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Proposals for a New Order for the Commodity Markets

by Richard Senti, Zürich *

The following article pinpoints the elements of a possible new order for the commodity markets against the background of the existing market order for raw materials and proposals for its reform which have been made public. The existing order is briefly reviewed in the first part of the article while topical reform proposals are set out in the second part. The direction in which the search for a new international market order for raw materials should point so as to accommodate the various, often sharply diverging expectations and demands of the trading partners is indicated in the final part.

The individual countries are free to engage in the international trade in raw materials, subject only to such commitments to a certain conduct in the markets as they have undertaken in the framework of general arrangements or agreements on specific commodities.

General Market Arrangements

General arrangements have been made chiefly in the framework of GATT, OECD, the system of generalized preferences, and the various integration areas. GATT imposes on the 83 participating states (21 industrialized and 62 developing countries) a reciprocal obligation to refrain from raising their customs tariffs, to remove all non-tariff obstacles to trade (embargoes and restrictions of all kinds) and to observe the principle of non-discrimination (most-favoured-nation treatment). In addition, the "developed states" have pledged themselves to give priority to the removal and elimination of trade obstacles affecting products from "less developed contracting parties" and to abstain from introducing any measures which would be inimical to trade.¹

The 24 member states of OECD manifested (in May 1974) their determination, in the face of the problems confronting a number of developing countries, to refrain from taking generalized or specific unilateral measures for the restriction of imports.² The system of generalized preferences also em-

bodies important provisions on the international trade in raw materials and raw material-intensive processed products. Australia, Austria, Canada, the member states of the European Economic Community, Japan, New Zealand, Norway, Sweden, Switzerland and the USA have declared themselves willing to grant the developing countries preferential treatment for part of their imports from them.³

The Treaty of Rome puts the member states of the EEC under an obligation to pursue a common foreign trade policy and to observe the Lomé Convention with the African, Caribbean and Pacific states (the ACP states). In addition the EEC members have granted the ACP states trade concessions for most raw materials, depending on the state of development attained by the respective countries, so as to "quicken the pace of growth of these states and improve the conditions for access of their products to the market of the EEC."⁴

Agreements on Specific Commodities

In addition to these provisions applying to trade in general, there are specific agreements pertaining to individual raw materials. In the following review, I make a distinction between agreements to which *both* producing and consuming countries are parties and agreements in which *only* producing countries or *only* consuming countries are taking part.

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¹ Cf. GATT, Art. XXXVII.

² Cf. OECD, Statement of the Governments of the Member States of May 30, 1974, in: Groeben-Boeckh, Handbuch für Europäische Wirtschaft, Vol. 14, OECD VI A 23, p. 39 f.

³ A survey of the system of generalized preferences is given in: IMF Survey, 1975, p. 186 ff.

⁴ Cf. Art. 1 of the Lomé Convention; cf. also Appendix II of the Lomé Convention.

Commodity agreements of international importance embracing *both* producing and consuming countries exist for wheat, tin, coffee and cocoa:

□ The International Wheat Agreement of 1971, last extended in the summer of 1976, is a skeleton agreement covering the Wheat Trade Convention and the Food Aid Convention. The importance of the agreement has been lessening in recent years because the contracting parties could not agree either on a price or on the choice of reference grades, so that it is now merely nominal — aside from the Food Aid Convention. The administrative apparatus has been kept in being in hope for a more substantial accord in 1978.

□ The International Coffee Agreement of October 1976 superseded the agreement of 1963, which had been extended in 1968. Use is made of export quotas for stabilizing the coffee market: the exports from the producing countries can be curtailed when prices go down, and increased or freed when they go up.

□ The International Tin Agreement originated in 1956. It has been extended every five years since, the last time in the summer of 1976 (for the time being on a provisional basis). Its essential feature is a buffer stock, which can release metal or carry out support purchases as indicated by the trend of prices.

