).

78. In preparation for the first meeting held in December 1976, UNCTAD and FAO jointly produced three papers to identify the essential elements of an international agreement for each of the three fibre groups and products covered, viz:

Sisal and Henequen:

- (i) An international buffer stock or co-ordination of national stocks.
- (ii) Export quotas.
- (iii) A system of multilateral supply and purchase commitments.
- (iv) Target prices for raw fibre and for a range of agricultural twines.
- (v) Production management and adjustment measures.
- (vi) Joint marketing efforts for agricultural twine.
- (vii) Trade liberalization and removal of restrictive practices.
- (viii) Research, development and promotion.

Abaca:

- (i) The fixing of maximum and minimum target prices; the former at a level at which abaca can compete with synthetic substitutes, while the latter should correspond to the level considered remunerative for efficient growers. Provision for regular price reviews is seen as essential.
- (ii) The establishment of a fibre buffer stock in the Philippines which produces almost all the abaca traded internationally, maintained with international assistance.
- (iii) Rationalisation of production.
- (iv) Multilateral supply and purchase commitments.
- (v) Export quotas.
- (vi) Regular surveys of projected trade requirements.
- (vii) Research and development.

Coir:

- (i) Multilateral supply and purchase commitments. Coir is not produced in an organised manner but on a cottage industry basis. Both producers and consumers face the problems of instability and fluctuations in demand, supply and prices. In these circumstances a system of multilateral supply and purchase commitments within the framework of an international commodity agreement is considered the best method of improving the situation.
- (ii) Consultation between producing and consuming countries to fix ceiling and floor prices.
- (iii) The fixing of target prices for fibre yarn and products with appropriate review procedures.
- (iv) Since the actual level of production is only a third of the potential and since production can be increased even at short notice, the role of international stocking as a stabilizing measure is not considered very significant.
- (v) Production management and adjustment measures.
- (vi) Research and development programmes.
- (vii) Joint promotional campaigns by producing and consuming countries.

- (viii) Transfer of appropriate technology from developed to developing countries.
- (ix) Trade liberalization ensuring easy access to world markets.
- (x) Improvement of shipping facilities.

Progress of negotiations.

79. The First Preparatory meeting on hard fibres and products was held in Geneva between 6-10 December 1976. A second meeting at the level of governmental experts is now scheduled for 3-7 October and a further preparatory meeting for 16-20 January 1978.

80. The main achievement of the first meeting was to set the guidelines for the discussion at governmental experts level whose task it is to identify and assess appropriate measures and techniques and recommend an action programme designed to implement the objectives of Resolution 93(IV):

- (i) To achieve stable conditions in trade in hard fibres and products, including avoidance of excessive price fluctuations, at levels which would be remunerative and just to producers and equitable to consumers, and promote better equilibrium in and improve conditions of supply and demand.
- (ii) To improve and sustain the real income of individual hard fibre producing countries through increased export earnings.
- (iii) To consider the harmonization of the production of synthetic substitutes in developed countries with the supply of hard fibres and products from developing countries.
- (iv) To improve the competitiveness of hard fibres and products through reduction in the cost of their production, improved methods of cultivation, processing, modernization of the hard fibres industry, diversification of hard fibre products, diversification in land use etc.
- (v) To launch and continue a comprehensive and purposeful programme of research and development aimed at increasing the yield and improving the quality of hard fibres, increasing the efficiency of production processes of hard fibres products, bringing about technical improvement in the existing hard fibres products and finding new end-uses for hard fibres.
- (vi) To expand the market for hard fibres and products through, inter alia, effective market promotion programmes.

- (vii) To increase participation of producing developing countries in processing and manufacturing in the hard fibres sector with a view to promoting their industrialisation and increasing their export earnings.
- (viii) To seek to improve access to markets for hard fibres and hard fibres products of developing countries bearing in mind the needs and interests of developing countries.
- (ix) To promote reasonable and equitable freight rates and improve the transport system so as to provide regular supplies to markets and effect savings in the cost of the products marketed.

81. In considering measures and techniques, the experts' meeting to give priority to an appropriate system of buffer stocks and /or any other appropriate measures in relation to the commodities concerned.

82. Much time was spent on definition of the objectives listed above. In particular, attention focussed on the paragraph relating to the harmonisation of production of synthetics with that of hard fibres. Most developed countries had reservations about the paragraph and although no changes were made in the text, several said in turn that they lacked the authority to compel companies to take the harmonisation measures envisaged. One, in particular, said categorically that there was no possibility whatsoever of interfering with research and development or investment and production by independent enterprises. Two leading developed countries also doubted whether the meeting of governmental experts would be in a position to assess and recommend detailed action with regard to the fixing of equitable freight rates and the improvement of the transport system generally.

83. Little consideration at all was given to the substantive issues involved or to the differing proposals for the three separate fibre groups put forward in the FAO/UNCTAD papers.

84. These envisaged a full-scale international buffer stock scheme (or coordination of national stocks) only for sisal/henequen; the stock would be aided in defence of the target price range by export quotas, multilateral commitments, and structural adjustment by means of coordinated planting policies. Difficulties were foreseen for producers in agreeing a target price, since with rising costs the price at which sisal fibre is competitive with polypropylene was no longer considered remunerative by all producers.

85. A group of major consuming countries expressed the view that a strengthening and extension of the present FAO informal arrangements on indicative price was the most appropriate way of stabilizing the sisal/henequen market but thought that account should be taken of the market for both fibre and processed goods and to this end an indicative price should be fixed also for baler twine. However, producing countries pointed out that the question of the establishment of an indicative price for natural baler twine was linked to that of competition with synthetics and required the acceptance by producers of synthetic fibres of similar indicative prices for their own baler twine and specific quota systems for both the natural and synthetic products.

86. For abaca, the fact that 90 per cent of exports come from the Philippines was taken in the discussion papers as a reason for limiting suggested international action to fibre originating from that country and in effect maintaining with international financial assistance a national stock, which would have a stabilising influence on supplies and prices of fibres from other countries; a wide range of complementary measures was put up for consideration. For coir, the best method of meeting problems of instability of demand, supply and prices was seen to be a system of multilateral supply and purchase commitments, though the possible usefulness of international or national stocks to meet unusual situations was admitted. Again a wider range of other measures was contemplated.

87. The current situation with regard to an international agreement in hard fibres is therefore that little progress has been made apart from establishing the brief of the expert group meeting. This is to study appropriate measures and to prepare an action programme for the preparatory meeting to be held in January. The outlook for this meeting is not encouraging, particularly since developed countries were disposed only to examine the problems, and were resistant to any commitments to particular solutions which they regarded as prejudging the issue; while some were willing to give consideration to harmonisation of synthetic production with that of hard fibres, they would in practice be unable to implement the kind of measures envisaged.

