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The Integrated Programme for Commodities

by I. S. Chadha, Geneva *

The fifth session of the United Nations Conference on Trade and Development in Manila will undertake a detailed review of the progress in the implementation of the Integrated Programme for Commodities. I. S. Chadha attempts such a review from the point of view of UNCTAD for our readers.

The adoption of the Integrated Programme for Commodities at UNCTAD IV in Nairobi in 1976 represented a political commitment to enter into a major negotiating exercise aimed at international action to deal with the problems of a wide range of commodities of export interest to developing countries. It provided for two sets of parallel negotiations. These included negotiations for the establishment of a Common Fund to finance measures under the Programme and a series of preparatory meetings, followed by negotiating conferences, where appropriate, on individual commodities. The purpose of this article is to assess the progress achieved so far in the preparatory meetings and negotiations on individual commodities.

In making such an assessment, it would be worthwhile to recall the whole thrust and orientation of the Integrated Programme and its broad goals and objectives. It was conceived as "a programme of global action to improve market structures in international trade in commodities of interest to developing countries". In outlining the agreed objectives of the Integrated Programme, UNCTAD resolution 93 (IV) provided that "with a view to improving the terms of trade of developing countries and in order to eliminate the economic imbalance between developed and developing countries, concerted efforts should be made in favour of the developing countries, towards expanding and diversifying their trade, improving and diversifying their productive capacity, improving their productivity and increasing their export earnings, with a view to counteracting the adverse effects of inflation, thereby sustaining real incomes". Apart from these broad objectives, the resolution also embodied certain specific objectives and identified the international measures

for achieving the objectives. It listed 18 commodities of export interest to developing countries which together account for a little over 50% of their exports of commodities excluding petroleum. These are bananas, bauxite, cocoa, coffee, copper, cotton, hard fibres, iron ore, jute, manganese, meat, phosphates, rubber, sugar, tea, tropical timber, tin and vegetable oils and oilseeds. The negotiations on individual commodities were to be completed by the end of 1978. This deadline has now been extended by one year.

Unfulfilled Expectations

The adoption of the Integrated Programme thus gave rise to expectations that its implementation within the agreed time-frame would lead to the establishment of a series of new international commodity arrangements and would thereby contribute to the broad objectives referred to earlier. While there has been a forward movement in the case of a few commodities, on the whole the results achieved so far fall short of these expectations and the progress of work has not been as rapid as might have been expected in the light of the original time-frame.

The implementation of the Integrated Programme has called for massive efforts at the technical as well as governmental levels during the last two and a half years. The results of these efforts and of related developments in other fora need to be assessed against the background of the worsening position of developing countries in international trade in commodities. They continue to face serious problems due to violent fluctuations in commodity prices. Their terms of trade are declining further. There has been no significant improvement in the access to markets for their products. In many cases new protectionist bar-

* United Nations Conference on Trade and Development.

riers have been raised. "Global action to improve market structures in international trade in commodities of interest to developing countries" remains a distant goal.

Of the commodities listed in UNCTAD resolution 93 (IV), cocoa, coffee, olive oil, sugar and tin were already covered by international agreements before the adoption of the Integrated Programme, although for various reasons these agreements did not go far enough to solve the problems facing the commodities. Since the adoption of the Programme, the International Sugar Agreement has been successfully renegotiated; but it has not been very effective so far mainly because the EEC has stayed out of the Agreement and the ratification by the United States is still awaited. The economic clauses of the International Cocoa Agreement have remained virtually inoperative as the price ranges incorporated in it were well below the prevailing market prices. The International Agreement on Olive Oil, which at present does not contain economic clauses, is to be renegotiated shortly. There is also scope for improvement in the provisions of the International Agreements on Coffee and Tin to make them more effective in achieving the objectives embodied in the Integrated Programme.

Stage of Negotiations

During the last two and a half years preparatory meetings have been held under the Integrated Programme for all the commodities not already covered by international agreements, except bauxite and bananas. The pace of preparatory work on individual commodities has been somewhat varied. So far the discussions have advanced to the stage of negotiations only in the case of one commodity — natural rubber. Considerable progress was made at the first session of the Negotiating Conference on Natural Rubber in 1978. The Conference is to be resumed shortly and it is hoped that an international agreement would be concluded soon providing for an international buffer stock aimed at keeping the prices within an agreed range. There is also an understanding in principle to work towards an international agreement on tea, with a focus on an increase in real export earnings, although recent progress has been slower than anticipated.

For a number of commodities, the preparatory work has reached a fairly advanced stage. These include copper, cotton, hard fibres, jute and tropical timber. Numerous intergovernmental meetings have been held on copper, which is facing serious problems due to price instability. The earlier discussions were concentrated on the creation of a standing body to provide the insti-

tutional framework for further work. However, these discussions have been inconclusive and it is hoped that focus would now shift from the institutional issues to more substantive discussions on specific measures to be incorporated in an international agreement. In the case of cotton there is a broad understanding that the stage of studies and analysis of price fluctuations has been completed and it is expected that further preparatory work would be concentrated on the consideration of specific options relating to stabilization and of other complementary measures. For jute and hard fibres, both of which face competition from synthetics, considerable progress has been made in the identification of the problems facing the commodities and in drawing up lists of specific measures for research and development and market promotion to improve their competitiveness and to expand their consumption. These measures would no doubt contribute to the attainment of some of the objectives of the Integrated Programme; but they do not go far enough to meet the requirements of the developing producing countries. Many consuming countries have been reluctant to agree to international action aimed at greater price stability in jute even though this has been accepted as a specific objective. There is some evidence of positive movement on the part of certain consuming countries, but only in respect of the export market for raw jute which constitutes a small proportion of the international trade in jute. There has also been no agreement on a stabilization arrangement for sisal and henequen despite clear evidence of instability and notwithstanding the focus on stabilization for a decade. In the case of tropical timber, consensus has been reached on some of the possible elements that could be considered as a basis for an international arrangement. These include processing, reforestation, forest management and research and development. However agreement has not yet been reached in a number of areas including those relating to market fluctuations.

