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Development Policy Commodity Papers 1974 (Dec.) - 1975 (Aug)

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara, President

DATE: August 6, 1975

FROM: Ernest Stern, Director, Development Policy

SUBJECT: Commodity Prices

You will recall that Mr. Al Atrash asked us at the Board meeting on Report 802 about the relative importance of price increases of various commodities. The attached material was prepared by the Economic Analysis and Projections Department in response to this request, and I think you will find it of interest.

The cost of the total import basket increased by 51.0% in 1974; there is very little further rise in 1975. There is little difference between the low and middle income countries in aggregate, though the composition is very different. In 1974 the increase in the cost of fuel accounted for 36% of the increased import costs of the low income countries, while foodgrains accounted for 22%. For the middle income countries the increase in the price of fuel accounted for 43% of the increase in the total cost of the import basket, while foodgrains were much less important at 13%. The impact of price increases in intermediate and consumer goods was about the same in both groups of countries.

For the 40 Panel Countries, the increase in oil prices accounted for about 40% of the total increase in import costs in 1974.

Attachment

EStern/ls

Import Price Increases 1973-1975

	Import Categories as a Percent of Total Imports, 1973	Commodity Groups Share of Price Increase 1/ of Total Imports 1973-74	1973-75
I. Low Income Countries			
Food	22.9	22.3	16.6
Intermediate goods	39.2	28.5	30.3
Fuels	6.4	36.3	36.2
Capital goods	24.0	9.7	12.3
Consumer goods	7.5	3.1	4.6
Total	100.0	100.0	100.0
II. Middle Income Countries			
Food	13.3	13.0	8.9
Intermediate goods	38.1	27.2	27.2
Fuels	7.8	43.4	40.9
Capital goods	33.0	13.1	18.5
Consumer goods	7.8	3.2	4.4
Total	100.0	100.0	100.0
III. 40 Panel Countries			
Food	15.1	15.1	10.4
Intermediate goods	36.5	26.9	26.9
Fuels	7.2	41.2	38.9
Capital goods	30.4	12.4	17.5
Consumer goods	10.8	4.5	6.3
Total	100.0	100.0	100.0

1/ The increase in import costs was:

	1973/1974	1973/1975	1974/1975
Low	51.5	56.1	3.6
Middle	52.5	60.6	5.1
Total Panel	51.0	58.8	4.8

Includes mineral producers

Comm.

A Perspective on Commodity Policy

Statement of Edward R. Fried *
The Brookings Institution

before the Subcommittee on International Trade, Investment, and Monetary Policy of the Committee on Banking, Currency and Housing

July 10, 1975

Thank you for the opportunity to join in your consideration of commodity problems. These hearings attest to the fact that commodities are still one of the hottest games in town, but not so frenetic as eighteen months ago when prices were still booming and OPEC-like cartels supposedly were to spring up all around us. I welcome the hearings. I also welcome the calmer atmosphere surrounding the subject. Commodity problems are a serious matter--for political as well as economic reasons. They will be difficult enough to solve on their merits but they will be impossible to manage if the discussion is clouded by faulty diagnosis of the problem and exaggerated rhetoric.

Permit me in these brief introductory remarks to assert, rather than argue, what I believe to be some essential elements to have in mind:

(1) There is new urgency for a reconsideration of commodity problems. It is evident that grievances about commodity markets--real or imagined--have become a growing source of tension in north-south relations. Furthermore, the violent commodity price fluctuations of 1972-1974 added

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* The views expressed in this statement are the sole responsibility of the author and do not purport to represent those of the Brookings Institution, its Officers, Trustees, or other staff members.

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to inflationary pressures and created difficulties for demand-management policies at home and for the international trading system. Either factor alone should be cause enough for the United States to examine grievances about commodity markets and proposals for achieving greater stability in commodity prices with an open mind. I interpret Secretary Kissinger's recent speeches as reflecting such a stance.

(2) Individual commodities differ widely in market structures. Consequently generalizations about the commodity trade as a whole can be dangerously misleading. For example:

- While commodity problems consistently are portrayed as a confrontation between poor and rich countries, the fact is that if you put oil aside the largest part of the trade takes place between industrial countries. Furthermore, poor countries have substantial interests as importers of certain commodities, as in oil, cereals, and sugar.

- Oil dwarfs everything else, qualitatively and quantitatively. This year oil exports alone will be about $110 bil., or perhaps 15 percent of world trade. By way of comparison, exports of all cereals combined might be about $15 billion, and the next leading commodities--coffee, copper, cotton, and iron ore, in the range of $3-$4 billion each. After that, the values trail off into comparatively small numbers.

- The danger that the commodity trade will be organized into a host of OPEC-like cartels is wildly overdrawn. With few if any exceptions, the prospects that producer cartels would be durable are small. Furthermore, if, contrary to my expectations, the producers of coffee, cocoa, bananas, or even tin and manganese should be able by themselves to sustain prices above the long-term competitive level, I would consider this one way of transferring limited amounts of resources to countries which probably need them. Certainly it would not cause me to lose any sleep over the consequences to the United States or the world economy.

(3) Commodity stabilization arrangements are possible for a fairly limited number of commodities, particularly those with long investment and production cycles. They could improve conditions for producers and be helpful to consumers. They might also provide a better climate for investment. On the other hand, commodity agreements are at best a limited and not necessarily the best way of transferring resources from rich countries to poor countries.

(4) Producer-consumer agreements are difficult to negotiate and even more difficult to sustain. They pit producer against producer, as in the battle for market shares in coffee. They pit foreign producers against domestic producers, as in sugar, where cane and beet sugar are identical. They break down when target prices are kept much above market clearing levels, as when exporters cheat on quotas or stocks become very burdensome. These are the reasons why there have been so few agreements--not recalcitrance on the part of the United States nor a design on the part of all industrial countries to rig the market against the developing countries.

In view of these considerations, what commodity policies should the United States pursue? I would suggest the following as elements of an integrated approach.

- We should consider sympathetically proposals for new producer-consumer commodity agreements, giving priority to those commodities that are exported predominantly by the developing countries. Discussions are now, or will soon be, under way to bring into operation agreements for coffee, cocoa, and sugar. These affect the largest number of countries. Tea, rubber, jute, copper, bauxite, and manganese are additional possibilities. And we should become members of the tin agreement, for which new provisions have recently been negotiated.

- In each case we should support the use of buffer stocks rather than export quotas as the primary stabilizing mechanism. Agreements based on buffer stocks will be easier to negotiate but they will be sustainable only if it is understood from the outset that substantial changes in stocks are a signal for changes in the price range. If prices stay depressed and large stocks have been accumulated, export quotas may be necessary. In this case we should seek to build into these agreements provisions under which the poorest countries receive financial help on concessional terms to divert resources to more productive uses.

- For some commodities, where producer-consumer arrangements are not negotiable or are not appropriate, the United States should work with other industrial countries to accumulate economic stockpiles on a coordinated basis. These will apply principally to some of the minerals. Copper, alumina, manganese and tungsten would be candidates if an international agreement could not be negotiated. Chrome and platinum are other examples. In general, the accumulation and disposal of such stocks on the basis of internationally agreed guidelines would help to avoid wide swings in prices and investment and would also provide some security against price gouging and panic buying in time of scarcity. Except for copper, the United States could earmark supplies in its present national security stockpile as its share of an internationally agreed stock program.

- Funds for buffer stock operations should be supplied principally by the industrial countries, through a combination of paid-in and callable capital. The amounts required for each commodity should be negotiated as an integral part of each commodity agreement. This would be true even if something like the UNCTAD proposal for a common fund were adopted. The United States could allocate a portion of receipts from the sale of excess national security stocks for its share of international buffer stock financing.

- There might be some merit in negotiating a code of principles to apply to all commodity agreements. If so, I would recommend as a model Chapter 6 of the Havana Charter of the International Trade Organization, which was drawn up soon after the close of World War II. While the ITO never came into effect, this chapter still reads well in laying out the basis for producer-consumer cooperation, without seeking to impose conditions or _quid pro quos_ that probably are not negotiable and would only serve to delay matters.

- To the degree that commodity agreements are successful they would help to stabilize the export earnings of developing countries. For any remaining shortfall it would be useful to liberalize the provisions of the IMF compensatory financing scheme.

- The above proposals would improve the investment climate in the developing countries. Nevertheless, in view of the political tensions that now surround foreign direct investment in the resource area in some developing countries, there is no assurance that total investment will be sufficient to bring forth the necessary supplies, particularly in view of the long lead times required. The World Bank's affiliate, the International Finance Corporation, could help to ease some of these tensions by becoming a public participant along with private investors in politically sensitive investments. In effect, the IFC would be acting as a trustee for the developing countries both in providing disinterested expert advice on the terms of investment and in assuring these countries, through the resale of its equity position to them, of eventual control of the enterprise. To exercise this function on an adequate scale a very large increase in the paid-in capital of the IFC would have to be subscribed.

In sum, a commodity program of this nature, while modest in comparison with some that have been advanced, would be difficult and time-consuming to negotiate. But it would be worthwhile, both in defusing political tensions and in strengthening the structure of the world economy.

No one should be under any illusions, however, that changes in commodity markets can provide a solution to the problems of developing countries. Their exports of primary commodities, while still dominant, are a lagging sector in their trade. For the rapidly growing countries, the most promising export opportunities are in manufactured goods. Because manufactured exports have been growing by 12 percent a year they now account for approximately 40 percent of the total exports of the non-oil developing countries, as compared with 20 percent fifteen years ago. If this trend is to continue, progress must be made in reducing tariff and non-tariff barriers on processed materials and on other manufactured products. during the Tokyo round of tra de negotiations. Success here will assure these countries access to markets for the growing number of products in which they are or will become competitive. Furthermore, a reduction in trade barriers would be a powerful means of reducing distortions in international investment and of helping to ensure that the benefits of such investments will be equitably shared. For the poorest countries, additional development assistance of a highly concessional character is necessary both to offset the increased cost of oil and to generate a more rapid pace of economic growth. And more rapid progress is necessary on initiatives such as the Agricultural Development Fund, which is designed to increase food production in these countries, and on measures to build food reserves for famine relief. A preoccupation with commodity problems and most of all an exaggeration of commodity power carries the danger of diverting the attention of the international community from these essential needs.

INTERNATIONAL B/ FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

6/5
3:30 p.m.

Ernie:

The commodity terms of trade (with SITC 5-8 in the denominator) are in Table 1.

Data by country are on the computer printout - but it broke down before printing 67-69.

Income terms of trade for 3 Sample Panel groups are on the attached sheet.

John

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Those Listed Below

DATE: May 27, 1975

FROM: Shamsher Singh SS and Wouter Tims WT
Economic Analysis and Projections Department

SUBJECT: Commodity Forecasts

A set of the following tables showing commodity forecasts, together with the assumed OECD growth rates and inflation measured in dollar terms, is attached for your information and use. These forecasts, which were reviewed at inter-departmental meetings, chaired by Mr. John A. Holsen, on April 25 and 28, supersede the ones distributed last year.

1 - Aggregate Commodity Price Index in 1973 Constant Dollars
2 - Price Forecasts in 1973 Constant Dollars
3 - Price Forecasts in Current Dollars
4 - Table 2 Expressed in Index Form
5 - Table 3 Expressed in Index Form
6 - Volume of Exports from Developing Countries - Rates of Growth
7 - Index of International Inflation
8 - OECD: Growth Rates of Real GNP
9 - Mean, Standard Deviation and Coefficient of Variation of Prices

A paper discussing the overall commodity outlook and the assumptions underlying these forecasts will be issued next month. As desired by the Regional staff, write-ups on individual commodities will include alternative assumptions and associated forecasts wherever relevant.

As regards the proper use of the price forecasts for country and project work, we wish to stress again that the forecasts given here pertain to market quotations for specific grades of a commodity in a specified market. They are indicators of the likely general trend of prices for the commodity concerned. The specific figures given are unlikely to be the right ones to use in a particular project analysis or country economic projection. Adjustments must be made for such factors as transportation costs, grade or quality and for marketing arrangements in the particular case. In doing this the country or project economist may always turn to the commodity economist for assistance. A booklet on the proper use of prices will be prepared jointly by the DPS and the Regions.

A table showing the mean, standard deviation and the coefficient of variation computed from a three-year moving average of "constant" dollar or "real" prices for the period 1950 to 1974 is included with this set. These show that, for example, for rice there is a 67% chance that the estimated value will lie within a range of ±14% around the mean; in other words, $34 more or less than the mean value of $239 per ton. For copper, it would be ±26% of mean, or ±17 cents around a mean of 67 cents per pound. Variations around actual prices would be larger.

Please note that short-term forecasts are revised by the Commodities Division staff of the IMF and of the Bank every six months.

However, long-term forecasts are revised only once a year, unless a major event has affected the outlook for a particular commodity or assumptions about inflation or real growth are altered significantly.

Distribution:

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WTims:SSingh:ke

TABLE 1
COMMODITY PRICE INDEX/1/2
(1973=100)

	35 Commodities (Including Petroleum)	34 Commodities (Excluding Petroleum)	Agriculture	Food			Non-Food	Minerals and Metals
				Total	Beverages	Other Food		
1950	127	125	137	134	164	111	145	94
1951	117	124	134	122	151	101	161	98
1952	111	115	116	114	142	93	122	110
1953	115	113	116	122	153	99	102	103
1954	126	127	136	148	217	97	109	101
1955	123	121	123	125	170	91	120	115
1956	121	119	120	126	173	91	108	117
1957	111	110	114	119	156	92	100	101
1958	107	103	106	111	144	86	94	95
1959	99	102	105	105	128	88	105	93
1960	96	99	102	100	119	85	107	92
1961	90	91	92	93	106	82	91	90
1962	88	90	92	92	103	83	92	87
1963	88	93	97	100	102	99	88	85
1964	90	101	99	104	120	92	89	104
1965	89	101	93	97	112	86	86	120
1966	89	101	91	94	107	84	84	127
1967	85	93	89	94	103	87	80	104
1968	85	95	91	95	102	89	82	107
1969	85	97	92	95	102	89	84	112
1970	82	95	90	97	111	87	74	109
1971	83	83	82	87	92	84	71	87
1972	81	81	82	87	92	84	70	80
1973	100	100	100	100	100	100	100	100
1974	198	116	116	128	97	152	87	116
1975	182	93	92	102	78	120	70	96
1976	183	94	92	101	87	112	71	100
1977	182	92	88	94	93	96	73	104
1978	181	91	87	92	94	91	74	102
1979	180	90	86	91	93	90	76	99
1980	180	89	86	90	91	89	77	99
1985	182	93	89	95	94	95	76	105

/1 Weighted by 1967-69 LDC export values.