Jute

88. Discussions on the problems confronting the jute sector have been held since 1964 in the FAO Intergovernmental Group on Jute, Kenaf and Allied Fibres. Although from the very beginning the Group has striven to establish a formal international agreement for jute, success has been limited to the one-sided effort of exporting countries in maintaining prices for considerable periods within recommended indicative ranges, under the informal arrangements established by the Group. The question of international buffer stocks or the coordinating of national stocks was examined by the Group, especially between 1968 and 1970, but no progress was possible because of the unwillingness of consumer countries to provide finance.

89. The principal problems confronting the sector have been identified as follows:

- On the demand side .
- (i) Competition from synthetics. Despite high energy costs polypropylene has remained an effective competitor with jute, displacing it in nearly all existing end-uses. This has led to a sharp contraction in the volume of world trade in jute fibre and products.
 - (ii) Trade barriers. Jute products are at a competitive disadvantage because of quantitative trade restrictions which have limited usage of jute and accelerated the shift to synthetics. A number of markets have been irretrievably lost; however, the benefits of trade liberalisation are still estimated to be substantial.
 - (iii) Instability of supply and prices. The inability to maintain a long-term stable supply of jute has led to a decline in demand in favour of synthetics which can ensure stable prices and supply.
 - (iv) Weak marketing and distribution systems. The marketing and distribution systems for jute and jute products are weak and compare starkly with the more developed systems of the man-made fibre industry.

- On the supply side .
- (i) In addition to weather, transport difficulties and strikes, a major determinant of supplies of jute fibre and products is the ratio of jute prices to those of other crops, particularly food crops which in certain areas can be cultivated on the same land.

Suggested approach to the problems along the lines of Resolution 93(IV).

90. The UNCTAD Secretariat's view is that the competitive challenge of synthetics is fundamental to the definition of objectives for an international agreement on jute. Price objectives, therefore, while aiming to minimise short-term fluctuations, to provide remunerative levels for producers, and to ensure long-term balance between supply and demand, should aim to keep jute competitive with synthetic substitutes. While a buffer stock would be an effective mechanism to achieve price stabilisation, the need for competitiveness would require other action to improve productivity and achieve cost reductions. Another major objective would concern stability of supplies, which would be

met to a large extent by the operation of a buffer stock, but might well require harmonisation of national production policies, in view of the flexibility of land usage for jute and other crops. There was also the need for jute products to have technical characteristics adequate for modern market requirements, for which substantial research and development effort was required. Disadvantages in market access, affecting jute unfavourably in competition with synthetics, were being discussed in the multilateral trade negotiations.

91. The proposals set out for the preparatory meetings by UNCTAD, in consultation with FAO, include the following essential elements:

- (i) The establishment of an international buffer stock in which all significant jute producing and consuming countries should participate with the objectives of achieving stable conditions in trade in jute and jute products and of improving and sustaining the real income of jute producing countries. Latest estimates indicate a stock of 335,000 to 495,000 tonnes to keep prices within a band of 10-15 per cent, with a 90-95 per cent level of confidence: the suggested size for consideration of Governments is 400,000 to 450,000 tonnes. The target price for jute manufactures, it is suggested, should be fixed at a level competitive with synthetic products at the time of establishment of the buffer stock. For raw jute the target price might be at the indicative price level as last agreed by the Intergovernmental Group. For both raw jute and products a range of 10 per cent (plus or minus 5 per cent of the target price) could be considered, or possibly 15 per cent for raw jute and products other than carpet backing. Stocks would be held mainly in producing countries where costs are lower. As a less effective alternative to a centrally operated international buffer stock, a scheme for coordination of national stocks could be considered.
- (ii) Measures to supplement the buffer stock including export quotas and a system of multilateral supply and purchase commitments.
- (iii) Supply management through production planning could be introduced to supplement the buffer stock in correcting actual or forecast imbalance between supply and demand.
- (iv) Production rationalisation and diversification assistance. This would include related questions of cost reduction measures in jute agriculture and manufacturing.
- (v) The improvement in the quality and flow of information and the strengthening of procedures for consultation on market conditions are a prerequisite for the successful functioning of the market regulation mechanism.
- (vi) Research and development for increasing productivity in jute cultivation and the manufacture of jute goods, product development, intensified marketing and promotion efforts.

- (vii) Harmonisation of production of synthetics in developed countries with production of jute and limitations on further research and expansion of production capacity of synthetic substitutes.
- (viii) Financial requirements. On the assumption of a buffer stock of 400,000 - 450,000 tonnes, including 175,000 - 200,000 tonnes of raw fibre and 225,000 - 250,000 tonnes of jute goods, at representative prices, a range of \$130-150 million is estimated as the finance requirement for stock acquisition; carrying costs (storage costs and interest charges) would be about 11-12 per cent of the total value in stock. An estimate made in 1970-71 of an \$11 million annual budget for a full scale research and development programme would now need revision. Estimates of the modernisation and rehabilitation measures necessary to make the industries in India and Bangladesh viable and to achieve the cost reductions required for competitiveness have been put, on an indicative basis, as high as \$ 250-350 million.

Progress of negotiations.

92. So far there have been four preparatory meetings, of which the second and third were at the level of Government experts. Progress has been slow, but the fourth meeting in July was able to approve recommendations submitted from the expert level meetings and to proceed to set up a Working Group to prepare draft proposals on the elements of an international arrangement or arrangements on jute and jute products. The Working Group will meet in December 1977 and at the end of January 1978, following which there will be a further preparatory meeting.

93. At the First Preparatory meeting an action programme was agreed which set as a main objective "to achieve stable conditions in trade in jute and jute products, including avoidance of excessive price fluctuations, at levels which would be remunerative and just to producers and equitable to consumers, and to ensure regular and adequate supplies of jute and jute products, to be achieved, inter alia, by means of appropriate systems of buffer stocks and/or other measures". Other objectives included improvement of export earnings, improved competitiveness through cost reduction for jute and products, research and development to increase yields and efficiency of production, market promotion, market access, regularity of transport at lower cost, and harmonisation of production of synthetics and substitutes in developed countries with the supply of jute and jute goods.