□ The International Cocoa Agreement of 1973, which was extended in the autumn of 1976 for another three years, contains a combination of quota and stock-keeping regulations. Cocoa has to be bought if the price falls below a floor level fixed in advance, and the export quotas have to be reduced at the same time. If it rises, the export restrictions are progressively eased and stocks withdrawn.

Of the *commodity agreements between producing countries*, OPEC and CIPEC are most notable:

□ The Organization of the Petroleum Exporting Countries (OPEC) was set up in 1960 as a reaction to two price reductions for Middle East oil. In 1968 and 1970, OPEC urged its members to undertake the production and processing of crude oil themselves as far as possible, to revoke the traditional licences to foreign firms and to resort to new forms of cooperation. The OPEC member states have agreed on a common supply policy and waived the right to conclude separate agreements with consuming countries.⁵ In 1973, OPEC and OAPEC managed to drastically improve their market position in a major break-through.

□ The Intergovernmental Council of Copper Exporting Countries (CIPEC) was formed by Chile, Peru, Zaire and Zambia in 1966/67 in imitation of

the OPEC. It is the aim of the CIPEC states to improve their export position through coordination of their supply policy.⁶ To date, the Council's achievements are modest.

□ Incipient efforts to set up producer's associations are being made for various commodities at the present time, e.g. for phosphates, bauxite, bananas, iron ore, zinc and tea.⁷

The industrialized states have always been relatively close when presenting their interests against the raw material producers and followed a common foreign trade policy, but proper *commodity agreements between consuming countries* only did not exist until recently. It was only under the pressure of the sales policy adopted by the oil producing states in 1973 that several consuming countries linked up in a common organization, the International Energy Agency. The energy programme, which all OECD countries (except France) signed already in September 1974, names assured oil supplies on reasonable and equitable terms as its purpose.⁸

Weak Spots In the Present Market Arrangements

The international trade system in the last three decades goes back to proposals by the United States⁹, whose military and economic predominance after the war left little room for serious alternatives. As a result, the US proposals were in great measure incorporated in the Havana Charter, and also in the General Agreement on Tariffs and Trade.

This background explains why the world trade system as it still applies today strives to provide outlets for the exporters, but does not safeguard the interests of the buyers. It permits exporters to join forces, but forbids import agreements; it allows assistance to be given to producers, but bans restraints on imports; it avows the principle of most-favoured-nation treatment without touching upon the problem of the most disadvantaged countries, and it leaves the subject of international commodity agreements by and large to chance. A few advocates of the present order of international trade are still using the free trade credo as an excuse for doing virtually nothing about the specific problems of the raw-materials-

⁶ Cf. CIPEC Convention, Art. 1, CM/37/74 Fin.

⁷ For producers' associations of topical importance cf. R. Senti, *Die internationale Rohprodukte-Marktordnung* (The International market order for raw materials), in: *Außenwirtschaft*, 31 (1976) IV.

⁸ Cf. International Energy Programme, Art. 2 ff., in: BBI 1975 I 793 ff.

⁹ Cf. US Department of State, *Proposals for Expansion of World Trade and Employment*, Nov. 1945 (Publication 2634, Com. Pol. Ser. 86); US Department of State, *Suggested Charter for an International Trade Organization of the United Nations*, Sept. 1946 (Publication 2588, Com. Pol. Ser. 93).

⁵ Cf. OPEC Statutes, Art. 4.

exporting developing countries. Their attitude creates the risk that the disadvantaged countries may band together in a "community of fellow-sufferers" and try to achieve their ends by making use of their strength.¹⁰

The crux of the matter is that the existing commodity agreements cannot alleviate or prevent short-term price and volume fluctuations without impeding a balanced market development in the long term, safeguard the interests of the buyers without impairing the sales of the suppliers, or close supply gaps without wastage of natural resources.