/2 1973 Constant Dollar Prices.

Prepared by Commodities and Export Projections Division, IBRD
May 27, 1975

TABLE 2

COMMODITY PRICES AND PRICE FORECASTS IN 1973 CONSTANT DOLLARS

	Unit	Actual Prices				Forecast Prices						
		1967-69	1970-72	1973	1974	1975	1976	1977	1978	1979	1980	1985
Petroleum	$/barrel	1.95	2.05	2.70	8.03	7.75	7.75	7.75	7.75	7.75	7.75	7.75
FOOD												
Cocoa	¢/lb.	54	40	65	81	56	54	53	49	45	42	42
Coffee	¢/lb.	59	63	62	54	44	53	60	63	63	63	65
Tea	¢/lb.	74	62	48	52	48	46	43	41	39	38	38
Sugar	¢/lb.	7.3	8.0	8.7	20.5	16.3	15.0	10.7	10.0	10.0	10.0	10.0
Oranges/Tangerines	$/MT	249	203	163	151	163	162	161	157	156	156	156
Lemons/Limes	$/MT	187	168	182	168	189	183	180	180	180	180	180
Bananas	¢/kg.	19.0	17.9	14.5	14.1	17.0	12.5	12.4	12.2	12.0	12.0	13.3
Beef	¢/kg.	254	279	318	285	230	265	293	302	311	335	372
CEREALS												
Wheat	$/MT	100	84	147	172	130	116	113	112	110	112	115
Rice	$/MT	297	179	350	445	311	300	280	260	250	240	240
Maize	$/MT	76	74	98	109	95	85	82	82	80	78	78
Grain Sorghum	$/MT	73	70	93	99	87	79	76	74	71	69	69
FATS & OILS												
Coconut Oil	$/MT	544	432	513	820	374	373	365	360	351	345	439
Copra	$/MT	319	239	353	544	245	245	244	241	238	236	306
Groundnut Oil	$/MT	442	529	546	885	663	681	588	516	458	416	530
Groundnuts	$/MT	276	314	393	499	304	340	395	277	256	242	319
Palm Kernels	$/MT	246	184	259	382	177	204	193	183	175	167	217
Palm Oil	$/MT	286	316	378	550	378	330	306	288	270	253	321
Soyabeans	$/MT	160	162	290	228	156	170	165	161	159	159	220
Soyabean Oil	$/MT	310	385	465	653	445	462	399	351	311	283	360
Soyabean Meal	$/MT	145	141	302	151	104	136	143	147	153	160	229
Fishmeal	$/MT	217	256	542	306	185	251	263	271	282	294	422
NON-FOOD												
Cotton	¢/lb.	45	44	62	54	42	44	44	43	43	43	43
Jute	$/MT	423	365	289	296	326	313	305	300	300	300	300
Sisal	$/MT	254	236	527	867	541	391	284	235	245	245	245
Wool	¢/kg.	261	220	514	302	230	250	265	275	275	275	275
Rubber	¢/lb.	33	25	36	32	25	25	27	28	29	29	27
Tobacco	$/MT	1395	1245	992	965	915	905	910	915	920	930	935
TIMBER												
Logs (Lauan)	$/$m^3$	59	54	68	67	53	58	62	66	68	72	78
Logs (Niangon)	$/$m^3$	57	52	94	70	58	58	63	70	74	78	82
Sawnwood	$/$m^3$	125	125	156	118	115	115	133	137	140	143	150
METALS AND MINERALS												
Copper	¢/lb.	87	69	81	77	50	55	62	64	64	64	70
Lead	¢/lb.	17.2	16.6	19.5	22.1	18.5	19.0	18.5	18.3	18.0	18.2	18.5
Tin	¢/lb.	224	211	219	306	282	315	326	307	266	250	280
Zinc	¢/lb.	18.6	18.9	38.6	46.2	27.4	28.5	28.8	29.0	29.2	29.5	31.5
Bauxite	$/MT	18.0	15.3	12.5	18.1	24.4	24.2	23.7	23.3	23.1	22.6	21.3
Iron Ore	$/MT	18.9	17.8	17.1	16.3	12.6	13.5	14.8	15.0	16.0	17.0	18.0
Manganese Ore	¢/LTU	94	78	76	94	93	75	80	82	84	85	70
FERTILIZERS												
Phosphate Rock	$/MT	17	14	14	45	52	48	41	35	30	28	29
T.S.P.	$/MT	61	64	100	253	185	127	116	106	99	96	97
DAP	$/MT	93	87	119	274	252	221	198	171	158	155	162
Urea	$/MT	100	65	95	260	222	191	158	117	101	102	116
Muriate of Potash	$/MT	36	41	43	50	53		54	50	47	46	42

Commodities & Export Projections Division
Economic Analysis & Projections Department
Development Policy Staff
May 1975

TABLE 3

COMMODITY PRICES AND PRICE FORECASTS IN CURRENT DOLLARS

Commodity	Unit	Actual Prices				Forecast Prices						
		1967-69	1970-72	1973	1974	1975	1976	1977	1978	1979	1980	1985
Petroleum	$/barrel	1.30	1.62	2.70	9.77	10.46	11.38	12.30	13.22	14.21	15.21	21.34
FOOD												
Cocoa	¢/lb	36	31	65	98	75	80	85	84	83	82	116
Coffee	¢/lb	40	49	62	66	60	78	94	107	115	124	179
Tea	¢/lb	50	48	48	64	65	67	68	70	72	74	104
Sugar	¢/lb	4.9	6.3	8.7	25.0	22.0	22.0	17.0	17.1	18.3	19.6	27.5
Oranges/Tangerines	$/M.T.	166	159	163	184	220	238	255	267	286	306	429
Lemons Limes	$/M.T.	125	132	182	205	255	269	286	307	330	353	495
Bananas	¢/kg	12.7	14.0	14.5	17.2	23.0	18.4	19.7	20.8	22.0	23.5	36.6
Beef	¢/kg	171	220	318	346	310	389	465	515	570	658	1,025
CEREALS												
Wheat	$/M.T.	67	66	147	209	175	170	180	191	201	220	317
Rice	$/M.T.	198	140	350	542	420	440	444	445	459	471	661
Maize	$/M.T.	51	58	98	132	128	125	130	140	147	154	216
Grain Sorghum	$/M.T.	49	55	93	121	117	116	121	126	131	135	190
FATS AND OILS												
Coconut oil	$/M.T.	363	334	513	998	505	548	580	614	644	677	1,139
Copra	$/M.T.	213	185	353	662	330	360	387	411	436	463	795
Groundnut oil	$/M.T.	295	415	546	1,077	895	1,000	933	881	840	817	1,375
Groundnuts	$/M.T.	184	247	393	607	410	500	484	473	470	475	829
Palm kernels	$/M.T.	164	143	259	465	239	300	306	313	321	328	564
Palm oil	$/M.T.	191	246	378	669	510	485	486	491	495	496	833
Soyabeans	$ M.T.	107	108	290	277	210	250	262	274	291	312	1,572
Soyabean oil	$/M.T.	207	300	465	795	600	679	634	593	570	555	933
Soyabean meal	$/M.T.	97	111	302	184	140	200	227	251	281	314	594
Fishmeal	$/M.T.	145	201	542	372	250	368	418	462	518	578	1,094
NON FOOD												
Cotton	¢/lb	30	35	62	66	56	64	70	73	79	84	118
Jute	$/M.T.	282	286	289	360	440	460	485	512	550	590	825
Sisal	$/M.T.	170	187	527	1,056	730	575	450	400	450	480	675
Wool	¢/kg.	174	175	514	367	310	367	421	469	504	540	757
Rubber	¢/lb	22	19	36	39	33	37	43	49	54	57	74
Tobacco	$/M.T.	931	973	992	1,175	1,235	1,340	1,444	1,561	1,687	1,826	2,574
TIMBER												
Logs (Lauan)	$/m³	40	42	68	82	72	85	98	112	125	140	215
Logs (Niangon)	$/m³	38	41	94	85	78	85	100	119	136	153	226
Sawnwood	$/m³	84	98	156	143	155	169	211	234	257	280	413
METALS AND MINERALS												
Copper	¢/lb	58	54	81	93	68	81	98	109	117	126	192
Lead	¢/lb	11.5	13.0	19.5	26.9	25.0	28.0	29.0	31.0	33.0	35.5	51.0
Tin	¢/lb	149	165	219	372	380	463	518	524	487	491	770
Zinc	¢/lb	12.4	14.8	38.6	56.2	37.0	42.0	46.0	49.5	53.5	58.0	86.5
Bauxite	$/M.T.	12.0	12.0	12.5	22.0	32.9	35.6	37.6	39.8	42.3	44.4	58.6
Iron ore	$/M.T.	12.6	13.8	17.1	19.8	17.0	19.8	23.5	25.6	29.3	33.4	49.5
Manganese ore	¢/L.T.U.	63	61	76	114	125	110	130	140	154	167	193
FERTILIZERS												
Phosphate Rock	$/M.T.	12	11	14	55	70	70	65	60	55	55	80
TSP	$/M.T.	41	51	120	308	250	186	185	181	181	188	268
DAP	$/M.T.	62	69	119	333	340	324	314	292	290	305	447
Urea	$/M.T.	67	51	95	316	300	280	250	200	185	200	320
Muriate of Potash	$/M.T.	24	33	43	61	72	80	80	80	85	90	115

Commodities and Export Projections Division
Economic Analysis and Projections Department
Development Policy Staff
May 1975

TABLE 4

INDICES OF COMMODITY PRICE FORECASTS IN 1973 CONSTANT DOLLARS

(1973=100)

	Actual Prices			Forecast Prices						
	1967-69	1970-72	1974	1975	1976	1977	1978	1979	1980	1985
Petroleum	72	76	297	287	287	287	267	287	287	287
FOOD										
Cocoa	83	62	125	86	83	82	75	69	65	65
Coffee	95	102	87	71	85	97	102	102	102	105
Tea	154	129	108	100	96	90	85	81	79	79
Sugar	84	92	236	187	172	123	115	115	115	115
Oranges/Tangerines	153	125	93	100	99	99	96	96	96	96
Lemons/Limes	103	92	92	104	101	99	99	99	99	99
Bananas	131	123	97	117	86	86	84	83	83	92
Beef	79	87	90	72	83	92	95	98	105	117
CEREALS										
Wheat	68	57	117	88	79	77	76	75	76	78
Rice	85	51	127	89	86	80	74	71	69	69
Maize	78	76	111	97	87	84	84	82	80	80
Sorghum	78	75	106	94	85	82	80	76	74	74
FATS & OILS										
Coconut Oil	106	84	160	73	73	71	70	68	67	86
Copra	90	68	154	69	69	69	68	67	67	87
Groundnut Oil	81	97	162	121	125	108	95	84	76	97
Groundnuts	70	80	127	77	87	101	70	65	62	81
Palm Kernels	95	71	147	68	79	75	71	68	64	84
Palm Oil	76	84	146	100	87	81	76	71	67	85
Soyabeans	55	56	79	54	59	57	56	55	55	76
Soyabean Oil	67	83	140	96	99	86	75	67	61	77
Soyabean Meal	47	47	50	34	45	47	49	51	53	76
Fishmeal	40	47	56	34	46	49	50	52	54	78
NON-FOOD										
Cotton	73	71	87	68	71	71	69	69	69	69
Jute	146	126	102	113	108	106	104	104	104	104
Sisal	48	45	165	103	74	54	46	46	46	46
Wool	51	43	59	45	49	52	54	54	54	54
Rubber	92	69	89	69	69	75	78	81	81	75
Tobacco	141	126	97	92	91	92	92	93	94	94
TIMBER										
Logs (Lauan)	87	79	99	78	85	91	97	100	106	115
Logs (Niangon)	61	55	74	62	62	67	74	79	83	87
Sawn Wood	80	80	76	74	74	85	88	90	92	96
METALS AND MINERALS										
Copper	120	85	95	62	68	77	79	79	79	86
Lead	88	85	113	95	97	95	94	92	93	95
Tin	102	96	140	129	144	149	140	121	114	128
Zinc	48	49	120	71	74	75	75	76	76	82
Bauxite	144	122	145	195	194	190	186	185	181	170
Iron Ore	111	104	95	74	79	87	88	94	99	105
Manganese Ore	124	103	124	122	99	105	108	111	112	92
FERTILIZERS										
Phosphate Rock	121	100	321	371	343	293	250	214	200	207
T.S.P.	61	64	253	185	127	116	106	99	96	97
DAP	78	73	230	212	186	166	144	133	130	136
Urea	105	68	274	234	201	166	123	106	107	122
Muriate of Potash	84	95	116	123	126	116	109	107	107	98

Commodities & Export Projections Division
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TABLE 5

INDICES OF COMMODITY PRICE FORECASTS IN CURRENT DOLLARS

(1973=100)