94. On the fundamental issue of methods of market stabilisation basic differences of attitude have been shown by producing and consuming countries. Leading developed consuming countries have been opposed to the idea of an international buffer stock as the main answer to producers' problems, and have been unable even to give support in principle. Two, in particular, expressed doubts as to whether there was any real problem of price instability. Consumers were therefore disposed to attach significance to other measures, e.g. production planning, diversification, intensified research, development and marketing programmes, which they saw as possible alternative solutions. As regards buffer stock arrangements they expressed their fear that the fixing of a known floor price for jute would

enable synthetics manufacturers to know the lowest price at which they could remain competitive and thereby manipulate their selling prices accordingly; that the buffer stock could not maintain the price of jute within the agreed competitive range in the face of possible substantial rises in the prices of competing crops (i. e. rice or cassava) if the buffer stock floor price were linked to remunerative prices for the growers; that jute was a perishable commodity and there was a serious problem of maintaining the quality of stocks held in buffer stocks in producing countries; that if the jute market continued to decline, any attempt to maintain prices at pre-determined levels would lead to heavy financial losses; that producer countries' views as to the future course of polypropylene prices were over optimistic.

95. Better prospects, however, of some eventual agreement on stabilisation methods emerged from the Fourth Preparatory meeting, following more positive statements from consuming countries. A major developed consumer made it clear that it had an open mind on the subject of stabilisation, and had in progress a thorough study on the subject. A group of major consuming countries admitted that there should be action on market stabilisation, which might be in the form of a strengthening of the indicative price system; they went on to say that they would be disposed to take account of difficulties this might cause to producing countries, and suggested that participants consider the possibilities of giving financial support to producers holding stocks.

96. In regard to other measures, producing countries have maintained the view that such measures could at best have a marginal impact, but could advantageously be used in support of an international buffer stock. The various supply management measures (production planning, production rationalisation and diversification, export quotas) were seen as able to be considered only within the framework of an international commodity agreement and harmonisation of synthetics production. Strengthening of indicative pricing arrangements was regarded by producers as inefficient. They also regarded the coordination of national stocks as operationally and financially less efficient than an international buffer stock. Consuming countries held that multilateral supply and purchase commitments would be too risky in view of fluctuations in demand. Discussion of market access revealed differences of opinion as to progress in removal of obstacles, the impact of remaining restrictions and the contribution these were making to the continued decline of jute consumption. Producing countries welcomed the fact that consuming countries were willing to cooperate in the field of research and development. The necessity for cost reduction measures and modernisation in industry and agriculture was stressed by producing countries; some consuming countries acknowledged the need for action, after studies in depth, but not all were convinced of adequate benefits therefrom. Nevertheless, research and development and cost reduction were, with market stabilisation, the areas in which the Fourth Preparatory meeting was able to accept recommendations from the experts' meetings.

97. Jute International ¹, the long projected development and promotion body largely modelled on the International Wool Secretariat, is seen by most as the vehicle for carrying through and coordinating the research programme - indeed it already has a carefully thought out comprehensive programme although many of the UNDP proposals now need to be updated. It was hoped by the EEC that Jute International would come into being as soon as possible; pending its establishment some interim body might be considered.

¹ The decision to establish Jute International which has been under discussion for seven years, was taken by Bangladesh, India and Nepal in October 1976 but the constitution has not yet been signed.

98. Most developed consuming countries believe that harmonisation is impossible given the size and importance of their synthetic fibre industries. One of the largest man-made fibre producers is strongly opposed to any move which would force it to restrain its industry, while others pointed out that either they do not have the mandate to compel firms to restrain production and research or they do not have the authority to achieve the harmonisation envisaged or the power to interfere with research, development, investment and production by independent enterprises. The feasibility of use of other devices of indirect control e. g. disincentives to invest, excise duties, the restriction of financial aid to industries, the withdrawal of financial incentives, to prevent further expansion of capacity etc., has not been considered.

99. While the Fourth Preparatory meeting agreed on a recommendation calling for the collection and exchange of information on the competition of synthetics with jute products, and for regular consultations to be held on the issues, it was not able to make progress on an action programme, merely noting statements of the contrasting positions. In these, developing producer countries sought measures to prevent indiscriminate expansion of synthetics industries, with a view to co-existence; developed consuming countries repeated their view that the competitiveness of jute must be improved within the jute sector, rather than by measures affecting other industries.

100. More positive attitudes on the part of some consuming countries at the Fourth Preparatory meeting have given rise to better hopes of eventual agreement on international arrangements for jute. Producing countries regard a market stabilisation system based on buffer stocks as an indispensable element of any agreement, and have been equally convinced as to the relative efficiency of an international stock over any coordination of national stocks. However, they have welcomed the more concessionary attitude of a major group of developed countries to financial support for producers' stocks, and the new attitude of a leading developed consuming country towards stabilisation. This gives reason to expect that the two Working Group meetings may be able to agree on proposals for some form of market stabilisation measures, possibly involving national stocking arrangements with some form of international financial support, even if a full-scale international stocking scheme proves unattainable in the short term.

Metals and minerals etc.

Bauxite

101. In November 1973 a meeting of six bauxite producing nations ¹ took place in Yugoslavia to discuss the formation of an Intergovernmental Bauxite Association. Another meeting was held in March 1974 in Conakry, Guinea, at which Sierra Leone joined the other six and Algeria, Cameroon, Ghana and Mali sent observers. This meeting ended with the setting up of the IBA, the seven participants being the founder members and the Dominican Republic, Ghana and Haiti admitted later.

102. The IBA came into being formally on 29 July 1975 with the following objectives:

- (i) To promote the orderly and rational development of the bauxite industry.
- (ii) To secure for member countries fair and reasonable returns from the exploitation, processing and marketing of bauxite and its products for the economic and social development of their peoples bearing in mind the recognised interests of consumers.
- (iii) Generally to safeguard the interests of member countries in relation to the bauxite industry.

103. In theory, membership of the IBA is not restricted to bauxite producing countries who are net exporters of the commodity but it is likely that in practice it will be restricted to such countries with the added proviso that they also wish to optimise government income from the exploitation, processing and marketing of bauxite and its products.

104. The IBA has produced a short-term pricing policy for bauxite and is currently working on a long-term policy.

Negotiations in UNCTAD.

105. A preparatory meeting on bauxite under the Integrated Programme for Commodities is not scheduled to be held before December 1977. No documentation for this meeting has as yet been issued.

106. In earlier consideration of this commodity the UNCTAD Secretariat has pointed out that the structure of the bauxite industry (with production extensively from "captive" mines, and in all cases by large enterprises with differing financial arrangements with Government, including State ownership) meant that developing countries were interested in returns to the economy from exploitation of bauxite resources rather than in nominal prices; these returns might be in the form of royalties, tax revenues, local expenditure of companies and profits from joint ventures, as well as returns from sales. The principal objective of international action would be to raise returns from bauxite and to secure a smooth and expanding rate of exploitation, involving a requirement that aluminium manufacture should be less subject to phases of over and under capacity. A second objective would be to expand the degree of processing in developing countries.