Three main trends may be observed at present in regard to the renewal and extension of *commodity agreements involving producing and consuming countries*: The first one is a *relaxation of pricing regulations*: price bands are widened (tin agreement); obligatory floor and ceiling prices are abolished (wheat agreement). The relaxation of price regulations is in part a reflection and result of the relative instability of the commodity markets in the first half of the seventies, and the subsequent reluctance to enter into long-term price commitments under the prevailing conditions. A second tendency concerns the *updating of the reference periods*. The aim is to do away with basic and export quotas, which remain unchanged during the whole duration of an agreement, and to refer instead to periods which have just ended so as to keep abreast of changing market conditions (coffee and cocoa agreements). Thirdly, *buffer pool* managers are now authorized to intervene in the market by selling and buying at current prices (without the restraint of ceiling prices) and to buy and sell at the same time in the upper and lower price ranges, subject to one condition only: contingent on the price level at the time, they must be either net buyers or net sellers. The purpose of this is to make stock-motivated speculative operations more difficult (tin agreement).

In spite of innovations of this kind, the existing agreements are so rigid as to become unworkable under certain market conditions. This seems to be chiefly due to two reasons: One is that the agreements lack *automatic adjustment mechanisms* which would allow the width of the price bands to be adjusted, up to a point, to the market prices (cocoa and tin agreement). The agreements will no longer function when the market price rises above the ceiling price, and there are no adequate stocks, either. This fault could be remedied by more flexible adjustment of the agreed price to

the current market situation. However, the *decision-making arrangements* are the second weak point in the present agreements. All commodity agreements between producers and consumers provide for parity in the decision-making process. The two contracting parties have, as a rule, one thousand votes each. For important decisions, the agreements stipulate either a two-thirds majority (coffee agreement) or a simple majority on both sides (cocoa, wheat and tin agreements), which means that both the exporting and the importing states have a veto. The parties to the agreements cannot be expected to vote against their own interests. In their present form — i.e. until the adjustment mechanisms have been made automatic and the present "stalemate" in decision-making ends — the agreements are bound to remain fine weather agreements: they only operate properly when not needed.

Whether and to what extent *associations of producing countries* and *associations of consuming countries* can help to stabilize commodity markets depends on their economic and political strength. If they lessen differences in market power between the supply and demand sides in the long term, they contribute to stability in world trade. But if associations of this kind create new dependent relationships or occasion major short-term volume and price fluctuations, they must, beyond question, be regarded as an additional disruptive factor. This would certainly have to be said of OPEC, for instance, if circles in the OPEC secretariat took the view that oil should in future again be used as a political weapon¹¹.

The non-viability of some producer-consumer agreements and the additional market uncertainties due to the emergence of agreements confined to either producers or consumers have given rise to various reform proposals in the course of the past few years.

Restructuring of Commodity Agreements

The proposals for the restructuring of the commodity agreements range from the US approach with its very sceptical view of the existing arrangements to highly differentiated schemes of the EC and demands with an economic development bias from the Third World.

As an important exporter of agricultural products the *United States* is chiefly interested in creating and preserving outlets for such products. The number of agreements to which the USA is a party is small (coffee, wheat and tin), and to go by official statements, the Americans are not partic-

¹⁰ Cf. R. Senti, *Monopolisierung im internationalen Rohwarenhandel, Vorschläge zur Neugestaltung der Welthandelsordnung* (Monopolization in the international raw materials trade, proposals for a reform of the order of international trade), Dissenhofen 1975, p. 49 ff.

¹¹ Cf. A. A. Kubbah, *OPEC, Past and Present*, Vienna 1974, p. 101.

ularly happy about their participation. In what direction the present US proposals point is shown by the Flanigan report: "What we are proposing, therefore, is a commodities agreement, but not one of the traditional kind limited to a single commodity which seeks to rig international prices at artificially high levels. The commodities agreement we foresee would cover a family of commodities. It would be a liberalizing agreement removing restrictions from trade, permitting supply and demand to have free reign within this economic family of commodities, and would allow prices to seek their own natural levels."¹² The President's message on the Trade Reform Act of 1973 hinted in this sense at something which Gerald L. Parsky, the head of the raw materials division in the US Treasury, later stated openly to be the American view, namely, that a solution of the raw material problems should be sought on a free market basis and could not be found on any other¹³.