	Actual Prices			Forecast Prices						
	1967-69	1970-72	1974	1975	1976	1977	1978	1979	1980	1985
Petroleum	48	60	362	387	421	456	490	526	563	790
FOOD										
Cocoa	55	48	151	115	123	131	129	128	126	178
Coffee	65	79	106	97	126	152	173	185	200	289
Tea	104	100	133	135	140	142	146	150	154	217
Sugar	56	72	287	253	253	195	197	210	225	316
Oranges/Tangerines	102	98	113	135	146	156	164	175	188	263
Lemons/Limes	69	73	113	140	148	157	169	181	194	272
Bananas	88	97	119	159	127	136	143	152	162	252
Beef	54	69	109	97	122	146	162	179	207	322
CEREALS										
Wheat	46	45	142	119	116	122	130	137	150	216
Rice	57	40	155	120	126	127	127	131	135	189
Maize	52	59	135	131	128	133	143	150	157	220
Sorghum	53	59	130	126	125	130	135	141	145	204
FATS AND OILS										
Coconut oil	71	65	195	98	107	113	120	126	132	222
Copra	60	52	188	93	102	110	116	124	131	225
Groundnut oil	54	76	197	164	183	171	161	154	150	252
Groundnuts	47	63	154	104	127	123	120	120	121	211
Palm kernels	63	55	180	92	116	118	121	124	127	218
Palm oil	51	65	177	135	128	129	130	131	131	220
Soyabeans	37	44	96	72	86	90	94	100	108	197
Soyabean oil	45	65	171	129	146	136	129	123	119	201
Soyabean meal	32	37	61	46	66	75	83	93	104	197
Fishmeal	27	37	69	46	68	77	85	96	107	202
NON-FOOD										
Cotton	48	56	106	90	103	113	118	127	135	190
Jute	98	99	125	152	159	168	177	190	204	285
Sisal	32	35	200	139	109	85	76	85	91	128
Wool	34	34	71	60	71	82	91	98	105	147
Rubber	61	53	108	92	103	119	136	150	158	206
Tobacco	94	98	118	124	135	146	157	170	184	259
TIMBER										
Logs (Lauan)	59	62	121	106	125	144	165	184	206	316
Logs (Niangon)	40	44	90	83	90	106	127	145	163	240
Sawn wood	54	63	92	99	108	135	150	165	179	265
METALS AND MINERALS										
Copper	72	67	115	84	100	121	135	144	156	237
Lead	59	67	138	128	144	149	159	169	182	262
Tin	68	75	170	174	211	237	239	222	224	352
Zinc	32	38	146	96	109	119	128	139	150	224
Bauxite	96	96	176	263	285	301	318	338	355	469
Iron Ore	74	81	116	99	116	137	150	171	195	289
Manganese Ore	83	80	150	164	145	171	184	203	220	254
FERTILIZERS										
Phosphate Rock	86	79	393	500	500	464	429	393	393	571
T.S.P.	41	51	308	250	186	185	181	181	188	268
DAP	52	58	280	286	272	264	245	244	256	376
Urea	71	54	333	316	295	263	211	195	211	337
Muriate of Potash	56	77	142	167	186	186	186	198	209	267

Commodities and Export Projections Division
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COMMODITY DESCRIPTION

Petroleum (Saudi Arabian light crude oil 34° average realized price f.o.b. Ras Tanura)

FOOD

Cocoa Beans (Accra, spot New York)
Coffee (Guatemalan, prime washed, spot New York)
Tea (London Auction, Average all teas)
Sugar (up to and including 1974, weighted average of U.S. Preferential, Commonwealth Sugar Agreement and ISA daily price - f.o.b. and stowed Caribbean ports; Beginning 1975 ISA daily prices)
Oranges/Tangerines (EEC Reference price for Import of Group II Varieties)
Lemons/Limes (EEC Import Reference price)
Bananas (Ecuadorian c.i.f. Hamburg)
Beef (Argentine, chilled rump boneless, wholesale price, London)

CEREALS

Wheat (Canadian No. 1 Western Red Spring (CWRS), in store Thunder Bay)
Rice (Thai, Milled 5% broken f.o.b. Bangkok)
Maize (U.S. No. 2, yellow, f.o.b. Gulf Ports)
Grain Sorghum (U.S. No. 2 Milo yellow f.o.b. Gulf Ports)

FATS AND OILS

Coconut Oil (Philippines/Indonesia, bulk, c.i.f. Rotterdam. Prior to 1973, Ceylon 1% c.i.f. Europe)
Copra (Philippines, c.i.f. Europe)
Groundnut Oil (Nigerian, c.i.f. Europe)
Groundnuts (Nigerian, c.i.f. Europe)
Palm Kernels (Nigerian, c.i.f. Europe)
Palm Oil (Malayan, c.i.f. U.K.)
Soyabeans (U.S. c.i.f. Rotterdam)
Soyabean Oil (U.S., Crude, c.i.f. Rotterdam)
Soyabean Meal (U.S. 44% extraction, c.i.f. Rotterdam)
Fishmeal (Peruvian/other origins 64%, c.i.f. Hamburg)

NON-FOOD

Cotton (Mexican SM 1-1/16" c.i.f. N. Europe)
Jute (Bangladesh White D. f.o.b. Chittagong/Chalna)
Sisal (East Africa Rejects, c.i.f. Europe)
Wool (56's clean, c.i.f. U.K.)
Rubber (RSSI, spot, New York)
Tobacco (India export unit value of flue-cured)

TIMBER

Logs (Lauan), Broadleaved, (Philippines, wholesale price, Tokyo)
Logs, Hardwood (Niangon) (f.o.b. Ivory Coast)
Sawn Wood (Malaysian), Dark Red Meranti, Standard Density c.i.f. French Ports)

METALS AND MINERALS

Copper (LME)
Lead (LME)
Tin (LME)
Zinc (LME)
Bauxite (U.S. Import Reference price based on imports from Jamaica)
Iron Ore (Brazilian, c.i.f. North Sea Ports)
Manganese Ore (Indian Ore 46-48%, c.i.f. U.S. Ports)

FERTILIZERS

Phosphate Rock, 75% BPL, f.a.s. Casablanca
T.S.P. (Triple Superphosphate), f.o.b. U.S. Gulf
DAP (diammonium phosphate) f.o.b. U.S. Gulf
Urea, f.o.b. Europe, bagged
Muriate of Potash, f.o.b. Vancouver

Commodities & Export Projections Division
Economic Analysis & Projections Department
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TABLE 6
VOLUME OF EXPORTS FROM DEVELOPING COUNTRIES - RATES OF GROWTH
(percent)

	1955-73	1967-69 - 1973	1973-76	1973-80	1976-80	1980-85
Petroleum /1	11.1	10.8	-2.7	-0.4	1.5	1.2
FOOD						
Cocoa	2.8	2.0	1.3	2.5	3.3	2.5
Coffee	2.9	2.2	-0.3	1.1	1.6	1.9
Tea	1.9 /2	2.0	2.4	2.6	2.4	2.4
Sugar	2.3	4.2	3.4	3.4	3.4	2.8
Oranges/Tingerines	5.7	5.7	3.7	3.7	3.7	3.7
Lemons/Limes	6.6	7.0	5.5	5.5	5.5	5.5
Bananas	4.9	2.9	9.2	5.4	2.6	2.6
Beef	8.2	6.4	0.5	5.5	9.4	5.5
CEREALS						
Wheat (inc. flour)	-6.4	-18.0	36.0	16.5	3.9	2.7
Rice	-1.5	0.0	9.0	5.1	2.5	1.3
Coarse grains	2.7	3.1	2.3	2.1	2.0	2.9
FATS AND OILS						
Coconut oil	4.1	6.1	2.5	2.5	2.5	3.0
Copra	-2.2	-2.7	1.5	1.5	1.5	1.5
Groundnut oil	1.0	0.7	0.5	0.5	0.5	0.5
Groundnuts	-1.7	-15.2	1.4	1.7	2.0	2.0
Palm kernels	-5.3	-6.1	1.0	1.9	2.5	2.5
Palm oil	5.6	15.2	9.8	11.2	10.0	12.0
Soyabeans	18.0	48.5	12.0	12.0	12.0	12.0
Soyabean oil	29.2	/3	10.5	9.7	9.0	9.0
Soyabean meal	23.0	46.5	12.0	12.0	12.0	12.0
Fishmeal	18.7	-1.3	4.0	4.3	4.5	4.5
NON-FOOD						
Cotton	3.3	1.6	-0.7	0.9	2.0	1.6
Jute	-0.6	-4.4	-5.9	-4.4	-3.2	-3.6
Jute Goods	1.2	0.1	-2.7	0.3	2.6	-1.0
Sisal	-0.5/4	-2.4	-9.0	-5.4	-2.6	-6.5
Sisal Goods	6.6/4	13.4	3.3	3.1	3.0	4.0
Wool	-3.1	-8.3	-11.0	-0.6	8.1	3.1
Rubber	3.2	4.1	4.2	4.8	5.2	4.4
Tobacco	3.9	5.5	3.7	3.3	3.1	3.4
Logs (Broadleaved)	12.6	11.5	-1.5	1.5	3.8	1.4
Sawn wood (Broadleaved)	9.6	14.9	-3.1	4.0	9.5	7.1
METALS AND MINERALS						
Copper	4.3	4.1	2.5	5.5	7.7	5.0
Lead	-0.5	1.0	0.3	0.4	0.7	0.4
Tin	0.3	-0.6	-0.8	0.1	0.4	1.8
Zinc	1.3	3.3	5.3	4.4	3.8	4.4
Bauxite	5.9	2.9	7.8	9.5	10.8	4.4
Alumina	12.8	12.5	10.0	10.0	10.0	10.0
Iron Ore	9.0	4.9	6.3	5.8	5.4	5.2
Manganese Ore	3.3	5.7	0.0	5.3	9.4	6.3
FERTILIZERS						
Phosphate Rock	5.5	7.4	14.6	10.6	7.6	6.3
Phosphate Fertilizers	-	14.9	18.6	18.8	19.0	7.0
Nitrogen Fertilizers	-	21.5	14.5	20.0	24.5	3.8
Potash Fertilizers	-	-	0.0	0.0	0.0	0.0

/1 Based on OPEC exports.

/2 1955-57 - 1973.

/3 LDC exports jumped from 400 MT in 1967-69 to 102,000 MT in 1973.

/4 1957-1973.

Commodities & Export Projections Division
Economic Analysis & Projections Department
Development Policy Staff
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TABLE 7

INDEX OF INTERNATIONAL INFLATION /1

Year	1967-69=100	1973=100	Rates of Change from Previous Year
1955	85.9	57.3	--
1956	88.7	59.2	3.3
1957	91.6	61.2	3.3
1958	89.8	59.9	-2.2
1959	88.7	59.2	-1.2
1960	90.9	60.7	2.5
1961	92.9	62.0	2.1
1962	92.9	62.1	0.1
1963	93.6	62.5	0.6
1964	94.7	63.3	1.2
1965	96.4	64.4	1.7
1966	98.4	65.7	2.0
1967	99.4	66.4	1.0
1968	98.4	65.7	-1.1
1969	102.1	68.2	3.8
1970	109.4	73.1	7.1
1971	116.5	77.8	6.4
1972	126.6	84.6	8.7
1973	149.6	100.0	18.2
1974	182.2	121.7	21.7
1975	202.0	134.9	10.8
1976	219.9	146.9	8.8
1977	237.5	158.7	8.0
1978	255.4	170.6	7.4
1979	274.6	183.4	7.5
1980	293.8	196.3	7.0
1985	412.1	275.3	7.0

/1 Developed countries' exports of manufactures SITC 5-8.

Source: International Economy Division, Economic Analysis and Projections Department.
Development Policy Staff
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TABLE 8

OECD: GROWTH RATES OF REAL GNP

	1973	1974	1975	Mid-point of High and Low 1976	1977	1978	1979	1980	1973-80	1976-80	1980-85
North America	6.0	-1.7	-4.0	5.2	5.5	5.7	5.5	5.5	3.0	5.6	5.2
United States	5.9	-2.2	-4.5	4.9	5.2	5.4	5.2	5.3	2.7	5.3	
Canada	6.8	3.1	0.8	7.9	8.2	8.2	8.0	7.8	6.3	8.0	
Japan, Oceania	9.5	-3.0	1.2	8.2	6.8	6.8	6.4	6.3	4.6	6.6	6.3
Japan	10.2	-3.7	1.2	8.9	7.2	7.2	6.6	6.5	4.8	6.9	
Australia	5.8	0.5	1.2	4.0	4.8	5.0	5.2	5.0	3.7	5.0	
New Zealand	5.3	3.5	2.5	4.2	4.8	5.4	5.3	5.3	4.4	5.2	
Western Europe	5.3	2.2	1.3	3.6	5.3	5.0	4.6	4.5	3.8	4.9	5.0
Major Countries	5.6	2.0	1.2	3.5	5.2	4.9	4.5	4.4	3.7	4.8	
France	6.0	4.5	2.8	4.5	5.9	5.6	4.8	4.7	4.7	5.3	
Germany	5.3	0.5	1.2	3.9	5.4	4.8	4.5	4.4	3.5	4.8	
Italy	5.9	3.8	-1.8	1.8	5.6	5.2	4.6	4.4	3.3	4.9	
United Kingdom	5.3	-0.2	1.2	2.5	3.6	3.9	4.2	4.2	2.8	4.0	
Other	4.3	2.9	1.7	4.0	5.6	5.1	4.8	4.8	4.1	5.1	n.a.
Austria	5.5	4.5	2.5	5.0	6.2	5.6	5.4	5.2	4.9	5.6	
Belgium	5.3	4.2	2.2	4.4	6.1	5.0	5.0	5.0	4.6	5.3	
Denmark	3.5	2.0	1.0	2.9	4.9	4.8	4.8	4.7	3.6	4.8	
Finland	5.9	4.7	2.8	4.2	5.5	5.2	5.0	4.9	4.6	5.1	
Ireland	7.0	1.7	1.0	3.1	4.5	4.4	4.1	4.0	3.3	4.3	
Netherlands	4.4	2.5	2.5	5.0	7.6	6.3	5.2	5.1	4.9	6.1	
Norway	4.2	3.5	5.0	6.2	6.8	6.9	6.9	6.8	6.0	6.9	
Sweden	3.1	3.7	1.0	3.4	3.8	3.6	3.6	3.6	3.2	3.7	
Switzerland	3.5	0.2	-1.2	2.0	4.5	4.5	4.5	4.4	2.7	4.5	
OECD Total	6.3	-0.4	-1.1	5.0	5.6	5.5	5.3	5.2	3.5	5.4	

Source: IBRD, International Economy Division, Economic Analysis and Projections Department
Development Policy Staff
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TABLE 9

MEAN, STANDARD DEVIATION AND COEFFICIENT OF VARIATION OF COMMODITY PRICES, 1950 - 74 /1

Commodity	Unit	Mean	Standard Deviation	Coefficient of Variation
Petroleum	$/barrel	2.4	0.62	0.25
Cocoa	¢/lb	47.2	9.90	0.21
Coffee	¢/lb	69.4	14.36	0.21
Tea	¢/lb	87.0	19.57	0.23
Sugar	¢/lb	8.2	1.30	0.16
Oranges	$/MT	194.6	31.78	0.16
Lemons	$/MT	175.1	21.31	0.12
Bananas	¢/Kg.	18.5	1.87	0.10
Beef	¢/Kg.	244.7	38.19	0.16
Wheat	$/MT	104.1	10.22	0.10
Rice	$/MT	239.4	34.17	0.14
Maize	$/MT	79.7	5.95	0.10
Grain Sorghum	$/MT	73.7	5.20	0.10
Coconut Oil	$/MT	493.8	47.92	0.11
Copra	$/MT	303.8	35.74	0.12
Groundnut Oil	$/MT	505.7	52.62	0.10
Groundnuts	$/MT	308.8	29.91	0.10
Palm Oil	$/MT	361.3	41.89	0.12
Soyabean Meal	$/MT	145.4	20.97	0.14
Fishmeal	$/MT	253.5	42.89	0.17
Cotton	¢/lb	47.7	4.44	0.10
Jute	$/MT	367.4	47.76	0.13
Sisal	$/MT	356.2	101.30	0.28
Wool	¢/Kg.	312.5	51.80	0.17
Rubber	¢/lb	41.2	11.51	0.28
Tobacco	$/MT	1,235.9	101.91	0.10
Logs (Niangon)	$/m^3	59.6	5.05	0.10
Copper	¢/lb	67.4	17.39	0.26
Lead	¢/lb	17.1	2.59	0.15
Tin	¢/lb	203.5	33.75	0.17
Zinc	¢/lb	19.4	4.60	0.24
Bauxite	$/MT	14.2	2.23	0.15
Iron Ore	$/MT	24.7	6.46	0.26
Manganese Ore	¢/LTU	127.7	45.50	0.36
Phosphate Rock	$/MT	19.6	3.19	0.16

/1 Computed from a three year moving average of constant prices.