¹ Australia, Guinea, Ghana, Jamaica, Surinam and Yugoslavia.

107. Issues to be taken up in preparation for an international agreement could include:

- (i) **Information and appraisal.** There would be a function for the IBA in improving knowledge among producers of conditions of contracts and arrangements, to strengthen their negotiating position.
- (ii) **Supply management.** A system of multilateral commitments, based on forward appraisals of prospects for aluminium and bauxite, appeared to be suitable and could embrace the bilateral contractual arrangements that are the norm of the industry. These could facilitate short-term planning of the rate of extraction from existing capacity and be extended to give indications of longer-term requirements for investment and exploitation of new deposits.
- (iii) **Processing.** Inhibiting factors needed to be identified as the first step; there was need for study and discussion in an international forum.

Copper

108. Member countries of the Intergovernmental Council of Copper Exporting Countries (CIPEC) have since late 1974 adopted a number of measures to stabilise prices (initially a reduction in the volume of exports, followed by a reduction in production by 15 per cent). Following a request from these countries, UNCTAD convened a Consultation on Copper in March 1976 to examine the problems of the world copper market and the possibility of international action. The Consultation showed a consensus in favour of maintaining contacts between producers and consumers, and proposed a permanent consultative body to develop information, review trends and study problems, particularly price problems, with a view to finding solutions. The First Preparatory meeting on copper agreed to take account of the conclusions of the Consultation.

Problems of copper.

109. The case for action presented by the UNCTAD Secretariat to the First Preparatory meeting notes the following points:

- (i) The major problem is the instability of the market, both in the very short term and over periods of years. Fluctuations in prices and volume of copper entering international trade have serious effects on the economies of exporting countries. Copper is by value the leading non-fuel mineral in world commodity trade; for developing countries it makes a bigger contribution to export earnings than any agricultural commodity, except coffee. For developed countries, it is an indispensable raw material, and various disadvantages arise from fluctuating or unpredictable prices.
- (ii) Cyclical instability in copper derives from variations in demand associated with fluctuations in levels of industrial activity in the major industrialised countries, and is made more pronounced because of the long gestation period of new copper mining enterprises (5-8 years).
- (iii) Certain developed countries have a strong interest in ensuring the adequacy of future importable supplies of raw materials; this reinforces the case for world copper prices to be held at stable and remunerative levels.
- (iv) Variability of copper prices weakens its competitiveness in end-uses against more stable substitutes (aluminium, plastics, stainless steel).
- (v) Prospective production from a new source, the sea-bed, accentuates the need for international guidelines.
- (vi) Continued inadequacy of copper prices poses the problem of investment to ensure sufficient future supply, with economic recovery and growing world needs.

Approach to the problems along the lines of Resolution 93 (IV).

110. The principal objective for copper, in relation to the Integrated Programme for Commodities, would be to maintain the prices of copper within a negotiated price range at levels agreed as being remunerative and just to producers and equitable to consumers. The UNCTAD Secretariat considers that this objective would best be met by the setting of an agreed target price range, to be achieved mainly through international stocking arrangements and supply management measures. Negotiation of the target price level would take account of the vital contribution copper makes to the economic well-being of a number of developing exporting countries, as well as its importance to developed consuming countries; the non-renewable character of the resource; the cost-raising effects of declining grades of copper ore; and the need for adequate as well as stable prices in the interests of all parties. Other objectives of Resolution 93(IV) include market access, particularly for semi-manufactured products, currently under discussion in the GATT multilateral trade negotiations; also the desirability of finance for research and development, to protect the competitive position of copper from certain synthetics and substitutes.

111. The essential purpose would be to influence, not regulate, market prices through the chosen mechanisms to keep fluctuations within tolerable limits. The arrangement envisaged, while basically comparable to the International Tin Agreement, would incorporate an advance by reflecting the need for equitable sharing of costs and benefits of international stocking arrangements. Supply management could involve production and/or export controls to contribute to the defence of the floor price in support of stocking arrangements, as temporary or flexible measures. Quantitative supply and purchase commitments between importing and exporting countries might be a useful additional feature for incorporation in an agreement. Periodic appraisals of developments affecting supply and demand for copper and coordination of investment programmes would be essential.

Progress of negotiations.

112. Two preparatory meetings on copper have been held so far, separated by three meetings at expert level. The Second Preparatory meeting in May 1977 remitted matters again to the expert group. Progress appeared to have been made in so far as the experts were now asked to identify possible economic elements for an international arrangement, to recommend such other measures as they might consider necessary in the meantime, and to complete their work by November 1977. To this end the UNCTAD Secretariat was asked to assist with studies of feasibility, costs, benefits and financial implications of (i) a pure buffer stock arrangement, (ii) a pure supply management scheme, (iii) a buffer stock complemented by supply management measures; these studies were to include examination of remedial measures for developing copper importing countries. The experts were further asked to consider improvements to consultation and exchange of information arrangements between producers and consumers. A Third Preparatory meeting was envisaged not later than January 1978 (now arranged for 30 January to 3 February 1978) and the Secretary-General of UNCTAD was asked to take appropriate measures in the event that it was agreed that a negotiating conference on copper should take place in the second half of 1978. The Secretary-General, however, has described this as a request for technical work to confirm, in effect, ground already covered, and has noted that, at the Second Preparatory meeting, all but one of the developed countries (both consuming and producing) were unable to accept the view of the majority of developing countries that a negotiating

conference should be convened in the latter half of 1978 and that a draft international agreement should be prepared in the meantime.

113. In discussion at the Second Preparatory meeting representatives of developing countries considered that it was important to reiterate in clear terms the intention of all Governments to work towards an international agreement with the aim of minimising price fluctuations. Many were firmly in favour of stocking arrangements supported, where required, by supply management measures as the principal techniques to achieve price stability, but would be prepared to examine, without pre-judgement, other techniques and measures which might be directly applicable to reduce price instability.

114. The view was taken that the level at which prices were to be stabilised should take account of inflation, costs of production and other related factors, including social costs of the closure of mines. It should be subject to continuous revision in the light of changes in world market conditions to ensure stability of exporting countries' unit receipts in real terms. An international arrangement should also be aimed at the reduction of barriers to trade in semi-manufactured and manufactured copper products. One major developing copper exporting country, however, thought there was need for clarification as to the economic feasibility of a buffer stock arrangement, and advocated caution and knowledge of all possible alternatives. A developing importing country drew attention to the need for examination of the possible differential and remedial measures to protect the interests of developing copper importing countries.