Seen from *Europe*, the problems look differently. Europe depends on uninterrupted supplies of raw materials from outside. The European Communities therefore prefixed their proposals for a new order for the international trade in commodities by a statement that the present order served "primarily to regulate the market in the producers' interest" and failed to solve the supply problems. A future raw materials order had another function beside the traditional one of regulating the markets: it must safeguard supplies¹⁴.

While the emphasis in the US plans is thus on outlets for the country's own agricultural products, and while the EC puts assured supplies of raw materials first, the *developing countries* are calling for a raw materials policy which safeguards the interests of the Third World. Unlike the Charter of the Economic Rights and Duties of the States, which the UN General Assembly passed in 1974, and the declaration adopted at the raw materials conference in Dakar and the UNIDO conference in Lima in 1975, which referred in quite general terms to the handicap of the poor countries, the developing countries, at UNCTAD IV in Nairobi, presented a rather comprehensive programme¹⁵. Their "Integrated Programme for Commodities" has the following objectives:

☐ to raise product prices to a level commensurate with the world-wide inflation, encouraging investments in the raw materials sphere, preventing

waste of irreplaceable raw materials and in this way contributing to an adequate increase of real export earnings,

☐ to avoid big price, volume and export earnings fluctuations through appropriate agreements between producing and consuming countries, in order to facilitate thereby the planning of production, trade and supplies for the longer term,

☐ to provide larger outlets, especially in countries where the local agricultural production enjoys a relatively strong protection against imports,

☐ to remove obstacles to trade which, directly or indirectly, render the processing of raw materials in the countries of origin difficult or impossible,

☐ to take measures to protect primary products against the competition of synthetics in the consuming countries,

☐ to step up food aid to the "least developed" and "most seriously affected" countries,

☐ to limit, for the time being, all the measures to be taken to the "pivotal products", which together account for the major part of all raw material exports from the Third World.

The developing countries kept their request catalogue deliberately indefinite and wide because they did not want to prejudice any particular solution. They consider this all the more important because the commodity agreements are to them only a part of a comprehensive and coordinated raw materials programme.

New Financing Proposals

Various proposals for the financing of the international trade in raw materials have been submitted for discussion. The 1976 UNCTAD conference in Nairobi proposed the creation of a Common Fund, in response to which the United States presented the project of an International Resources Bank. The IMF responded to the UNCTAD proposals for compensatory financing of export earning shortfalls by suggesting a reform of the IMF Compensatory Financing Facility.

UNCTAD Fund and US Resources Bank: UNCTAD started from the hypothesis that the instability of the international trade in raw materials is largely a consequence of the scarcity of finance for compensatory stocks. It estimated the capital requirements for the ten most important export commodities of developing countries (coffee, cocoa, tea, sugar, rubber, jute, hard fibres, copper and tin) at three to six billions US dollars.

¹² Cf. US, Agriculture Trade and the Proposed Round of Multilateral Negotiations (Flanigan Report), Committee Print, Washington, D.C., 1973, p. 30.

¹³ Cf. US, Committee on Ways and Means, Press release to the "Trade Reform Act of 1973", The Message of the President, Washington, D.C., 1973, p. 14. Report on a speech by G. L. Parsky, in: Neue Zürcher Zeitung of Jan. 17/18, 1976, No. 13, p. 16.

¹⁴ Cf. EC, Development and Raw Materials — Topical Problems, in: Bulletin of the EC, Supplement 6/75, p. 44.

¹⁵ Cf. UNCTAD, An Integrated Programme for Commodities, TD/B/C.1/193, 194, 195, 196, 196/Add. 1, 197 and 198, Geneva 1975; UNCTAD, New Directions and New Structures for Trade and Development, TD/183, Geneva 1976; UNCTAD, Commodities, TD/184 and Supp. 1-4, Geneva 1976.

It would be the main function of the Fund to provide the international commodity organizations with the adequate means of finance for stabilizatory market intervention (especially finance for compensatory stock-piling).