Commodities & Export Projections Division
Economic Analysis & Projections Department
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INCOME TERMS OF TRADE

1967 - 1969 = 100

	Low Y	Middle Y	High Y
1967	101.9	98.2	100.6
1968	98.9	99.9	98.6
1969	99.3	101.4	100.7
1970	92.1	99.7	103.2
1971	95.2	107.4	97.5
1972	97.5	106.0	98.8
1973	95.4	99.3	105.4

REPORT FOR E. STERN ON TRADE INDEXES

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ECONOMIC ANALYSIS & PROJECTIONS DEPARTMENT

77 TERMS OF TRADE INDEX -- Estimated 1974, Projected 1975-80
1967-69=100

	UNIT	1974	1975	1976	1977	1978	1979	1980
1 ARGENTINA	?????E	102.0	100.7	106.1	112.2	114.9	116.6	118.7
2 BRAZIL	?????E	105.0	101.8	96.7	95.9	97.3	98.9	100.5
3 CHILE	?????E	74.6	57.6	64.9	73.0	73.4	74.1	74.7
4 COLOMBIA	?????E	111.3	103.8	102.5	101.3	102.0	102.7	103.2
5 DOMINICAN REP	?????E	115.8	158.4	126.2	108.1	103.9	102.9	102.6
6 GREECE	?????E	100.5	100.2	97.5	95.6	94.8	95.0	96.3
7 GUATEMALA	?????E	94.2	100.3	98.9	92.3	90.1	89.1	89.9
8 JAMAICA	?????E	89.8	98.9	106.1	106.1	105.5	111.1	113.3
9 MALAYSIA	?????E	80.9	78.5	79.5	82.4	85.2	86.9	87.1
10 MEXICO	?????E	97.4	103.7	105.1	104.9	105.1	104.9	105.0
11 PERU	?????E	112.3	112.3	112.3	112.3	112.3	112.3	112.3
12 TUNISIA	?????E	132.7	134.9	133.1	130.1	127.7	126.4	128.2
13 URUGUAY	?????E	74.6	91.7	86.6	87.5	86.9	87.3	89.4
14 YUGOSLAVIA	?????E	86.8	86.4	86.3	86.1	86.3	86.4	86.6
15 ZAMBIA	?????E	77.6	48.5	54.1	59.9	62.0	62.5	62.8
16 BOLIVIA	?????E	140.4	120.9	113.3	106.8	107.8	113.7	118.2
17 CAMEROON	?????E	76.7	67.3	68.0	70.0	70.9	71.4	70.4
18 EGYPT	?????E	85.1	85.3	86.2	86.8	87.2	87.7	88.1
19 GHANA	?????E	85.7	87.3	88.8	91.0	88.9	86.9	84.0
20 IVORY COAST	?????E	99.9	99.8	103.1	103.9	102.8	101.4	100.4
21 KOREA (SOUTH)	?????E	83.2	83.5	87.4	90.2	91.5	92.3	92.3
22 LIBERIA	?????E	71.1	73.6	80.2	89.8	96.3	103.9	110.9
23 MOROCCO	?????E	107.7	117.4	110.9	97.7	95.0	94.8	95.2
24 PHILIPPINES	?????E	85.9	77.4	71.0	68.4	67.7	66.8	67.7
25 SENEGAL	?????E	117.4	105.0	104.4	100.8	103.0	105.7	106.4
26 SYRIAN ARAB REP	?????E	136.1	138.1	143.8	145.3	146.6	147.0	146.2
27 THAILAND	?????E	90.2	86.6	96.2	94.2	91.2	88.6	85.9
28 TURKEY	?????E	66.0	59.4	62.4	63.9	63.1	62.4	62.0
29 BANGLADESH	?????E	55.6	57.0	58.3	56.5	55.9	55.0	54.1
30 ETHIOPIA	?????E	93.0	85.4	81.6	79.0	76.4	77.0	74.2
31 INDIA	?????E	74.4	73.2	73.4	77.7	80.6	80.9	81.4
32 KENYA	?????E	87.6	96.2	97.9	96.0	93.8	91.9	90.3
33 MALI	?????E	96.6	89.1	84.2	84.4	86.9	90.1	97.2
34 PAKISTAN	?????E	90.7	87.7	84.6	81.2	78.3	76.1	75.0
35 SIERRA LEONE	?????E	79.9	79.7	80.3	84.1	86.7	92.1	93.8
36 SUDAN	?????E	107.0	99.7	91.5	88.4	85.4	82.4	79.6
37 UGANDA	?????E	84.6	83.3	90.2	84.0	82.4	78.5	78.4
38 ZAIRE	?????E	81.0	68.0	73.0	74.4	78.3	78.7	77.8
39 SRI LANKA	?????E	77.8	71.0	71.8	78.4	81.8	83.3	82.3
40 TANZANIA	?????E	77.9	74.8	74.1	73.2	73.7	73.2	73.2

REPORT FOR E. STERN ON TRADE INDEXES

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ECONOMIC ANALYSIS & PROJECTIONS DEPARTMENT

76 IMPORT PRICE INDEX -- Estimated 1974; Projected 1975-80
1967-69 =100

	UNIT	1974	1975	1976	1977	1978	1979	1980
1 ARGENTINA	?????E	226.4	238.2	243.3	248.2	262.2	278.8	298.0
2 BRAZIL	?????E	186.9	203.0	216.9	229.8	242.1	256.4	274.7
3 CHILE	?????E	220.5	234.7	248.9	262.8	283.5	302.9	322.0
4 COLOMBIA	?????E	151.7	171.8	189.3	207.4	224.1	241.5	259.4
5 DOMINICAN REP	?????E	157.2	175.3	192.4	208.8	225.5	242.5	259.7
6 GREECE	?????E	194.9	213.0	231.0	248.0	266.0	284.0	300.0
7 GUATEMALA	?????E	185.9	207.3	227.6	247.0	266.8	286.8	306.8
8 JAMAICA	?????E	194.4	211.6	223.1	235.3	249.5	265.3	282.1
9 MALAYSIA	?????E	199.3	214.2	227.4	239.2	251.4	264.1	280.1
10 MEXICO	?????E	167.2	179.9	195.9	211.6	227.7	245.0	262.5
11 PERU	?????E	155.1	172.9	189.8	206.0	222.4	239.1	255.8
12 TUNISIA	?????E	168.9	169.8	175.7	183.8	194.3	205.1	213.2
13 URUGUAY	?????E	235.1	231.4	264.0	282.5	302.0	322.3	343.3
14 YUGOSLAVIA	?????E	199.8	218.2	238.1	258.7	278.6	300.3	322.7
15 ZAMBIA	?????E	173.5	196.9	206.8	220.9	235.6	251.1	269.2
16 BOLIVIA	?????E	182.0	202.0	219.0	237.0	255.0	275.0	294.5
17 CAMEROON	?????E	246.7	271.3	289.3	310.0	331.3	353.8	379.6
18 EGYPT	?????E	124.6	127.1	129.7	132.3	134.9	137.6	140.4
19 GHANA	?????E	228.7	249.3	259.9	276.3	294.2	313.6	334.7
20 IVORY COAST	?????E	203.6	224.5	237.1	251.6	267.5	285.6	305.3
21 KOREA (SOUTH)	?????E	216.3	238.6	247.4	260.2	276.2	294.3	315.1
22 LIBERIA	?????E	253.8	297.9	297.4	303.8	315.3	329.2	343.7
23 MOROCCO	?????E	255.4	284.8	295.7	309.6	327.1	347.3	369.6
24 PHILIPPINES	?????E	210.6	221.0	240.1	259.4	278.9	301.1	319.1
25 SENEGAL	?????E	220.8	248.4	252.7	264.1	277.4	294.2	312.5
26 SYRIAN ARAB REP	?????E	246.4	264.4	275.9	293.2	308.2	327.6	350.3
27 THAILAND	?????E	213.7	251.8	228.7	243.1	262.1	281.1	301.6
28 TURKEY	?????E	165.0	182.0	194.3	207.3	221.6	237.1	252.1
29 BANGLADESH	?????E	239.6	259.4	279.6	300.6	319.1	342.3	368.8
30 ETHIOPIA	?????E	163.0	172.0	181.8	191.1	201.2	212.2	223.8
31 INDIA	?????E	233.2	253.4	259.4	259.3	266.9	284.4	305.1
32 KENYA	?????E	213.4	229.3	247.5	267.0	287.8	310.4	334.2
33 MALI	?????E	143.8	159.3	173.4	187.3	201.4	216.4	231.6
34 PAKISTAN	?????E	227.5	248.0	263.3	283.7	304.4	325.1	346.5
35 SIERRA LEONE	?????E	226.1	238.0	263.4	285.2	306.9	329.0	351.3
36 SUDAN	?????E	188.3	206.0	220.1	236.5	254.1	273.1	293.4
37 UGANDA	?????E	204.9	226.7	246.9	266.6	286.6	308.1	329.7
38 ZAIRE	?????E	208.1	218.7	225.0	244.7	259.8	280.7	300.1
39 SRI LANKA	?????E	222.9	246.0	240.3	236.7	242.8	254.1	269.4
40 TANZANIA	?????E	219.6	237.8	250.5	272.0	288.5	308.7	329.3

REPORT FOR E. STERN ON TRADE INDEXES

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ECONOMIC ANALYSIS & PROJECTIONS DEPARTMENT

75 EXPORT PRICE INDEX -- Estimated 1974; Projected 1975-80
1967-69 = 100

	UNIT	1974	1975	1976	1977	1978	1979	1980
1 ARGENTINA	?????E	231.0	239.8	258.2	278.5	301.4	325.1	353.5
2 BRAZIL	?????E	196.2	206.6	209.8	220.5	235.6	253.5	276.1
3 CHILE	?????E	164.5	135.2	161.6	191.9	208.0	224.4	240.6
4 COLOMBIA	?????E	168.7	178.3	194.0	210.2	228.7	248.0	267.7
5 DOMINICAN REP	?????E	182.1	277.7	242.9	225.8	234.2	249.6	266.4
6 GREECE	?????E	195.9	213.4	225.3	237.0	252.2	269.9	288.8
7 GUATEMALA	?????E	175.2	208.0	225.1	227.9	240.4	255.6	275.7
8 JAMAICA	?????E	174.7	209.3	236.7	249.6	263.2	294.8	319.7
9 MALAYSIA	?????E	161.1	168.2	180.8	197.0	214.1	229.5	244.0
10 MEXICO	?????E	162.8	186.6	205.8	222.0	239.2	257.1	275.6
11 PERU	?????E	174.1	194.1	213.1	231.2	249.7	268.5	287.3
12 TUNISIA	?????E	224.2	229.0	233.9	239.1	248.0	259.3	273.4
13 URUGUAY	?????E	175.4	212.2	228.6	247.2	262.6	281.5	307.0
14 YUGOSLAVIA	?????E	173.4	188.6	205.5	222.6	240.4	259.4	279.4
15 ZAMBIA	?????E	134.7	95.5	111.8	132.4	146.1	156.9	169.0
16 BOLIVIA	?????E	255.6	244.2	248.2	253.1	274.8	312.7	348.1
17 CAMEROON	?????E	189.2	182.4	196.9	216.9	234.8	252.6	267.1
18 EGYPT	?????E	106.0	108.5	111.8	114.8	117.6	120.6	123.6
19 GHANA	?????E	196.0	217.6	230.9	251.4	261.6	272.5	281.3
20 IVORY COAST	?????E	203.3	224.1	244.3	261.3	275.1	289.6	306.6
21 KOREA (SOUTH)	?????E	180.0	199.2	216.3	234.8	252.6	271.6	290.7
22 LIBERIA	?????E	180.4	219.3	238.6	272.7	303.6	341.9	381.2
23 MOROCCO	?????E	275.2	334.3	327.9	302.5	310.8	329.3	352.0
24 PHILIPPINES	?????E	180.9	171.1	170.4	177.5	188.7	201.2	216.0
25 SENEGAL	?????E	259.3	260.8	264.0	266.4	285.7	310.9	332.4
26 SYRIAN ARAB REP	?????E	335.3	365.3	396.6	426.0	451.8	481.7	512.1
27 THAILAND	?????E	192.7	218.0	220.0	229.0	239.0	249.0	259.0
28 TURKEY	?????E	108.9	108.0	121.2	132.5	139.8	148.1	156.4
29 BANGLADESH	?????E	133.2	147.9	163.0	169.9	178.4	188.4	199.3
30 ETHIOPIA	?????E	151.6	146.9	148.3	151.0	153.8	163.5	166.1
31 INDIA	?????E	173.5	185.4	190.5	201.5	215.0	230.1	248.2
32 KENYA	?????E	187.0	220.5	242.3	256.2	269.9	285.2	301.8
33 MALI	?????E	138.9	142.0	146.1	158.0	175.0	195.1	225.0
34 PAKISTAN	?????E	206.4	217.5	222.7	230.2	238.3	247.5	259.9
35 SIERRA LEONE	?????E	180.7	189.6	211.4	240.0	266.1	303.0	329.4
36 SUDAN	?????E	201.5	205.3	201.3	209.0	216.9	225.1	233.7
37 UGANDA	?????E	173.3	188.9	222.8	223.9	236.2	241.8	258.4
38 ZAIRE	?????E	168.5	148.8	164.3	182.1	203.5	220.9	233.4
39 SRI LANKA	?????E	173.5	174.7	172.5	185.6	198.7	211.8	221.9
40 TANZANIA	?????E	171.1	177.8	185.6	199.1	212.5	226.0	241.2

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Ernest Stern

DATE: June 6, 1975

FROM: John A. Holsen

SUBJECT: Terms of Trade Data

1. Your early departure yesterday took us by surprise--so we are completing your packet on terms of trade today.

2. Commodity terms of trade--with primary products in the numerator and SITC 5-8 manufactured goods in the denominator--are shown in the Commodities & Export Projections Division's tables you received yesterday. ("Terms of trade" for individual commodities are, in effect, given in the indices of the price forecasts in 1973 constant dollars.)