115. Eastern European countries supported in principle proposals to elaborate an agreement on copper and to convene a negotiating conference; however, they considered that since the trade of socialist countries was planned and transactions took place at administered prices such an agreement should be limited only to the trade of these countries with the West.

116. Developed market economy countries expressed concern over the level and instability of prices and the consequences for exporters and for the long term supply requirements of importers. There was a need for greater stability to ensure a steady growth in supply and demand. Several measures were relevant and it was necessary to examine them all in depth, to find which were most appropriate. Those that could be incorporated in a commodity agreement should be considered without prior commitment to the holding of negotiations.

117. Some of these countries advocated setting up an intergovernmental consultative producer-consumer body to make studies and evaluate measures, not as a substitute for, but as a step towards, a commodity agreement. This would be useful to solve immediate problems, in the view of one country, because it was the general opinion that an international agreement on copper could not be operational for at least three years.

118. One developed copper exporting country supported developing countries' proposals for stabilisation and in regard to the convening of a negotiating conference in 1978. A buffer stock with a price range of plus or minus 15 per cent supported by provisions for the management of new supplies was suggested. The range agreed should be adequate to attract investment and to cover operating costs. Rising costs over time would be allowed for by automatic adjustment or periodic review of the reference price. Finance might come at least initially from a Common Fund but supplementary resources could be obtained by imposing a levy on production.

119. A series of problems requiring further study were identified. These included the gaps in statistical information - for example, on scrap, stockholdings, mine capacities and trade with socialist countries - and the difficulties encountered in trying to assess, with any confidence, the outlook for world supply and demand for copper in the short, medium and long term; all were items with significant implications for the stabilization effort. Also of importance was the high degree of complexity of the world copper economy and the problems this posed for attempts at regulation. These involved a review of the variety of forms in which copper moved in international trade, the structure of scrap collecting systems in industrial countries and the extent of joint production. There was also the lack of knowledge concerning fundamental market relationships such as those between stockholding and prices, price and copper supplies and the potential effect of a buffer stock on private stock holdings. Another problem was the unwillingness or inability of many countries, both producers and consumers, to contemplate export or production controls. Finally, there was the question of the funds which would be required whether or not a buffer stock was supported by supply management measures.

120. The developed market economy countries indicated, therefore, that the Group of Experts should be reconvened with a precise mandate to carry out further work particularly on such matters as basic statistics, the study of long-term trends in supply and demand and the appraisal of the economic impact, costs, benefits and financial implications of different measures, including alternative stocking arrangements and techniques of supply management. This work should be carried out and the remaining basic issues resolved before the drafting of a possible agreement.

121. Summarising, therefore, the status of the negotiations on a copper agreement is that the Group of Experts is to identify possible economic elements for an agreement and study the feasibility of differing arrangements. However, there is not yet agreement even on broad lines on the specific mechanism to be incorporated in the agreement, nor are consuming countries yet convinced that an economic case has been made out for a commodity agreement. Disparities of viewpoint are to be found within the ranks of both exporting and importing countries.

Iron ore

122. A preparatory meeting on iron ore under the Integrated Programme for Commodities is not scheduled until end October 1977, and no documents for this meeting have yet been issued.

123. Earlier comments by UNCTAD on the commodities within the Programme have pointed to the unusual position of iron ore. Deposits are widely distributed, with very large reserves proven, and supply could outstrip demand easily if investment was made prematurely; nevertheless prices have moved in favour of industrial users. There is no market for iron ore in the normal sense, since the bulk of international trade is conducted between "captive" mines and parent companies, or through long-term contracts. Information on prices and terms of transactions is limited. Instability in the trade arises from interruptions to transportation, through climatic disasters or strikes, and from the close linkage between economic recession and the iron and steel industry. Australia provides about 20 per cent of world trade and developing countries less than half. In 1975 iron ore exporting countries, including Australia, formed an association to secure fair and remunerative returns for iron ore and to exchange information of common interest.

124. As regards problems and possible measures some areas do not give rise to difficulty, e.g. there are no trade barriers to free movement of iron ore, including up-graded forms. Short-term instability is not a major problem; moreover, the value of international stockpiling is questionable on ground of cost, multiplicity of classifications of ore, technical problems of location and space, and access of users to uninterrupted supplies. Areas for action would include:

- (i) Supply coordination and remunerative export prices. Developing countries should be able to conclude contracts in full knowledge and on terms of parity with other producers. This may go some way towards preventing further deterioration of real prices. A more ambitious objective would be the adoption of a multilateral commitment system, based on more comprehensive and balanced knowledge of supply and demand prospects, leading to better current management and investment guidelines.
- (ii) Compensatory financing. Since demand for iron ore fluctuates with iron and steel production, guarantees under the above system should be supported by compensation for unfulfilled import commitments.
- (iii) International policies on the question of command over non-renewable national resources. This is an issue of general concern. Countries have a variety of arrangements for the exploitation of iron ore, and an international arrangement would have value in the implementation of general principles and codes of conduct on transnational enterprises, treatment of foreign investment, and conduct of business between Governments and concessional companies.

Manganese ore

125. In its consideration of objectives for international action on manganese set out for the preparatory meeting, the UNCTAD Secretariat recognised that there appeared to be no problem of short-term fluctuations, and the issue was whether the trend in prices was satisfactory. Despite recovery since 1970, real prices were still lower than the average of the 50's and 60's. The explanation of the long-term decline in prices was that the fruits of increased productivity had been passed on to developed importing countries. Possible action could include the following:

- (i) Pricing policy measures. As there was apparently no scope for effective action to influence final consumption, measures would have to be of the nature of adjustments of supply to demand, or the direct regulation of export prices. Any stocking arrangements would need careful consideration because of the high degree of flexibility of mine production and the heterogeneity of the commodity. Stocks could be expected to play only a limited role, but consideration might be given to internationally coordinated national stocks. Any multilateral arrangement concerning prices of manganese ore would need to involve the coordination of US stockpile operations. The prospect of a new source of manganese production, the sea-bed, accentuated the need for internationally agreed guidelines on production, marketing and price objectives.
- (ii) Supply and purchase commitments might be a useful addition to an international arrangement, ensuring some predictability as to markets/revenues for producers and supplies/costs for consumers.
- (iii) Access to markets. Improvements in tariff preferences and removal of quantitative restrictions would help developing countries towards an increased participation in world trade in manganese alloys.
- (iv) Compensatory financing, it was noted, was not a substitute for direct action to strengthen and improve the market.
- (v) Better information and exchange of views on the current and prospective market structure between producing and consuming countries could help avoid excesses, but would be unlikely to make a major contribution to maintenance of desired price levels independently of arrangements involving substantive measures.