Faced with the challenge of the UNCTAD proposal, the Americans presented in Nairobi their ideas about the establishment of an International Resources Bank. Secretary of State Henry A. Kissinger set out four objectives for a new international trade system for raw materials ¹⁶:

- ☐ to guarantee adequate finance for the development and distribution of the raw materials production (this objective was implied in the US criticism of the UNCTAD proposal on the ground that it offered no investment incentives ¹⁷),
- ☐ to improve the trading conditions and opportunities for investment in the production of raw materials and to abate sharp price fluctuations,
- ☐ to stabilize the overall export earnings of the developing countries, and
- ☐ to give the developing countries easier access to the markets for processed products, while at the same time securing dependable sources of supply for the consuming countries.

According to the US proposal the International Resources Bank would be started with a capital of US \$ 1 bn. A form of association with the World Bank Group may have to be considered to ensure efficient cooperation with other international institutions.

In their present form, the UNCTAD and US proposals are incompatible. The aim of developing countries is to improve their export position in regard to prices and earnings by compensatory stock financing, whereas the USA (like many other industrialized states) is mainly interested in promoting the production of raw materials and securing dependable supplies for the consuming countries. The present state of the negotiations suggests that neither the UNCTAD proposals nor those of the USA will be carried out in their present form.

The UNCTAD System of Compensatory Payments: The present IMF system was criticized by UNCTAD as being insufficiently liberal. The IMF was oriented to the removal of balance of payments difficulties without taking the effective purchasing power of the applicant state into account. For many poor countries, the repayment terms for

IMF assistance were too harsh. According to UNCTAD, the IMF arrangements needed supplementing by the creation of a system designed to alter the terms of trade, and, correspondingly, the export earnings. Such a system would have to incorporate an automatic trigger mechanism and meet the needs of the poorest countries by non-repayable grants ¹⁸.

The UNCTAD proposal aims at a stabilization of the export earnings, as does the STABEX system of the European Communities, which came into force in 1976, but differs from the latter in two essential points:

- ☐ UNCTAD does not call for the creation of a new financial organization, but for a further extension of the IMF facilities. The Lomé Convention is limited to certain selected countries;
- ☐ UNCTAD demands an allocation mechanism, to be fixed in advance, to ensure the independence of the recipient countries. The Lomé Convention provides for new transfer negotiations each year ¹⁹.

Elements of a New Raw Materials Order

The following facts emerge clearly from what has been said:

- ☐ The international trade in raw materials cannot be stabilized, either in the short term or in the long term, in regard to prices, volumes and earnings by negotiating general provisions for commodities in the framework of GATT, OECD or other international organisations.
- ☐ The price and volume fluctuations cannot be smoothed by the traditional kind of commodity agreement, either. The trade in commodities which are covered by agreements is just as liable to be affected by irregularities as that in products for which no such arrangements have been made.
- ☐ If relative stability in the raw materials trade is the aim, the choice of instruments currently available for stabilization will have to be extended. The combination of existing agreements in an "Integrated Programme" is unlikely to be by itself successful ²⁰. Various proposals from industrialized as well as developing countries are now under discussion.
- ☐ The proposals which have been presented pursue so widely diverging interests that in their pres-

¹⁶ Cf. Address to the 4th UNCTAD by H. A. Kissinger, Nairobi, May 8, 1976 (multigraphed), p. 6.

¹⁷ United States Mission, Daily Bulletin, Geneva and Berne, Aug. 13, 1976, p. 1 (Joseph A. Greenwald: "In our view, a key missing element of the UNCTAD program is the encouragement of investment in resource development").

¹⁸ Cf. UNCTAD, TD/B/C.1/195, Oct. 16, 1975 (Compensatory Financing of Export Fluctuations).

¹⁹ A differentiated comparison of the UNCTAD proposal and STABEX can be found in: J. D. A. Cuddy, STABEX: How Good a Model for International Relations?, in: *FinAfrica Bulletin* 2 (1976) III, p. 59 ff.