3. Terms of trade for developing countries--excluding OPEC--are given on the attached table of "Income Terms of Trade for Sample Panel Countries". This table extends (and corrects, for middle income countries in 1971 and 1972) the hand-written table given you yesterday. The 1973 boom in export prices for most countries seems to be offset by the increase in petroleum product prices, so the net effect is small.

4. Since LDC's export manufactured goods as well as primary products, and import primary products as well as manufactured goods, the data based on actual country trade composition seem more meaningful than the primary product/manufactured goods ratios. The problem, of course, is that differences between countries make generalizations difficult. This is illustrated by the computer printouts of data for the 40 Sample Panel countries. (You got the projections yesterday; the historical data accompany this memo.)

5. If one looks at 1973 and 1980 terms of trade indices (compared to the 1967-69 base period) the spread is as follows:

Terms of Trade Index	Number of Countries in 1973	Number of Countries in 1980
110 or more	7	7
100 - 109.9	8	6
90 - 99.9	14	6
80 - 89.9	6	9
70 - 79.9	1	8
Below 70	0	4
	36*	40

* Data not available for Bangladesh, Pakistan, Liberia and Ghana.

JAHolsen/ddm

cc: Mr. Tims

INCOME TERMS OF TRADE FOR SAMPLE PANEL COUNTRIES
(1967-69 = 100)

	40 Countries	By GNP per capita groups: less then $200	$200 to $375	more than $375
Historical				
1967	100.4	101.9	98.2	100.6
1968	98.8	98.9	99.9	98.6
1969	101.0	99.3	101.5	100.7
1970	100.3	92.1	99.7	103.2
1971	95.8	95.2	93.1	97.5
1972	97.0	97.2	94.3	98.8
1973	102.5	95.4	99.3	105.4
1974 (est.)	92.5	79.7	88.3	98.0
Projected				
1975	90.6	76.7	85.0	96.9
1976	91.0	77.3	86.4	96.8
1977	91.6	78.4	86.0	97.7
1978	92.2	79.3	85.7	98.6
1979	92.7	79.0	85.6	99.6
1980	93.2	78.4	85.5	100.6

Source: Calculated from aggregations of historical (1967-73), estimated (1974) and projected (1975-80) country economic data for sample panel countries.

6 June, 1975.

M. Stern

REPORT FOR E. STERN ON TRADE INDEXES

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ECONOMIC ANALYSIS & PROJECTIONS DEPARTMENT
6/6/75

75 EXPORT PRICE INDEX (1967-69=100)

	UNIT	1967	1968	1969	1970	1971	1972	1973
1 ARGENTINA	?????E	98.5	99.8	101.4	107.9	117.5	131.7	195.5
2 BRAZIL	?????E	103.8	96.3	100.5	115.0	113.0	122.7	145.9
3 CHILE	?????E	92.4	97.6	110.2	116.0	80.8	95.3	137.3
4 COLOMBIA	?????E	96.5	98.4	104.6	117.7	107.2	119.0	152.6
5 DOMINICAN REP	?????E	93.0	100.1	106.5	104.2	100.4	109.1	133.2
6 GREECE	?????E	97.4	100.7	101.3	110.0	110.5	111.0	137.8
7 GUATEMALA	?????E	98.7	100.2	101.0	117.4	111.1	113.9	140.3
8 JAMAICA	?????E	104.0	97.1	99.2	100.8	101.3	106.6	109.0
9 MALAYSIA	?????E	99.6	95.4	104.5	106.1	101.9	88.7	112.8
10 MEXICO	?????E	98.5	100.4	100.9	105.4	108.4	113.1	136.4
11 PERU	?????E	95.9	98.8	104.9	116.3	110.0	110.1	149.2
12 TUNISIA	?????E	99.9	99.6	100.4	102.2	109.2	119.6	148.6
13 URUGUAY	?????E	102.5	95.7	102.1	105.6	100.4	118.4	172.2
14 YUGOSLAVIA	?????E	99.5	98.3	101.9	110.7	117.1	121.9	146.4
15 ZAMBIA	?????E	82.4	89.9	123.2	106.0	85.5	89.1	112.6
16 BOLIVIA	?????E	97.7	96.9	104.8	131.0	111.0	116.1	145.4
17 CAMEROON	?????E	86.4	96.0	118.8	106.7	93.9	96.5	130.3
18 EGYPT	?????E	93.5	99.1	107.2	107.3	98.1	130.2	165.7
19 GHANA	?????E	93.1	97.8	109.9	120.1	99.2	101.2	0.0
20 IVORY COAST	?????E	94.1	100.5	104.2	102.8	99.2	110.8	151.8
21 KOREA (SOUTH)	?????E	100.6	101.8	98.4	102.4	101.3	102.6	131.1
22 LIBERIA	?????E	101.4	97.0	101.5	96.7	109.1	112.2	0.0
23 MOROCCO	?????E	102.3	99.2	99.0	99.2	99.9	124.8	147.5
24 PHILIPPINES	?????E	97.8	99.7	102.8	110.5	106.2	98.5	139.0
25 SENEGAL	?????E	96.6	86.5	124.3	112.9	119.2	133.3	177.3
26 SYRIAN ARAB REP	?????E	92.9	102.5	103.7	103.7	106.7	127.9	169.5
27 THAILAND	?????E	101.5	99.6	99.1	99.5	99.2	100.9	147.9
28 TURKEY	?????E	101.6	98.1	100.4	104.7	114.6	130.6	174.4
29 BANGLADESH	?????E	104.2	107.1	90.5	93.3	148.6	0.0	0.0
30 ETHIOPIA	?????E	97.7	100.8	101.3	117.7	110.8	115.6	129.8
31 INDIA	?????E	98.4	98.0	103.6	98.3	107.4	120.8	142.8
32 KENYA	?????E	99.2	100.5	100.2	106.0	110.9	122.0	141.0
33 MALI	?????E	89.8	111.3	100.0	99.4	107.1	107.9	0.0
34 PAKISTAN	?????E	101.0	101.0	98.1	98.1	105.7	105.6	117.7
35 SIERRA LEONE	?????E	116.9	92.8	96.9	92.6	91.3	109.2	154.1
36 SUDAN	?????E	96.1	96.6	107.3	110.8	115.0	123.2	131.5
37 UGANDA	?????E	98.9	102.6	98.6	111.5	116.7	123.0	142.4
38 ZAIRE	?????E	89.4	97.1	112.2	112.8	95.4	90.0	138.4
39 SRI LANKA	?????E	101.6	99.0	99.1	99.9	99.0	91.0	116.0
40 TANZANIA	?????E	100.8	99.3	99.8	100.0	102.5	116.5	132.3

not available

REPORT FOR E. STERN ON TRADE INDEXES

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ECONOMIC ANALYSIS & PROJECTIONS DEPARTMENT
6/6/75

76 IMPORT PRICE INDEX (1967-69 = 100)

	UNIT	1967	1968	1969	1970	1971	1972	1973
1 ARGENTINA	?????E	96.1	96.2	106.1	114.5	123.2	127.2	154.8
2 BRAZIL	?????E	95.8	100.4	102.8	105.3	108.0	112.5	123.9
3 CHILE	?????E	95.2	100.6	103.7	109.8	98.7	120.7	168.6
4 COLOMBIA	?????E	93.6	97.1	108.4	90.0	93.0	96.1	111.4
5 DOMINICAN REP	?????E	98.2	99.2	102.3	108.1	112.0	118.3	138.5
6 GREECE	?????E	94.0	102.1	103.1	119.4	116.3	112.4	131.7
7 GUATEMALA	?????E	98.6	99.2	102.1	107.5	110.4	122.7	148.8
8 JAMAICA	?????E	102.3	99.4	98.8	103.2	109.3	113.1	137.0
9 MALAYSIA	?????E	97.7	98.7	103.5	102.1	112.8	110.1	127.7
10 MEXICO	?????E	100.4	99.2	100.4	105.3	108.8	111.2	135.5
11 PERU	?????E	101.2	99.7	98.8	100.2	101.6	108.8	120.7
12 TUNISIA	?????E	101.1	100.7	98.4	101.5	104.9	111.6	135.2
13 URUGUAY	?????E	98.2	101.0	100.8	103.2	92.9	111.4	156.2
14 YUGOSLAVIA	?????E	97.9	98.3	103.3	111.4	117.0	122.4	146.9
15 ZAMBIA	?????E	92.9	102.2	105.5	109.5	113.9	120.7	127.9
16 BOLIVIA	?????E	98.2	99.1	102.6	108.0	113.8	122.5	150.0
17 CAMEROON	?????E	96.1	101.6	101.7	106.1	108.2	123.6	141.8
18 EGYPT	?????E	95.5	96.2	110.4	115.2	116.3	122.5	122.8
19 GHANA	?????E	100.6	97.8	101.5	107.2	97.9	100.8	0.0
20 IVORY COAST	?????E	97.6	100.9	101.2	98.7	102.9	121.7	157.2
21 KOREA (SOUTH)	?????E	101.5	100.2	99.1	102.7	102.3	104.0	138.8
22 LIBERIA	?????E	99.3	98.7	102.0	107.8	113.2	119.3	0.0
23 MOROCCO	?????E	98.6	99.7	101.6	102.7	109.0	118.2	149.0
24 PHILIPPINES	?????E	99.6	98.8	101.6	104.6	112.9	120.2	142.9
25 SENEGAL	?????E	102.2	94.8	103.4	102.4	104.8	125.8	164.2
26 SYRIAN ARAB REP	?????E	95.9	103.3	100.4	101.9	107.9	107.7	147.9
27 THAILAND	?????E	105.7	101.1	94.7	105.5	119.4	118.3	143.0
28 TURKEY	?????E	97.4	96.1	106.5	112.8	121.7	141.0	176.7
29 BANGLADESH	?????E	82.9	121.3	105.6	166.7	143.0	0.0	0.0
30 ETHIOPIA	?????E	98.3	100.4	101.2	102.5	107.6	110.7	116.6
31 INDIA	?????E	100.9	97.7	101.7	110.4	108.2	112.8	156.6
32 KENYA	?????E	98.3	100.3	101.3	103.3	112.9	126.3	143.7
33 MALI	?????E	97.6	111.3	93.7	101.8	98.9	107.7	0.0
34 PAKISTAN	?????E	102.8	99.2	97.7	104.0	124.8	99.6	110.4
35 SIERRA LEONE	?????E	101.5	97.5	101.0	107.6	113.7	125.8	159.1
36 SUDAN	?????E	95.6	97.2	107.0	111.5	118.9	129.3	148.6
37 UGANDA	?????E	102.1	99.8	98.3	103.1	107.1	114.4	131.9
38 ZAIRE	?????E	86.4	103.9	108.5	113.2	119.9	131.6	144.1
39 SRI LANKA	?????E	95.3	97.3	106.9	102.9	100.1	95.6	138.3
40 TANZANIA	?????E	103.3	97.3	99.8	99.0	103.6	130.0	149.9

not available

REPORT FOR E. STERN ON TRADE INDEXES

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
ECONOMIC ANALYSIS & PROJECTIONS DEPARTMENT
6/6/75

77 TERMS OF TRADE INDEX (1967-69=100)

	UNIT	1967	1968	1969	1970	1971	1972	1973
1 ARGENTINA	?????E	102.6	103.7	95.5	94.2	95.4	103.5	126.3
2 BRAZIL	?????E	108.4	95.9	97.8	109.3	104.6	109.0	117.8
3 CHILE	?????E	97.0	97.1	106.2	105.7	81.9	79.0	81.4
4 COLOMBIA	?????E	103.1	101.3	96.5	130.8	115.3	123.8	136.9
5 DOMINICAN REP	?????E	94.7	100.9	104.1	96.4	89.6	92.3	96.2
6 GREECE	?????E	103.7	98.6	98.2	92.2	95.0	98.8	104.7
7 GUATEMALA	?????E	100.0	100.9	98.8	109.2	100.5	92.8	94.3
8 JAMAICA	?????E	101.6	97.7	100.4	97.6	92.8	94.3	79.6
9 MALAYSIA	?????E	101.9	96.7	100.9	103.9	90.3	80.6	88.3
10 MEXICO	?????E	98.1	101.1	100.5	100.1	99.7	101.7	100.6
11 PERU	?????E	94.7	99.1	106.2	116.1	108.2	101.2	123.6
12 TUNISIA	?????E	98.8	98.9	102.0	100.6	104.1	107.2	109.9
13 URUGUAY	?????E	104.4	94.8	101.3	102.3	108.1	106.2	110.2
14 YUGOSLAVIA	?????E	101.7	100.0	98.7	99.4	100.1	99.5	99.6
15 ZAMBIA	?????E	88.7	88.0	116.8	96.8	75.1	73.8	88.0
16 BOLIVIA	?????E	99.5	97.8	102.1	121.3	97.5	94.8	97.0
17 CAMEROON	?????E	89.9	94.4	116.8	100.6	86.8	78.1	91.9
18 EGYPT	?????E	97.9	103.1	97.1	93.1	84.3	106.3	134.9
19 GHANA	?????E	92.6	100.0	108.2	112.0	101.3	100.4	0.0
20 IVORY COAST	?????E	96.4	99.7	103.0	104.1	96.4	91.1	96.6
21 KOREA (SOUTH)	?????E	99.1	101.6	99.3	99.7	99.1	98.6	94.4
22 LIBERIA	?????E	102.1	98.3	99.5	89.7	96.4	94.1	0.0
23 MOROCCO	?????E	103.7	99.5	97.4	96.6	91.7	105.5	99.0
24 PHILIPPINES	?????E	98.2	100.9	101.1	105.6	94.1	82.0	97.2
25 SENEGAL	?????E	94.6	91.2	120.2	110.2	113.7	105.9	108.0
26 SYRIAN ARAB REP	?????E	96.9	99.2	103.3	101.8	99.0	118.7	114.6
27 THAILAND	?????E	96.0	98.5	104.7	94.3	83.1	85.3	103.4
28 TURKEY	?????E	104.3	102.1	94.3	92.8	94.2	92.6	98.7
29 BANGLADESH	?????E	125.7	88.3	85.6	56.0	103.9	0.0	0.0
30 ETHIOPIA	?????E	99.5	100.4	100.1	114.9	103.1	104.5	111.4
31 INDIA	?????E	97.5	100.2	101.9	89.0	99.2	107.1	91.2
32 KENYA	?????E	100.9	100.2	99.0	102.7	98.2	96.6	98.2
33 MALI	?????E	92.0	100.0	106.7	97.6	108.3	100.2	0.0
34 PAKISTAN	?????E	98.2	101.8	100.4	94.3	84.6	106.1	106.6
35 SIERRA LEONE	?????E	115.2	95.2	95.9	86.1	80.3	86.8	96.9
36 SUDAN	?????E	100.5	99.4	100.3	99.4	96.7	95.3	88.5
37 UGANDA	?????E	96.9	102.9	100.2	108.2	109.0	107.5	107.9
38 ZAIRE	?????E	103.4	93.4	103.4	99.6	79.6	68.4	96.0
39 SRI LANKA	?????E	106.6	101.8	92.7	97.0	98.9	95.1	83.9
40 TANZANIA	?????E	97.6	102.1	99.9	101.0	99.0	89.6	88.3