126. It was necessary for Governments, therefore, first to identify which features of the world market for manganese constituted problems, then to decide which of these problems were susceptible of international action; the objectives of action could then be determined, and the particular measures and techniques adopted.

Progress of negotiations.

127. At the preparatory meeting on manganese, 13-16 June 1977, it was fairly generally agreed that identification of the features and problems of the manganese market was necessary before international measures e.g. to reduce price fluctuations were considered. (This view was expressed by the producers' representative and a developing country as well as by consumers and developed country exporters).

128. A consuming country representative stated that the manganese market was stable in comparison with that of other commodities and that there was no necessity for urgent measures. A developed economy exporter also stated that short-term fluctuations were not a problem.

129. The spokesman for the manganese producers emphasised the depressed state of the steel industry and consequently the manganese market. Significant stocks of manganese ore were depressing demand. The concept of international stockpiling was not favoured although the importance of working stocks was recognised.

130. However, a developing country stated that the price of manganese had been reduced to a level in real terms lower than the 1960s average (and much lower than the 1950s average) and this demonstrated the need for the Integrated Programme.

131. Other developing country representatives also stressed the importance of bearing in mind that the discussions were taking place within the framework of the Integrated Programme, which envisaged rapid progress from exchanges of views to the implementation of concrete measures. One of these representatives stated that the manganese market was subject to cyclical fluctuations with consequent problems for producers, and that it was necessary to adopt measures to stabilise the market.

132. Conclusion. It appears that the producers were unable to adopt a common position - and apart from this seem to have given little consideration to the alternatives to (ore) buffer stocking. On the type of agreement to be favoured, only the negative view that buffer stocking was considered inappropriate emerged. The main result was a decision to remit to the ad hoc Committee the question of whether there should be another meeting.

133. At its July 1977 meeting the ad hoc Committee left open the question of a decision on a Second Preparatory meeting.

Phosphates

134. Phosphates were first included in the Integrated Programme for Commodities in the Manila Programme of Action in February 1976 and were subsequently listed in Resolution 93(IV) of the UNCTAD Conference in May 1976. A First Preparatory meeting is to be held in December 1977; no documents have yet been issued.

135. UNCTAD has not yet stated its view of the problems affecting phosphates, but it appears that the major concern of producers is the stabilisation of prices. These fell fairly steeply in real terms until 1972, but then rose sharply at the end of 1973 and in 1974 as the result of action taken by Morocco, which accounts for nearly a fifth of world production and is a leading supplier of the European, African and certain Asian markets. These price rises severely affected phosphate consumption in Europe, and although prices were in fact reduced in 1976 a further price cut has been necessary this year, not least because cheaper exports from the United States, the world's largest phosphate producer, have had an adverse affect on North African exports.

136. Developing producing countries are concerned not only at the fall in prices in the last two years but also by the fact that the higher real prices since 1974 have provided incentives to new suppliers to enter world markets. The danger of over-production, leading to an unbalanced market and unprofitable operations at the margin, suggests a need for world output to be regulated and emphasises the need for price stabilisation. The situation is complicated by the fact that while developing countries in Africa are major producers and have an interest in relatively high prices, developing country importers, which in the long-run represent the main market for expanded phosphate sales, have an equally compelling interest in low and stable prices in order to increase their food production.

137. In November, 1976, representatives from six predominantly North African phosphate producing countries called upon their Governments to take a common position on production, marketing and sales of phosphates and phosphate derivatives. It was stated that the intention was not to establish an inward-looking cartel but rather to establish durable contractual arrangements with consumers, working for market and price stability. Subsequently four of these countries set up a cartel, operating fairly informally but with agreed sales quotas and a reference price for phosphate rock.

Rubber

138. The First Preparatory meeting on natural rubber took place 17-21 January 1977. During this meeting the natural rubber producing countries proposed that the scope of the International Natural Rubber Agreement on Price Stabilisation concluded in November 1976 under the auspices of the Association of Natural Rubber Producing Countries (Malaysia, Indonesia, Thailand, Singapore, Sri Lanka, S. Vietnam, India) might be broadened to include other producing and consuming countries so that the scheme could be dovetailed into the UNCTAD Integrated Programme for Commodities. The UNCTAD Secretariat had submitted its own proposals which suggested a natural rubber buffer stock of 450,000 tonnes against the initial stock of only 100,000 tonnes under the ANRPC scheme, and a price range set so as to enable natural rubber to be fully competitive with synthetic rubber; stocking arrangements would be supported by supply management measures (varied intensity of tapping and use of yield stimulants). The proposals also noted the possibility of multilateral supply and purchase commitments, increased processing of natural rubber in producing countries and removal of obstacles to trade in processed rubber products, further research and development to enhance natural rubber's competitive position vis-a-vis synthetic rubber, and cooperation between Governments in consultations on supply and demand prospects for both natural and synthetic rubber and to ensure coordinated expansion of capacity and orderly marketing. The meeting adopted a decision in which it agreed that "measures designed to reduce excessive price volatility in the international natural rubber market and to achieve stable conditions at price levels which are remunerative and just to producers and equitable to consumers would be in the interest of both parties and that the ANRPC scheme constituted an important basis for serious consideration of broader international arrangements on natural rubber". To facilitate the work of the Second Preparatory meeting it was agreed that an Intergovernmental Working Group, comprising seven members of the producers' group and up to seven members of the consumers' group should meet immediately before the preparatory meeting.

139. At the meeting of the Intergovernmental Working Group 2-9 June 1977, the producing countries, in a working paper submitted by the Association of Natural Rubber Producing Countries, put forward proposals for a new global natural rubber agreement. Like the current ANRPC scheme, the proposed agreement was based on an internationally managed and controlled buffer stock to defend agreed floor and ceiling prices and complemented and supported, as and when necessary, by a supply rationalisation scheme. Other essential features of the proposed scheme were: membership to be open to net producing countries as well as net consuming countries and countries having an entrepot trade in natural rubber; size of the buffer stock to be at least 400,000 tonnes; contributions from all participating countries to be mandatory and the cost of financing to be shared equitably; and both producers and consumers to enjoy equality of votes. The producers also agreed that if and when such a broader agreement involving consumers and producers were concluded, the existing ANRPC agreement would cease to function. It was agreed in the Working Group that the proposals and general approach of the producers were consonant with the interests of consumers to the degree that such measures were of a nature to ensure development and orderly growth of the natural rubber industry, in particular, and the elastomer industry as a whole. The Working Group recommended that Governments should focus their attention on these and other proposals and undertake more detailed work to include: (i) the mechanisms which could effectively contribute to the stabilisation of natural rubber prices, (ii) the size, composition and management of an international buffer stock as a

central feature of a possible commodity agreement for natural rubber, (iii) the criteria for establishing floor and ceiling prices as well as the inner bands under such an agreement, (iv) the determination of indicator prices and (v) the nature and use of supply rationalisation measures as contingency support for both floor and ceiling prices. The Group also identified several other factors relating to natural rubber as requiring equally detailed attention and work, such as means for assuring increased productivity in the natural rubber industry including appropriate transfer and dissemination of technical knowledge, financial requirements, the decision making process within a possible commodity agreement, effective exchange of statistical and economic information among producing and consuming countries and other measures which could contribute to the accepted goal of increased price stability in the natural rubber market.