Discussions have continued in other fora on a number of commodities included in the Integrated Programme which are relevant to the attainment of the objectives of the Programme. These include discussions in FAO on a number of agricultural commodities. In the case of meat, consideration is being given, in the Multilateral Trade Negotiations under GATT, to the conclusion of an arrangement, dealing mainly with access to markets and better market transparency.

The discussions in some preparatory meetings are still at a preliminary stage, and have not led to the identification of the nature and extent of international action required. This is particularly

true for the minerals manganese, iron ore and phosphates, although these commodities are facing problems which call for international action. In the case of vegetable oils there are major constraints in the adoption of stabilisation measures, which derive from the complexity of problems facing a wide variety of competing products.

Inhibiting Factors

A number of factors have inhibited the progress in the discussions on commodities. The complexity of the issues in the negotiations and the basic conflicts which they seek to resolve should not be underestimated. However, it is now being increasingly recognized that the resolution of these conflicts would be in the mutual interest of all countries, both producers and consumers of commodities, whether developed or developing. There have been repeated affirmations at the highest political level of the importance which governments attach to international action aimed at improving the position of developing countries in world commodity trade. However, these gener-

al pronouncements have not yet been fully reflected in the attitudes adopted by many governments in the negotiations which are under way.

The discussions on individual commodities are closely related to the negotiations on the Common Fund. The early completion of the negotiations on the Common Fund is of crucial importance for the successful implementation of the Integrated Programme as a whole. It was in implicit recognition of this that the negotiations on the Common Fund were scheduled for March 1977, at a very early stage of the agreed timetable for the Integrated Programme. The obvious expectation was that the early conclusion of the negotiations on the Common Fund would give an impetus to the negotiations on individual commodities. Although some progress was achieved at the resumed session of the Negotiating Conference on the Common Fund in November 1978, complete understanding has not yet been reached with regard to the nature of the Common Fund¹.

¹ This article was completed before March 20, when principal agreement on the financing of the Common Fund was reached.

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The continued uncertainty regarding the sources of finance for international measures has impeded progress towards agreement on such measures in the discussions on individual commodities.

Reluctant Attitudes

A major obstacle encountered in the preparatory work has been the reluctance of many governments to match their commitment to the objectives of the Integrated Programme with a willingness to consider international action aimed at the attainment of these objectives. One of the fundamental objectives of the Programme is to provide greater stability and strength to commodity markets. In most cases this requires some form of international action such as the establishment of buffer stocks and the adoption of other appropriate measures in the framework of international arrangements negotiated between the producers and consumers of the commodities concerned. Despite the acceptance of this objective, many countries are still reluctant to agree to the commencement of negotiations for concluding international arrangements, even in cases where such arrangements appear to be feasible and appropriate. If the goals which governments have set for themselves are to be attained, this reluctance would have to be overcome and they would have to accept commodity agreements as an essential instrument of international commodity policy.

Attitudes of many governments are still dominated by the traditional case-by-case approach. There is thus a tendency on their part to adopt too narrow an approach based on an assessment of their interests in individual commodities, without taking into account the overall benefits for both developing and developed countries which would accrue from the implementation of the Integrated Programme as a whole. If the "integrated" nature of the Programme is to be preserved, consideration would need to be given to governments assuming across the board commitments for negotiating international arrangements for a number of commodities within a specified time-frame. This might enable them to secure a better balance in the benefits to be derived by individual countries than would be the case if such commitments continue to be sought within the framework of discussions on each individual commodity.

A Fresh Impetus is Necessary

The problems facing the commodities are complex and in many cases have required detailed studies and analysis which are time-consuming. In many cases progress towards the identification

of international measures has been slowed down due to the tendency to ask for studies without necessarily relating them to specific forms of international action. This has often diverted attention from the immediate task of concentrating on specific measures and of preparing the basis for the negotiation of international arrangements.

There are a number of measures envisaged in the Integrated Programme for Commodities which have not so far received adequate attention. These include, for example, the improvement and enlargement of facilities for the stabilisation of the export earnings of developing countries. Additional consideration also needs to be given to certain measures which are more developmental in character and which are designed to ensure the full and equitable participation of developing countries in the world commodity economy. This would call for the abolition of a wide variety of discriminatory practices on the part of developed countries which contribute largely to the imperfect and inefficient functioning of the world economic system. Among the measures required are increased assistance to developing countries for the diversification of production and expansion of processing, the removal of tariff and non-tariff barriers to ensure better access to markets for the products of developing countries and improvements in market structures to ensure greater participation of developing countries in the transport, marketing and distribution of their products.

The fifth session of UNCTAD in Manila will undertake a detailed review of the progress in the implementation of the Integrated Programme. It is to be hoped the review would result in agreement on additional international efforts to give a fresh impetus to the negotiations and to instil a greater sense of purpose and urgency into the future work. What is needed is decisive international action to give concrete shape to the political commitments undertaken in Nairobi, on a scale which would be commensurate with the goals and objectives which governments have set for themselves and with the hopes and aspirations aroused by them.

After years of international discussion and debate in the so-called "North-South" dialogue, the area of commodities has been identified as one of the few areas which are ripe for negotiations aimed at fundamental changes in the existing inequitable system of international economic relations. The future course of the negotiations on commodities would thus provide a crucial test of the political will to achieve a breakthrough in the efforts to establish a new international economic order.