not available

Comm

Mr. J. Hilmy, EPDCE

April 1, 1975

E. Stern, Director, Development Policy

Industrial Raw Materials

I found the comparison of world production of basic minerals and U.S. stockpile figures (your table of March 6) quite interesting. However, the U.S. has had a major disposal program in the last several years which is not reflected, or only partially so, in the 1972 figures. For some commodities, world production figures for 1973 are almost certainly available. Stockpile figures for 1973 and 1974 also must be available. I would suggest therefore that you update the table by adding 1973 figures and showing 1974 stockpile figures even though data on production may not be available.

In the revised table we might also limit the year columns - i.e. by five-year periods to 1970 and annual thereafter.

When the revision is ready, it would be worth sending copies to the Regional Chief Economists, CPS/IPD and others, as well as to your colleagues.

cc: Mr. Singh
bcc: Mr. Chenery

EStern/ls

Mr. S. Singh March 10, 1975

Joseph Hilmy

Industrial Raw Materials -
U.S. Government Stockpile as compared
with Annual World Production

Attached table compares the end-of-year stocks of selected raw material commodities with annual world production. This comparison was originally suggested by Mr. D. Avramovic.

cc: Messrs. Tims, Holsen, Waelbroeck, McPheeters, Kalmanoff, Cash, Brown (IMF), R. Bosson, M. Huag, Takeuchi, Nusbaumer, Huang, de Vries, Grilli, Mrs. Bothwell.

JHilmy:jmca

INDUSTRIAL RAW MATERIALS: U.S. GOVERNMENT STOCKPILE AS COMPARED WITH WORLD PRODUCTION, 1950-1972

	UNITS	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Aluminum																								
U.S. Stockpile	1,000 ST	48	106	94	244	823	1,042	1,055	1,279	1,735	1,807	1,874	1,929	1,970	1,974	1,919	1,898	1,566	1,502	1,448	1,307	1,281	1,279	1,269
World Production /a	1,000 ST	1,640	1,980	2,260	2,725	3,095	3,460	3,720	3,710	3,865	4,480	5,185	5,580	5,595	6,080	6,720	7,127	7,561	8,502	9,087	9,932	10,655	11,375	12,103
Ratio %		3	5	5	9	27	30	28	34	45	40	36	35	35	32	29	27	21	18	16	13	12	11	10
Antimony																								
U.S. Stockpile	1,000 ST	18,000	18,000	21,000	21,000	21,000	23,000	25,000	30,000	37,000	38,000	40,000	45,000	49,000	53,000	53,000	50,000	49,000	49,000	49,000	47,000	47,000	47,000	47,000
World Production /b	1,000 ST	50,000	70,000	49,000	37,000	44,000	51,000	59,000	56,000	51,000	58,700	58,800	57,200	59,200	61,600	68,100	66,700	68,513	63,849	67,737	73,044	77,124	70,891	75,035
Ratio %		36	26	43	57	48	45	42	54	73	65	68	79	83	86	78	75	72	77	72	64	61	66	63
Bauxite																								
U.S. Stockpile	1,000 LT	2,822	3,542	4,002	4,444	4,900	4,972	5,206	5,955	8,464	9,723	11,763	13,479	15,313	15,920	16,237	16,749	16,749	16,749	16,749	16,749	16,625	14,149	14,149
World Production /a	1,000 LT	8,285	10,970	12,567	13,641	15,996	17,479	18,525	20,157	21,058	22,680	27,183	28,816	30,726	29,974	32,618	36,702	40,406	44,435	45,894	53,683	58,424	64,441	63,000
Ratio %		34	32	32	33	31	28	28	30	40	43	43	47	50	53	50	46	42	38	36	31	28	22	22
Bismuth																								
U.S. Stockpile	1,000 lb.	1,286	1,286	1,286	1,342	1,350	1,365	1,674	1,547	2,475	2,475	2,825	2,825	3,835	3,835	3,835	3,848	3,812	3,812	3,406	2,905	2,351	2,336	2,101
World Production /b	1,000 lb.	3,400	3,300	3,400	3,500	3,600	3,700	3,900	5,000	4,600	5,100	5,200	5,100	6,700	6,800	7,200	9,400	6,660	7,441	8,076	8,465	8,408	8,442	8,774
Ratio %		38	39	38	38	38	37	43	31	54	49	54	55	57	56	53	40	57	51	42	34	27	27	23
Chromite																								
U.S. Stockpile	1,000 ST	2,086	2,342	2,668	3,313	3,693	4,122	4,579	4,963	5,754	6,795	7,095	7,416	7,732	7,825	7,777	6,908	8,706	8,645	8,501	8,258	6,245	7,079	7,061
World Production /b	1,000 ST	2,655	3,170	4,265	4,265	3,700	4,020	4,565	5,120	4,245	4,315	4,885	4,630	4,860	4,314	4,631	5,348	4,843	5,041	5,444	5,865	6,672	6,936	6,841
Ratio %		78	73	63	78	100	125	100	97	136	158	145	160	159	181	168	129	180	172	156	141	94	102	103
Cobalt																								
U.S. Stockpile	1,000 lb.	14,353	17,722	20,455	30,618	42,656	53,510	62,157	72,033	82,774	90,914	97,023	97,048	96,909	96,721	95,988	102,200	101,438	95,249	90,296	84,289	78,273	77,345	68,175
World Production /b	1,000 lb.	15,800	18,600	21,800	25,400	28,800	29,400	31,800	35,561	34,492	36,600	31,400	31,800	34,200	32,000	35,000	37,700	44,200	44,028	41,968	43,338	50,358	48,000	49,000
Ratio %		91	95	94	102	148	182	195	202	239	248	309	305	283	302	294	268	229	216	215	194	155	161	139
Copper																								
U.S. Stockpile	1,000 MT	482	535	501	600	781	802	845	917	1,030	1,034	1,039	1,035	1,027	1,017	993	768	416	225	243	236	229	234	234
Mine Production /a /b	1,000 MT	2,525	2,661	2,766	2,802	2,851	3,112	3,470	3,559	3,451	3,693	4,242	4,394	4,555	4,624	4,847	5,066	5,316	5,086	5,479	5,953	6,374	6,455	7,049
Ratio %		19	20	18	21	27	25	24	25	29	27	24	23	22	21	20	15	7	4	4	3	3	3	3
Diamonds (Industrial only)																								
U.S. Stockpile	1,000 KT	15,333	19,202	23,066	25,827	29,291	35,347	40,702	40,770	45,114	50,046	53,174	58,264	61,193	61,405	61,405	61,412	63,266	69,311	69,336	69,342	67,842	67,753	64,718
World Production /c	1,000 KT	15,519	16,972	18,733	20,165	20,496	21,496	22,900	25,300	27,200	26,000	26,100	32,000	28,000	28,000	28,000	26,000	28,000	29,000	30,000	32,000	33,000	33,000	31,200
Ratio %		98	113	123	128	142	164	177	161	165	192	203	182	218	219	219	236	225	239	231	216	205	205	207
Fluorspar																								
U.S. Stockpile	1,000 MT	77	187	231	326	463	561	731	748	1,106	1,206	1,275	1,372	1,411	1,411	1,047	1,122	1,418	1,408	1,393	1,375	1,382	1,180	1,180
World Production /c	1,000 MT	864	1,057	1,229	1,250	1,199	1,331	1,554	1,727	1,626	1,626	1,930	2,063	2,154	2,133	2,476	2,875	2,946	3,251	3,556	3,658	3,962	4,674	4,732
Ratio %		8	17	18	23	38	42	47	43	68	74	66	66	66	66	42	39	48	43	39	37	32	25	24
Manganese Ore																								
U.S. Stockpile	1,000 MT	2,045	2,272	2,431	3,763	4,622	5,047	5,646	5,820	8,287	8,759	9,410	10,472	11,209	11,941	11,958	9,780	9,706	9,570	9,422	9,241	8,915	8,669	8,221
World Production /c	1,000 MT	7,620	9,246	10,627	11,633	10,820	11,379	12,395	13,615	12,802	13,411	14,173	14,021	14,752	15,347	16,459	18,288	19,000	18,288	18,288	18,898	19,304	21,900	23,000
Ratio %		26	24	22	32	42	44	45	42	64	65	66	74	75	77	72	53	51	52	51	48	46	39	35
Mercury																								
U.S. Stockpile	1,000 MT	7,890	7,590	8,250	8,907	10,455	10,464	5,214	5,304	5,343	4,407	4,407	4,407	4,350	4,350	6,015	6,012	6,012	6,009	6,009	6,000	6,003	6,003	6,003
World Production /a	1,000 MT	4,937	5,062	5,201	5,508	6,204	6,402	7,498	8,526	8,912	8,167	9,425	8,996	8,864	8,763	9,046	9,513	9,332	8,339	9,334	10,252	10,017	10,300	9,548
Ratio %		160	150	159	162	169	163	66	62	59	53	46	48	49	49	66	63	64	71	64	58	59	58	62
Nickel (Mine)																								
U.S. Stockpile	1,000 MT	38	47	52	63	98	133	146	159	197	220	209	199	210	207	197	182	88	67	64	60	58	45	43
World Production /a	1,000 MT	148	168	187	204	221	249	265	299	227	290	342	378	371	366	396	435	414	476	545	513	667	678	618
Ratio %		25	27	27	30	44	53	55	53	86	75	61	52	56	56	49	41	21	14	11	11	8	6	6
Silver																								
U.S. Stockpile /1	1,000,000 Tr.oz.	NDA	1,264	1,301	1,391	1,491	1,631	1,731	1,774	1,875	1,851	1,800	1,694	1,626	1,492	1,204	804	165	165	165	165	165	140	140
World Production /b	1,000,000 Tr.oz.	203	200	216	222	214	224	226	231	239	222	241	237	246	250	249	257	267	258	272	296	304	289	291
Ratio %			632	602	627	697	728	766	768	784	834	747	715	661	597	484	313	62	64	61	56	54	48	48
Tin																								
U.S. Stockpile	1,000 MT	119	148	198	246	302	327	346	350	350	353	358	355	350	342	313	289	273	265	263	260	235	255	255
World Production /a	1,000 MT	177	179	183	185	190	194	196	201	165	173	189	190	194	194	199	204	215	221	230	229	236	241	231
Ratio %		67	82	108	133	159	168	177	174	212	204	189	186	180	176	157	141	126	119	114	114	99	105	110
Tungsten /2																								
U.S. Stockpile	1,000 lbs.	34,574	45,045	51,522	59,153	125,481	125,305	150,672	150,545	159,495	161,329	161,464	161,227	160,824	160,429	195,890	196,059	196,059	188,977	185,593	169,352	130,655	129,141	129,049
World Production /b	1,000 lbs.	84,657	114,860	151,677	157,189	172,621	182,542	182,762	151,016	125,001	134,922	159,173	170,417	159,614	132,277	136,686	132,277	138,891	138,891	155,205	158,071	166,448	177,912	93,255
Ratio %		40	39	33	37	72	68	82	99	127	119	101	94	100	121	143	148	141	136	119	107	78	72	138
Abaca																								
U.S. Stockpile	1,000 MT	31	50	72	78	77	77	75	77	78	76	71	69	69	67	67	67	64	59	53	47	33	24	15
World Production /d	1,000 MT	122	160	145	139	123	130	145	140	114	117	114	96	111	117	125	113	100	86	72	75	75	71	77
Ratio %		25	31	49	56	63	59	51	55	67	64	60	71	62	57	53	59	64	68	73	62	44	33	19
Sisal & Henequen																								
U.S. Stockpile	1,000 MT	39	54	94	122	154	154	153	151	148	146	148	147	150	140	140	139	131	112	97	92	90	75	51
World Production /e	1,000 MT	425	465	494	495	535	584	616	648	667	693	766	768	791	810	850	812	822	780	780	807	794	765	771
Ratio %		9	11	18	24	28	26	23	22	22	21	19	19	19	17	16	17	15	14	12	11	11	9	6
Rubber (Natural)																								
U.S. Stockpile	1,000 MT	523	831	1,121	1,187	1,227	1,207	1,212	1,228	1,225	1,227	1,141	1,109	972	874	760	601	487	414	376	347	310	260	165
World Production /f	1,000 MT	1,890	1,915	1,820	1,757	1,840	1,947	1,922	1,935	1,970	2,072	2,035	2,122	2,170	2,352	2,352	2,392	2,522	2,685	2,995	3,102	3,077	3,102	3,493
Ratio %		27	43	62	68	67	62	63	63	62	59	56	52	43	37	32	25	19	15	13	11	10	8	5

Notes
/1 Bureau of Mint Figures to 1965, GSA Figures, 1965-1972
/2 60% WO_3

Abbreviations
NDA = No Data Available
KT = Carat
lb. = Pounds
TR.OZ. = Troy Ounce
ST = Short Ton

Weight
1 Kilogram = 2.20462 Pounds
1 Short Ton = 0.90718 Metric Tons
1 Long Ton = 1.01605 Metric Tons

SOURCES

U.S. Government Stockpile:
OCDM-4 Statistical supplement stockpile Report to the Congress - Executive Office of the President. OFFICE OF CIVIL AND DEFENSE MOBILIZATION. PREPARED BY GOVERNMENT SERVICE ADMINISTRATION (GSA).
FIGURES FOR US. STOCKPILES - EXCEPT SILVER STOCKPILES BEFORE 1966, THESE WERE OBTAINED FROM THE ANNUAL REPORTS OF THE DIRECTOR OF THE MINT, OFFICE OF THE DIRECTOR OF THE MINT, U.S. GOVERNMENT ACCOUNTING OFFICE.