140. The Second Preparatory meeting on rubber in June 1977 acknowledged the progress towards understanding achieved in the Intergovernmental Working Group. From the producers' side there were reminders that an agreement should include measures relating to improvements in production and productivity, and market access. Consumer countries welcomed the fact that producing countries were seeking a balanced agreement which would stabilise rather than raise prices. The meeting decided that a procedural mechanism be now set up to bring the analytical phase of its deliberations to a successful completion and to prepare within a definite time frame for the next phase including decisions with regard to the negotiation of a possible commodity agreement for natural rubber. Towards this end, the meeting agreed to the setting up of an Intergovernmental Task Force comprising as the nucleus, seven members of the producer group, on the one hand, and a number of consumer countries interested in natural rubber, on the other, with the mandate "to consider in greater detail and assess the specific elements of a possible commodity agreement for natural rubber and other factors relating to natural rubber as already identified by the Intergovernmental Working Group, together with any other proposals in order to make concrete recommendations on them". The Task Force will meet 10-20 October 1977 and 6-9 December 1977, and will submit its recommendations to the Third Preparatory meeting 27 February to 3 March 1978.

141. Better progress would appear to have been made towards an international agreement in natural rubber than in other commodities. This has been attributed to the existing International Natural Rubber Agreement on Price Stabilisation reached by the producing countries, through which much basic work of technical and economic analysis on rubber had already been done. For producers an essential difference of the current proposals is the size of buffer stock, which, if large enough, will be able to carry out its function of stabilising prices and correcting short term supply imbalances without so much need as under the 100,000 tonnes ANRPC stock scheme for supply rationalisation measures. These are seen as contingency measures only, since they involve complications such as accumulation of stocks in producing regions, and giving direct assistance to small-holders, in ways not meeting the objective of orderly growth. Other measures, such as research and development, market access, promotion of information collection and dissemination, and transfer of technical knowledge, are seen as supportive of and not substitutes for buffer stocks and supply rationalisation. Consumer countries have welcomed the pragmatic and cooperative spirit of the negotiations so far, but nevertheless have observed that a great deal of work remains to be done at a technical level. Socialist countries have expressed support for progress towards an agreement in line with the Integrated Programme for Commodities, but early in the negotiations advocated that the buffer stock be based on voluntary contributions.

Producing countries were disposed to leave other avenues of financing open pending the outcome of the negotiations on the Common Fund; however, they thought it necessary that contributions from all participating countries should be mandatory.

Tin

142. The Fifth International Tin Agreement entered into force on 1st July 1977. Most countries ratified the Agreement before the appointed date of end December 1976 but it was not until end March that the Council was informed of Bolivia's decision to join. With Zaire's ratification full producer membership comprises seven countries responsible for over 90 per cent of the Western world's tin production.

143. The stabilisation mechanism of the Fifth Agreement introduced a new procedure providing for periodic reviews of the floor and ceiling prices to be conducted at six monthly intervals though most consumer countries earlier had indicated a preference for annual review. An economic and price review group was established comprising four representatives of producing countries and four of consuming countries. In mid July after the first review a new price range was set, namely a floor of 1,200 ringgits per picul ¹ and a ceiling of 1,500 ringgits per picul. The new ceiling is above the 10 per cent limit which consumers were thought to be seeking but is still less than the current Penang price.

144. The Fifth Agreement again provided for producer contributions of 20,000 tonnes in cash or metal as determined by the ITC. The equivalent of 7,500 tonnes of this aggregate contribution became due on entry into force of the Agreement. The ITC may determine by which date or dates and in what instalments the whole or part of the balance of the aggregate contribution shall be made.

145. In addition, consumers undertook to provide 20,000 tonnes on a voluntary basis. If in fact consumers do not fulfil their pledges provision is made for a mid-term review of the position. Firm pledges, however, of cash contributions have been received from Belgium, Canada, Denmark, France, the Netherlands and the United Kingdom. Denmark has fulfilled its pledge with a contribution of some 276,000. The Fifth Agreement includes the USA among consumer members for the first time. It appears possible that the US contribution to the buffer stock may be obtained by transferring 6,000 tonnes from the US stockpile; this contribution represents the amount on which the US quota of consumer votes is based. Alternatively a proposal has been made which would enable United States tin to be sold by the buffer stock manager; the proceeds would then be returned to the United States. Such a development whether in respect of direct contributions of metal to the buffer stock or releases of tin for sale depends on the completion of the new policy review on United States strategic stock disposals.

¹ 4.3 ringgits = $\frac{1}{3}$ £1.
1 picul = $133\frac{1}{3}$ lb.

Tropical timber

146. Tropical timber is not one of the commodities selected by UNCTAD as possible candidates for stocking; however, it is a primary commodity considered as meriting examination from the point of view of international cooperation in improving returns and conditions for expansion.

147. A paper prepared by FAO and UNCTAD for the First Preparatory meeting identified six basic problems confronting the tropical timber trade viz:

- (i) A disparity in bargaining power in favour of importing countries arising firstly from the fact that market intelligence is more readily available to traders in those countries and secondly from the ample opportunities open to buyers to exploit substitution possibilities between species, suppliers, supplying countries and regions. Further, buyers in importing countries have greater financial resources, easier access to credit facilities, and can more easily influence costs and pass on cost increases. These advantages are reinforced by weakness on the producers' side stemming from lack of coordination between individual producers, producing countries and regions concerning production and pricing policies, market development and promotion, concession terms and conditions, grading rules, domestic processing, standardisation and forest management.
- (ii) Prices received by forest owners for standing timber are far too low for current sales to cover the very heavy re-investment costs needed to maintain future supplies.
- (iii) The high degree of instability of export earnings and of export unit values.
- (iv) Trade barriers against processed tropical timber are one of the major obstacles to the achievement of greater and more rapid advance in domestic processing in producing countries. Structural problems - e.g. the existence of markets in industrialised countries for waste material from the processing industries and lower production costs in developed countries - are also significant in limiting opportunities for processing in producing countries.
- (v) The irrational pattern of utilisation arising from the practice of cutting the best in quality and easiest to sell first. Secondary species cause a problem because of the obstacles they present to forest renewal and replacement.
- (vi) The complexity of the marketing and distribution systems and the multiplicity of intermediaries is a serious problem in the tropical timber trade.