²⁰ Gamani Corea, Secretary-General of UNCTAD, remarked during a discussion in Zürich on Oct. 12, 1976, that the existing commodity agreements could be largely incorporated in the "Integrated Programme" in their present form.

ent form they cannot be reduced to a common denominator. Both the industrialized and the developing countries will have to come down a peg or two and go some way to meet the demands of the other side if they wish to make a contribution to the creation of a common market.

□ The institutional framework of the commodity arrangements also needs reforming. In the past, it has been left to chance in which particular international organization commodity agreements were negotiated, and there was no coordination, substantive or formal, between the individual agreements. Once concluded, the agreements very often developed a momentum of their own, so that the organizations which had brought them into being lost control.

The criticism which has been levelled at the existing raw materials order leads to the conclusion that a new order directed at the stabilization of the international trade in raw materials must comprise the following elements:

Stabilisation of the Volume of Trade: Past experience demonstrates that the volume of trade cannot be stabilized by the general basic or export quotas or by buffer stocks. A new system will therefore have to be adopted under which the trading partners (exporters as well as importers) will be obliged to provide supplies or make purchases of an amount at least equal to a certain share of the quantities actually sold or bought in a preceding period. The supply and purchase quotas (expressed as a certain percentage of the figure in the whole or a period of the preceding year) will have to be negotiated between the individual trade partners or — and this would be preferable for a uniform solution of the problems — in the framework of an international economic organization which includes all important trade partners. The supply and purchase quotas will have to vary, if at all, between different commodities.

The US intention to allow grain deliveries to be made to Russia and Japan only if the buying countries undertake to absorb certain quantities also in subsequent years aims in this direction. Under a grains agreement in force since October 1, 1976 the Soviet Union is entitled and also obliged to buy 6 mn tons of wheat or maize annually in the USA during the next five years. A similar agreement between the USA and Japan took effect in the spring of 1976: Japan will purchase at least 14 mn tons of grains from the USA in each of the next three years. Similar arrangements are apparently currently negotiated with other countries²¹.

The quantities of commodities entering world trade cannot be stabilized on a global scale unless all important exporters and importers enter into commitments of this kind.

Stabilization of Export Prices: The commitments to the sale or purchase of certain quantities of products must be complemented by appropriate pricing arrangements. The price regulations must be such that sharp short-term fluctuations are absorbed, while longer-term trends are not obstructed. Consideration should be given to something of the nature of a "crawling peg" system, which allows only limited deviations from the middle of the price band: any rise or fall from the average price of the preceding period (the base price) within a certain period is kept within fixed limits. If the price in this subsequent period deviates from the middle price, it automatically becomes a new base price — on a higher or lower level — for the following period: any rise or fall of the price in this period is limited in relation to this new base price, and so on. In this sense, one could speak of a "graded flexibility" designed to absorb wide short-term price fluctuations without impeding longer-term trends. It is inevitable that raw materials will command higher or lower prices according to the movements of supply and demand in the future. What can be avoided is a price collapse or escalation in the short term which would lead to market disruption, supply shortages and unemployment in producing or consuming countries. Regulations of a similar kind are in force today at American commodity exchanges: upper and lower limits keep the day-to-day movements in these markets within certain limits.

Creation of Buffer Stocks: Regulations on quantities and prices alone are no guarantee for stable markets. Changes in demand and crop fluctuations may make it impossible to fulfil purchase and supply obligations unless there are stock-pile or reserve stocks. The consuming and producing countries must therefore be obligated to maintain stocks at a level which enables them to meet their commitments. — It must be pointed out however that the problems involved in stock-keeping have so far not received detailed consideration either by the international organizations or by the research institutes. There are such questions as: Who profits from price stabilization — the producers or the consumers? What costs are involved in stock-piling and who is to bear them? Who is to hold the stocks? How big should buffer stocks be? What are the repercussions of stock-piling on the intermediary trader?²² These ques-

²¹ Cf. C. E. Harshbarger, *The Economic Recovery: Will Agriculture Follow in 1978?*, in: Federal Reserve Bank of Kansas City, Dec. 1975, p. 13 ff.