World Production
/a METALLGESELLSCHAFT AKTIENGESELLSCHAFT, METAL STATISTICS, VARIOUS ISSUES
/b AMERICAN METAL MARKET, METAL STATISTICS, VARIOUS ISSUES
/c GREAT BRITAIN. INSTITUTE OF GEOLOGICAL SCIENCES, STATISTICAL SUMMARY OF THE MINERAL INDUSTRY, VARIOUS ISSUES
/d FAO, WORLD CROP STATISTICS, 1948-1964, ROME 1966; FAO, PRODUCTION YEARBOOK, 1971 and FAO, COMMODITY REVIEW, 1967, ROME, 1967
/e FAO, HARD FIBERS, IX, 1973.; and FAO, COMMODITY REVIEW, VARIOUS ISSUES.
/f RUBBER STATISTICAL BULLETIN, Vol. 28, No.2, November, 1973

March 6, 1975
Commodities and Export Projections Division
Economic Analysis and Projections Department

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Those Listed Below

DATE: May 27, 1975

FROM: Shamsher Singh Sh and Wouter Tims
Economic Analysis and Projections Department

SUBJECT: Commodity Forecasts

A set of the following tables showing commodity forecasts, together with the assumed OECD growth rates and inflation measured in dollar terms, is attached for your information and use. These forecasts, which were reviewed at inter-departmental meetings, chaired by Mr. John A. Holsen, on April 25 and 28, supersede the ones distributed last year.

1 - Aggregate Commodity Price Index in 1973 Constant Dollars
2 - Price Forecasts in 1973 Constant Dollars
3 - Price Forecasts in Current Dollars
4 - Table 2 Expressed in Index Form
5 - Table 3 Expressed in Index Form
6 - Volume of Exports from Developing Countries - Rates of Growth
7 - Index of International Inflation
8 - OECD: Growth Rates of Real GNP
9 - Mean, Standard Deviation and Coefficient of Variation of Prices

A paper discussing the overall commodity outlook and the assumptions underlying these forecasts will be issued next month. As desired by the Regional staff, write-ups on individual commodities will include alternative assumptions and associated forecasts wherever relevant.

As regards the proper use of the price forecasts for country and project work, we wish to stress again that the forecasts given here pertain to market quotations for specific grades of a commodity in a specified market. They are indicators of the likely general trend of prices for the commodity concerned. The specific figures given are unlikely to be the right ones to use in a particular project analysis or country economic projection. Adjustments must be made for such factors as transportation costs, grade or quality and for marketing arrangements in the particular case. In doing this the country or project economist may always turn to the commodity economist for assistance. A booklet on the proper use of prices will be prepared jointly by the DPS and the Regions.

A table showing the mean, standard deviation and the coefficient of variation computed from a three-year moving average of "constant" dollar or "real" prices for the period 1950 to 1974 is included with this set. These show that, for example, for rice there is a 67% chance that the estimated value will lie within a range of ±14% around the mean; in other words, $34 more or less than the mean value of $239 per ton. For copper, it would be ±26% of mean, or ±17 cents around a mean of 67 cents per pound. Variations around actual prices would be larger.

Please note that short-term forecasts are revised by the Commodities Division staff of the IMF and of the Bank every six months.

However, long-term forecasts are revised only once a year, unless a major event has affected the outlook for a particular commodity or assumptions about inflation or real growth are altered significantly.

Distribution:

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TABLE 1
COMMODITY PRICE INDEX/1/2
(1973=100)

	35 Commodities (Including Petroleum)	34 Commodities (Excluding Petroleum)	Agriculture	Food			Non-Food	Minerals and Metals
				Total	Beverages	Other Food		
1950	127	125	137	134	164	111	145	94
1951	117	124	134	122	151	101	161	98
1952	111	115	116	114	142	93	122	110
1953	115	113	116	122	153	99	102	103
1954	126	127	136	148	217	97	109	101
1955	123	121	123	125	170	91	120	115
1956	121	119	120	126	173	91	108	117
1957	111	110	114	119	156	92	100	101
1958	107	103	106	111	144	86	94	95
1959	99	102	105	105	128	88	105	93
1960	96	99	102	100	119	85	107	92
1961	90	91	92	93	106	82	91	90
1962	88	90	92	92	103	83	92	87
1963	88	93	97	100	102	99	88	85
1964	90	101	99	104	120	92	89	104
1965	89	101	93	97	112	86	86	120
1966	89	101	91	94	107	84	84	127
1967	85	93	89	94	103	87	80	104
1968	85	95	91	95	102	89	82	107
1969	85	97	92	95	102	89	84	112
1970	82	95	90	97	111	87	74	109
1971	83	83	82	87	92	84	71	87
1972	81	81	82	87	92	84	70	80
1973	100	100	100	100	100	100	100	100
1974	198	116	116	128	97	152	87	116
1975	182	93	92	102	78	120	70	96
1976	183	94	92	101	87	112	71	100
1977	182	92	88	94	93	96	73	104
1978	181	91	87	92	94	91	74	102
1979	180	90	86	91	93	90	76	99
1980	180	89	86	90	91	89	77	99
1985	182	93	89	95	94	95	76	105

/1 Weighted by 1967-69 LDC export values.

/2 1973 Constant Dollar Prices.

Prepared by Commodities and Export Projections Division, IBRD
May 27, 1975

TABLE 2

COMMODITY PRICES AND PRICE FORECASTS IN 1973 CONSTANT DOLLARS

	Unit	Actual Prices				Forecast Prices						
		1967-69	1970-72	1973	1974	1975	1976	1977	1978	1979	1980	1985
Petroleum	$/barrel	1.95	2.05	2.70	8.03	7.75	7.75	7.75	7.75	7.75	7.75	7.75
FOOD												
Cocoa	¢/lb.	54	40	65	81	56	54	53	49	45	42	42
Coffee	¢/lb.	59	63	62	54	44	53	60	63	63	63	65
Tea	¢/lb.	74	62	48	52	48	46	43	41	39	38	38
Sugar	¢/lb.	7.3	8.0	8.7	20.5	16.3	15.0	10.7	10.0	10.0	10.0	10.0
Oranges/Tangerines	$/MT	249	203	163	151	163	162	161	157	156	156	156
Lemons/Limes	$/MT	187	168	182	168	189	183	180	180	180	180	180
Bananas	¢/kg.	19.0	17.9	14.5	14.1	17.0	12.5	12.4	12.2	12.0	12.0	13.3
Beef	¢/kg.	254	279	318	285	230	265	293	302	311	335	372
CEREALS												
Wheat	$/MT	100	84	147	172	130	116	113	112	110	112	115
Rice	$/MT	297	179	350	445	311	300	280	260	250	240	240
Maize	$/MT	76	74	98	109	95	85	82	82	80	78	78
Grain Sorghum	$/MT	73	70	93	99	87	79	76	74	71	69	69
FATS & OILS												
Coconut Oil	$/MT	544	432	513	820	374	373	365	360	351	345	439
Copra	$/MT	319	239	353	544	245	245	244	241	238	236	306
Groundnut Oil	$/MT	442	529	546	885	663	681	588	516	458	416	530
Groundnuts	$/MT	276	314	393	499	304	340	395	277	256	242	319
Palm Kernels	$/MT	246	184	259	382	177	204	193	183	175	167	217
Palm Oil	$/MT	286	316	378	550	378	330	306	288	270	253	321
Soyabeans	$/MT	160	162	290	228	156	170	165	161	159	159	220
Soyabean Oil	$/MT	310	385	465	653	445	462	399	351	311	283	360
Soyabean Meal	$/MT	145	141	302	151	104	136	143	147	153	160	229
Fishmeal	$/MT	217	256	542	306	185	251	263	271	282	294	422
NON-FOOD												
Cotton	¢/lb.	45	44	62	54	42	44	44	43	43	43	43
Jute	$/MT	423	365	289	296	326	313	305	300	300	300	300
Sisal	$/MT	254	236	527	867	541	391	284	235	245	245	245
Wool	¢/kg.	261	220	514	302	230	250	265	275	275	275	275
Rubber	¢/lb.	33	25	36	32	25	25	27	28	29	29	27
Tobacco	$/MT	1395	1245	992	965	915	905	910	915	920	930	935
TIMBER												
Logs (Lauan)	$/m³	59	54	68	67	53	58	62	66	68	72	78
Logs (Niangon)	$/m³	57	52	94	70	58	58	63	70	74	78	82
Sawnwood	$/m³	125	125	156	118	115	115	133	137	140	143	150
METALS AND MINERALS												
Copper	¢/lb.	87	69	81	77	50	55	62	64	64	64	70
Lead	¢/lb.	17.2	16.6	19.5	22.1	18.5	19.0	18.5	18.3	18.0	18.2	18.5
Tin	¢/lb.	224	211	219	306	282	315	326	307	266	250	280
Zinc	¢/lb.	18.6	18.9	38.6	46.2	27.4	28.5	28.8	29.0	29.2	29.5	31.5
Bauxite	$/MT	18.0	15.3	12.5	18.1	24.4	24.2	23.7	23.3	23.1	22.6	21.3
Iron Ore	$/MT	18.9	17.8	17.1	16.3	12.6	13.5	14.8	15.0	16.0	17.0	18.0
Manganese Ore	¢/LTU	94	78	76	94	93	75	80	82	84	85	70
FERTILIZERS												
Phosphate Rock	$/MT	17	14	14	45	52	48	41	35	30	28	29
T.S.P.	$/MT	61	64	100	253	185	127	116	106	99	96	97
DAP	$/MT	93	87	119	274	252	221	198	171	158	155	162
Urea	$/MT	100	65	95	260	222	191	158	117	101	102	116
Muriate of Potash	$/MT	36	41	43	50	53		54	50	47	46	42

Commodities & Export Projections Division
Economic Analysis & Projections Department
Development Policy Staff
May 1975

TABLE 3

COMMODITY PRICES AND PRICE FORECASTS IN CURRENT DOLLARS

Commodity	Unit	Actual Prices 1967-69	1970-72	1973	1974	Forecast Prices 1975	1976	1977	1978	1979	1980	1985
Petroleum	$/barrel	1.30	1.62	2.70	9.77	10.46	11.38	12.30	13.22	14.21	15.21	21.34
FOOD												
Cocoa	¢/lb	36	31	65	98	75	80	85	84	83	82	116
Coffee	¢/lb	40	49	62	66	60	78	94	107	115	124	179
Tea	¢/lb	50	48	48	64	65	67	68	70	72	74	104
Sugar	¢/lb	4.9	6.3	8.7	25.0	22.0	22.0	17.0	17.1	18.3	19.6	27.5
Oranges/Tangerines	$/M.T.	166	159	163	184	220	238	255	267	286	306	429
Lemons/Limes	$/M.T.	125	132	182	205	255	269	286	307	330	353	495
Bananas	¢/kg	12.7	14.0	14.5	17.2	23.0	18.4	19.7	20.8	22.0	23.5	36.6
Beef	¢/kg	171	220	318	346	310	389	465	515	570	658	1,025
CEREALS												
Wheat	$/M.T.	67	66	147	209	175	170	180	191	201	220	317
Rice	$/M.T.	198	140	350	542	420	440	444	445	459	471	661
Maize	$/M.T.	51	58	98	132	128	125	130	140	147	154	216
Grain Sorghum	$/M.T.	49	55	93	121	117	116	121	126	131	135	190
FATS AND OILS												
Coconut oil	$/M.T.	363	334	513	998	505	548	580	614	644	677	1,139
Copra	$/M.T.	213	185	353	662	330	360	387	411	436	463	795
Groundnut oil	$/M.T.	295	415	546	1,077	895	1,000	933	881	840	817	1,375
Groundnuts	$/M.T.	184	247	393	607	410	500	484	473	470	475	829
Palm kernels	$/M.T.	164	143	259	465	239	300	306	313	321	328	564
Palm oil	$/M.T.	191	246	378	669	510	485	486	491	495	496	833
Soyabeans	$ M.T.	107	128	290	277	210	250	262	274	291	312	1,572
Soyabean oil	$/M.T.	207	300	465	795	600	679	634	593	570	555	933
Soyabean meal	$/M.T.	97	111	302	184	140	200	227	251	281	314	594
Fishmeal	$/M.T.	145	201	542	372	250	368	418	462	518	578	1,094
NON FOOD												
Cotton	¢/lb	30	35	62	66	56	64	70	73	79	84	118
Jute	$/M.T.	282	286	289	360	440	460	485	512	550	590	825
Sisal	$/M.T.	170	187	527	1,056	730	575	450	400	450	480	675
Wool	¢/kg.	174	175	514	367	310	367	421	469	504	540	757
Rubber	¢/lb	22	19	36	39	33	37	43	49	54	57	74
Tobacco	$/M.T.	931	973	992	1,175	1,235	1,340	1,444	1,561	1,687	1,826	2,574
TIMBER												
Logs (Lauan)	$/$m^3$	40	42	68	82	72	85	98	112	125	140	215
Logs (Niangon)	$/$m^3$	38	41	94	85	78	85	100	119	136	153	226
Sawnwood	$/$m^3$	84	98	156	143	155	169	211	234	257	280	413
METALS AND MINERALS												
Copper	¢/lb	58	54	81	93	68	81	98	109	117	126	192
Lead	¢/lb	11.5	13.0	19.5	26.9	25.0	28.0	29.0	31.0	33.0	35.5	51.0
Tin	¢/lb	149	165	219	372	380	463	518	524	487	491	770
Zinc	¢/lb	12.4	14.8	38.6	56.2	37.0	42.0	46.0	49.5	53.5	58.0	86.5
Bauxite	$/M.T.	12.0	12.0	12.5	22.0	32.9	35.6	37.6	39.8	42.3	44.4	58.6
Iron ore	$/M.T.	12.6	13.8	17.1	19.8	17.0	19.8	23.5	25.6	29.3	33.4	49.5
Manganese ore	¢/L.T.U.	63	61	76	114	125	110	130	140	154	167	193
FERTILIZERS												
Phosphate Rock	$/M.T.	12	11	14	55	70	70	65	60	55	55	80
TSP	$/M.T.	41	51	100	308	250	186	185	181	181	188	268
DAP	$/M.T.	62	69	119	333	340	324	314	292	290	305	447
Urea	$/M.T.	67	51	95	316	300	280	250	200	185	200	320
Muriate of Potash	$/M.T.	24	33	43	61	72	80	80	80	85	90	115