Suggested measures for international action along the lines of Resolution 93(IV).

148. The basic FAO/UNCTAD document examines possible solutions under the following headings:

- (i) Market intervention or stocking. The study concludes that because of the susceptibility to deterioration and the high cost of protection, measures calling for the establishment and management of stocks of tropical logs after they have been felled are unlikely to become a serious possibility. However, the management of supply of tropical logs through stocking in the forest (i.e. to leave them standing in the forest) is seen as technically feasible and one approach to international action for stabilisation although even here complicating features include heterogeneity of species, and the great distance between forest and user/processor. In view of the complex market structure together with the wide range of substitution possibilities, the document concludes that supply management will only be effective if it is concerted and well informed but deserves further study.

As the problems of storage loom less large for the principal processed forms of tropical woods, the report recommends that the feasibility and likely efficacy of stock management measures for broad categories of processed woods should be studied.

- (ii) Compensatory financing. In view of difficulties of implementing stocking or other market intervention measures, consideration should be given to schemes for compensatory finance in the stabilisation of export earnings, especially in view of the fact that in 1975, under the EEC's Stabex Scheme, the largest payments were made in respect of tropical timber.
- (iii) Market access and processing. While access to markets is not the only factor affecting the potential for increased processing in developing countries, it is an important one and will need to be taken into account in any programme of international action for improving the export earnings and the income generating potential of the tropical timber trade of developing exporting countries.
- (iv) Shipping and freight. In view of the overwhelming importance of freight charges in the tropical timber trade - typically representing between 30 and 50 per cent of the c.i.f. price - it is suggested that: firstly, consideration should be given to measures to reduce shipping charges through the establishment and greater use at regional and inter-regional levels of shippers councils or equivalent bodies to negotiate with the conference lines; and secondly, developing producer countries might usefully investigate the feasibility of initiating or participating in a shipping line to enable exporters of tropical timber to share in the large earnings that are generated from the transport of their products.

- (v) Research, development and promotion. The report finds there is considerable scope for international action in regard to research, development and promotion in helping developing countries to achieve maximum benefits from their trade in tropical timber.
- (vi) International action aimed at bringing a greater number of the lesser known hardwood species on the market is recommended.
- (vii) Measures to improve economic intelligence. The report stresses that effective market intervention for stabilisation purposes would depend on the availability of a good deal more information on market structure and market behaviour than is currently available. It calls for international action to facilitate the search for the collection, analysis, interpretation and distribution of market intelligence.
- (viii) Reinvestment in tropical forestry and the maintenance of long-term supplies. While the measures for international action envisaged in the framework of Resolution 93(IV) do not explicitly include the kind of measures needed to deal with the problem, the need for such measures is thereby implied. The report therefore recommends international action to cover the re-investment problems.

Progress of negotiations.

149. A preparatory meeting held in the last week of May 1977 held a preliminary exchange of views on the characteristics and problems of the tropical timber trade and of possible international measures. Full consideration was given to each of the main problems outlined above but there was little or no discussion on the formulation of proposals for international action; the talks concentrated on the need for more information on the nature and causes of existing instability as a basis for determining measures and concrete proposals. The experts are to examine appropriate measures and techniques and make recommendations on a work programme on tropical timber to achieve specific objectives. These are broadly in line with those of the Integrated Programme, but are particularised in relation to the special needs of tropical timber, e.g. they also include reference to the need to understand the supply and market structure; to the need for promotion of investment for regeneration of forest resources; to overcome infrastructural and technological deficiencies in the timber industry in tropical countries; to obtain information on costs at each link in the chain of the tropical timber trade; and to standardize nomenclature. The meeting at expert level is scheduled for 24-28 October 1977 and a Third Preparatory meeting for 23-27 January 1978.

Appendix

Measures included, or under consideration for inclusion, in international commodity agreements

	Coffee	Cocoa	Tin	Sugar	Rubber	Jute	Tea	Cotton
International buffer stocks	For study	Y	Y		P	P	P	P
Coordinated national stocks	Annual survey		Specified maxima	P(carrying costs internationally financed)		P		P
Price range	Y(x)	Y	Y	P	P	P	P	P
Export quotas	Y(x)	Y	Y	P	P	P	P "Stand-by" basis	P
Production planning/ rationalisation/ diversification	Y(x)		Y		P	P (including cost reduction)	P(y)	P
Supply/ purchase commitments								P
Compensatory finance/ crop insurance/ adjustment assistance							P	P
Increased processing/ market access	Y	Y		P	P	P	P	P
Promotion of consumption	Y	Y	Y	P		P	P	P
Studies and research	Y	Y	Y	P	P	P	P	P
Information collection and dissemination	Y	Y	Y	P	P	P	P	
Other				Recognition of special arrangements		Harmonisation of synthetics production		Improved marketing, transport, distribution

Measures included, or under consideration for inclusion, in international commodity agreements (contd.)

	Hard fibres			Copper	Vegetable Oils	Bananas	Manganese	Bauxite	Iron Ore	Tropical Timbers	Phosphates	Meat
	Sisal	Abaca	Coir									
International buffer stocks	P			P								
Coordinated national stocks	P	P(Philippines only)		P	P(improved national stocking)		P			P(stocking in the forest)		
Price range	P	P	P	P		P	P				P	
Export quotas	P	P		P		P	P				P	
Production planning/ rationalisation/ diversification	P		P			P						Rationalise world production
Supply/purchase commitments	P	P	P	P			P	P	P			P
Compensatory finance/crop insurance/ adjustment assistance						P			P	P		
Increased processing/ market access	P	P	P	P	P	P	P	P		P		P
Promotion of consumption	P		P	P	P	P						
Studies and research	P	P	P	P	P	P				P		
Information collection and dissemination					P	P	P	P		P		
Other	Harmonisation of synthetics production, equitable freight rates, improved transport.			Interim producer/consumer consultative body						Reduced freight charges; re-investment		Surpluses for food aid

Y - Yes, i.e. included.

(x) = not in operation.

P - Possible, i.e. suggested.

(y) = only after assessment of operational experience over rest of programme.

N.B. Blank spaces signify no mention is made.