²² Cf. E. Lutz, *Food Stocks and International Trade*, Research Essay, University of California, Berkeley, Aug. 1976 (multi-graphed), p. 4 and 5.

tions will have to be answered before buffer stocks are established.

Stabilisation of Export Earnings through Direct Payments: Regulations concerning quantities and prices and the use of buffer stocks can make a contribution to a stabilization of the international trade in raw materials in the short term, but do not solve all those problems which are in the longer term entailed in export shortfalls and balance of payments difficulties. The experience with the European agricultural market shows that the linkage of price and incomes policies tends to give rise to increasingly complicated and ultimately almost insolvable market problems and that a policy of high prices dictated by considerations of incomes policy leads to production in defiance of market conditions. Under these circumstances the representatives of the Third World cannot be surprised if the industrialized countries, and the European states in particular, want to draw a sharp dividing line between a market-related arrangement for raw materials on the one hand and an incomes policy oriented to the development of the poor countries on the other. If the price policy is the subject of an order concerned with raw materials, subsidization — in the sense of direct payments — will be an indispensable complement, and it cannot be confined to remedying emergencies in the raw materials trade but will have to be governed by a general consideration of the needs of the poor countries.

Membership: Global market guarantees and assured supplies for all consumers require inclusion of all important trade partners in the arrangements, allocation and application of bilateral rights and duties according to the same principles to all trade partners. The outcome of such negotiations would be a kind of "multi-bilateral" treaty system in which every single state is to some degree under a direct obligation to his previous trade partner, but the same rights and duties apply equally to all states.

Institutional Solution of the Problems: Commodity agreements and market organization programmes have until now been drawn up in one organization or another — the UN, GATT or UNCTAD — more or less by chance. The drafting of a new international system for raw materials would have to be entrusted to a central body, which could be an international organization already in existence, or else to be set up for this specific purpose, so as to make better provision for the different interests. In this way, the interests of the producers and consumers are to be given equal consideration. The present efforts in UNCTAD to bring about unilateral producers' agreements are, in my view, no real con-

tribution to an international solution of the raw material problems²³.

Reform of the General Economic Order: The existing order of international trade does nothing to impede monopolistic price policies. International arrangements for a high-price policy are permitted, subject to the proviso that they must not violate the most-favoured-nation clause. Adherence to most-favoured-nation treatment does not, however, exclude "most-disadvantaged-nation" treatment. To deal with this, arrangements between states and international corporations and coordinated modes of conduct which impair, impede or distort the international trade should be prohibited in order to redress what is in present conditions a most dangerous omission, as similar arrangements on a national level are forbidden by anti-trust and cartel laws.

It may be assumed that in international trade, as elsewhere, individual and partial monopolies are a much greater danger to competition than are producers' associations. The international ban on cartelization would therefore have to be supplemented by a prohibition of the misuse of monopoly power similar to the regulations in the European Communities.

From comparisons with the national cartel laws, it may, however, be concluded that the banning of cartel arrangements and misuse of monopoly situations would not in itself be sufficient to curb the concentration process effectively and early enough. Proper control of concentration moves would have to be instituted as intended for instance under the Havana Charter²⁴.

Integration of the Raw Material Problems into the Global Economy: Finally, the international trade in raw materials must not be regarded as a self-contained economic sphere. It is part of the global economy. In other words, the creation of relatively stable conditions for the sale and purchase of raw materials does not in itself solve the raw material problems either in the Third World or in the industrialized states. Supplementary measures must be taken for the rationalization of production, optimization of regional production structures, economical use of the raw materials and market access for processed raw materials. Most important of all, the industrialized states will have to abolish as far as possible the restrictions on imports which stand in the way of a cost-saving division of productive activities.

²³ Cf. the current efforts for an international tea support agreement, UNCTAD, Monthly Bulletin, Oct. 1976, No. 121, pp. 2 and 3.

²⁴ On the banning of cartelization and misuse of power cf. R. Senti, *Monopolisierung im Internationalen Rohwarenhandel*, loc. cit., p. 52 ff.