Commodities and Export Projections Division
Economic Analysis and Projections Department
Development Policy Staff
May 1975

TABLE 4

INDICES OF COMMODITY PRICE FORECASTS IN 1973 CONSTANT DOLLARS

(1973=100)

	Actual Prices			Forecast Prices						
	1967-69	1970-72	1974	1975	1976	1977	1978	1979	1980	1985
Petroleum	72	76	297	287	287	287	267	287	287	287
FOOD										
Cocoa	83	62	125	86	83	82	75	69	65	65
Coffee	95	102	87	71	85	97	102	102	102	105
Tea	154	129	108	100	96	90	85	81	79	79
Sugar	84	92	236	187	172	123	115	115	115	115
Oranges/Tangerines	153	125	93	100	99	99	96	96	96	96
Lemons/Limes	103	92	92	104	101	99	99	99	99	99
Bananas	131	123	97	117	86	86	84	83	83	92
Beef	79	87	90	72	83	92	95	98	105	117
CEREALS										
Wheat	68	57	117	88	79	77	76	75	76	78
Rice	85	51	127	89	86	80	74	71	69	69
Maize	78	76	111	97	87	84	84	82	80	80
Sorghum	78	75	106	94	85	82	80	76	74	74
FATS & OILS										
Coconut Oil	106	84	160	73	73	71	70	68	67	86
Copra	90	68	154	69	69	69	68	67	67	87
Groundnut Oil	81	97	162	121	125	108	95	84	76	97
Groundnuts	70	80	127	77	87	101	70	65	62	81
Palm Kernels	95	71	147	68	79	75	71	68	64	84
Palm Oil	76	84	146	100	87	81	76	71	67	85
Soyabeans	55	56	79	54	59	57	56	55	55	76
Soyabean Oil	67	83	140	96	99	86	75	67	61	77
Soyabean Meal	47	47	50	34	45	47	49	51	53	76
Fishmeal	40	47	56	34	46	49	50	52	54	78
NON-FOOD										
Cotton	73	71	87	68	71	71	69	69	69	69
Jute	146	126	102	113	108	106	104	104	104	104
Sisal	48	45	165	103	74	54	46	46	46	46
Wool	51	43	59	45	49	52	54	54	54	54
Rubber	92	69	89	69	69	75	78	81	81	75
Tobacco	141	126	97	92	91	92	92	93	94	94
TIMBER										
Logs (Lauan)	87	79	99	78	85	91	97	100	106	115
Logs (Niangon)	61	55	74	62	62	67	74	79	83	87
Sawn Wood	80	80	76	74	74	85	88	90	92	96
METALS AND MINERALS										
Copper	120	85	95	62	68	77	79	79	79	86
Lead	88	85	113	95	97	95	94	92	93	95
Tin	102	96	140	129	144	149	140	121	114	128
Zinc	48	49	120	71	74	75	75	76	76	82
Bauxite	144	122	145	195	194	190	186	185	181	170
Iron Ore	111	104	95	74	79	87	88	94	99	105
Manganese Ore	124	103	124	122	99	105	108	111	112	92
FERTILIZERS										
Phosphate Rock	121	100	321	371	343	293	250	214	200	207
T.S.P.	61	64	253	185	127	116	106	99	96	97
DAP	78	73	230	212	186	166	144	133	130	136
Urea	105	68	274	234	201	166	123	106	107	122
Muriate of Potash	84	95	116	123	126	116	109	107	107	98

Commodities & Export Projections Division
Economic Analysis & Projections Department
Development Policy Staff
May 1975

TABLE 5

INDICES OF COMMODITY PRICE FORECASTS IN CURRENT DOLLARS

(1973=100)

	Actual Prices			Forecast Prices						
	1967-69	1970-72	1974	1975	1976	1977	1978	1979	1980	1985
Petroleum	48	60	362	387	421	456	490	526	563	790
FOOD										
Cocoa	55	48	151	115	123	131	129	128	126	178
Coffee	65	79	106	97	126	152	173	185	200	289
Tea	104	100	133	135	140	142	146	150	154	217
Sugar	56	72	287	253	253	195	197	210	225	316
Oranges/Tangerines	102	98	113	135	146	156	164	175	188	263
Lemons/Limes	69	73	113	140	148	157	169	181	194	272
Bananas	88	97	119	159	127	136	143	152	162	252
Beef	54	69	109	97	122	146	162	179	207	322
CEREALS										
Wheat	46	45	142	119	116	122	130	137	150	216
Rice	57	40	155	120	126	127	127	131	135	189
Maize	52	59	135	131	128	133	143	150	157	220
Sorghum	53	59	130	126	125	130	135	141	145	204
FATS AND OILS										
Coconut oil	71	65	195	98	107	113	120	126	132	222
Copra	60	52	188	93	102	110	116	124	131	225
Groundnut oil	54	76	197	164	183	171	161	154	150	252
Groundnuts	47	63	154	104	127	123	120	120	121	211
Palm kernels	63	55	180	92	116	118	121	124	127	218
Palm oil	51	65	177	135	128	129	130	131	131	220
Soyabeans	37	44	96	72	86	90	94	100	108	197
Soyabean oil	45	65	171	129	146	136	129	123	119	201
Soyabean meal	32	37	61	46	66	75	83	93	104	197
Fishmeal	27	37	69	46	68	77	85	96	107	202
NON-FOOD										
Cotton	48	56	106	90	103	113	118	127	135	190
Jute	98	99	125	152	159	168	177	190	204	285
Sisal	32	35	200	139	109	85	76	85	91	128
Wool	34	34	71	60	71	82	91	98	105	147
Rubber	61	53	108	92	103	119	136	150	158	206
Tobacco	94	98	118	124	135	146	157	170	184	259
TIMBER										
Logs (Lauan)	59	62	121	106	125	144	165	184	206	316
Logs (Niangon)	40	44	90	83	90	106	127	145	163	240
Sawn wood	54	63	92	99	108	135	150	165	179	265
METALS AND MINERALS										
Copper	72	67	115	84	100	121	135	144	156	237
Lead	59	67	138	128	144	149	159	169	182	262
Tin	68	75	170	174	211	237	239	222	224	352
Zinc	32	38	146	96	109	119	128	139	150	224
Bauxite	96	96	176	263	285	301	318	338	355	469
Iron Ore	74	81	116	99	116	137	150	171	195	289
Manganese Ore	83	80	150	164	145	171	184	203	220	254
FERTILIZERS										
Phosphate Rock	86	79	393	500	500	464	429	393	393	571
T.S.P.	41	51	308	250	186	185	181	181	188	268
DAP	52	58	280	286	272	264	245	244	256	376
Urea	71	54	333	316	295	263	211	195	211	337
Muriate of Potash	56	77	142	167	186	186	186	198	209	267

Commodities and Export Projections Division
Economic Analysis and Projections Department
Development Policy Staff
May 1975

COMMODITY DESCRIPTION

Petroleum (Saudi Arabian light crude oil 34° average realized price f.o.b. Ras Tanura)

FOOD

Cocoa Beans (Accra, spot New York)
Coffee (Guatemalan, prime washed, spot New York)
Tea (London Auction, Average all teas)
Sugar (up to and including 1974, weighted average of U.S. Preferential, Commonwealth Sugar Agreement and ISA daily price - f.o.b. and stowed Caribbean ports; Beginning 1975 ISA daily prices)
Oranges/Tangerines (EEC Reference price for Import of Group II Varieties)
Lemons/Limes (EEC Import Reference price)
Bananas (Ecuadorian c.i.f. Hamburg)
Beef (Argentine, chilled rump boneless, wholesale price, London)

CEREALS

Wheat (Canadian No. 1 Western Red Spring (CWRS), in store Thunder Bay)
Rice (Thai, Milled 5% broken f.o.b. Bangkok)
Maize (U.S. No. 2, yellow, f.o.b. Gulf Ports)
Grain Sorghum (U.S. No. 2 Milo yellow f.o.b. Gulf Ports)

FATS AND OILS

Coconut Oil (Philippines/Indonesia, bulk, c.i.f. Rotterdam. Prior to 1973, Ceylon 1% c.i.f. Europe)
Copra (Philippines, c.i.f. Europe)
Groundnut Oil (Nigerian, c.i.f. Europe)
Groundnuts (Nigerian, c.i.f. Europe)
Palm Kernels (Nigerian, c.i.f. Europe)
Palm Oil (Malayan, c.i.f. U.K.)
Soyabeans (U.S. c.i.f. Rotterdam)
Soyabean Oil (U.S., Crude, c.i.f. Rotterdam)
Soyabean Meal (U.S. 44% extraction, c.i.f. Rotterdam)
Fishmeal (Peruvian/other origins 64%, c.i.f. Hamburg)

NON-FOOD

Cotton (Mexican SM 1-1/16" c.i.f. N. Europe)
Jute (Bangladesh White D. f.o.b. Chittagong/Chalna)
Sisal (East Africa Rejects, c.i.f. Europe)
Wool (56's clean, c.i.f. U.K.)
Rubber (RSSI, spot, New York)
Tobacco (India export unit value of flue-cured)

TIMBER

Logs (Lauan), Broadleaved, (Philippines, wholesale price, Tokyo)
Logs, Hardwood (Niangon) (f.o.b. Ivory Coast)
Sawn Wood (Malaysian), Dark Red Meranti, Standard Density c.i.f. French Ports)

METALS AND MINERALS

Copper (LME)
Lead (LME)
Tin (LME)
Zinc (LME)
Bauxite (U.S. Import Reference price based on imports from Jamaica)
Iron Ore (Brazilian, c.i.f. North Sea Ports)
Manganese Ore (Indian Ore 46-48%, c.i.f. U.S. Ports)

FERTILIZERS

Phosphate Rock, 75% BPL, f.a.s. Casablanca
T.S.P. (Triple Superphosphate), f.o.b. U.S. Gulf
DAP (diammonium phosphate) f.o.b. U.S. Gulf
Urea, f.o.b. Europe, bagged
Muriate of Potash, f.o.b. Vancouver

Commodities & Export Projections Division
Economic Analysis & Projections Department
Development Policy Staff
May 1975

TABLE 6

VOLUME OF EXPORTS FROM DEVELOPING COUNTRIES - RATES OF GROWTH

(percent)

	1955-73	1967-69 - 1973	1973-76	1973-80	1976-80	1980-85
Petroleum /1	11.1	10.8	-2.7	-0.4	1.5	1.2
FOOD						
Cocoa	2.8	2.0	1.3	2.5	3.3	2.5
Coffee	2.9	2.2	-0.3	1.1	1.6	1.9
Tea	1.9 /2	2.0	2.4	2.6	2.4	2.4
Sugar	2.3	4.2	3.4	3.4	3.4	2.8
Oranges/Tangerines	5.7	5.7	3.7	3.7	3.7	3.7
Lemons/Limes	6.6	7.0	5.5	5.5	5.5	5.5
Bananas	4.9	2.9	9.2	5.4	2.6	2.6
Beef	8.2	6.4	0.5	5.5	9.4	5.5
CEREALS						
Wheat (inc. flour)	-6.4	-18.0	36.0	16.5	3.9	2.7
Rice	-1.5	0.0	9.0	5.1	2.5	1.3
Coarse grains	2.7	3.1	2.3	2.1	2.0	2.9
FATS AND OILS						
Coconut oil	4.1	6.1	2.5	2.5	2.5	3.0
Copra	-2.2	-2.7	1.5	1.5	1.5	1.5
Groundnut oil	1.0	0.7	0.5	0.5	0.5	0.5
Groundnuts	-1.7	-15.2	1.4	1.7	2.0	2.0
Palm kernels	-5.3	-6.1	1.0	1.9	2.5	2.5
Palm oil	5.6	15.2	9.8	11.2	10.0	12.0
Soyabeans	18.0	48.5	12.0	12.0	12.0	12.0
Soyabean oil	29.2	/3	10.5	9.7	9.0	9.0
Soyabean meal	23.0	46.5	12.0	12.0	12.0	12.0
Fishmeal	18.7	-1.3	4.0	4.3	4.5	4.5
NON-FOOD						
Cotton	3.3	1.6	-0.7	0.9	2.0	1.6
Jute	-0.6	-4.4	-5.9	-4.4	-3.2	-3.6
Jute Goods	1.2	0.1	-2.7	0.3	2.6	-1.0
Sisal	-0.5/4	-2.4	-9.0	-5.4	-2.6	-6.5
Sisal Goods	6.6/4	13.4	3.3	3.1	3.0	4.0
Wool	-3.1	-8.3	-11.0	-0.6	8.1	3.1
Rubber	3.2	4.1	4.2	4.8	5.2	4.4
Tobacco	3.9	5.5	3.7	3.3	3.1	3.4
Logs (Broadleaved)	12.6	11.5	-1.5	1.5	3.8	1.4
Sawn wood (Broadleaved)	9.6	14.9	-3.1	4.0	9.5	7.1
METALS AND MINERALS						
Copper	4.3	4.1	2.5	5.5	7.7	5.0
Lead	-0.5	1.0	0.3	0.4	0.7	0.4
Tin	0.3	-0.6	-0.8	0.1	0.4	1.8
Zinc	1.3	3.3	5.3	4.4	3.8	4.4
Bauxite	5.9	2.9	7.8	9.5	10.8	4.4
Alumina	12.8	12.5	10.0	10.0	10.0	10.0
Iron Ore	9.0	4.9	6.3	5.8	5.4	5.2
Manganese Ore	3.3	5.7	0.0	5.3	9.4	6.3
FERTILIZERS						
Phosphate Rock	5.5	7.4	14.6	10.6	7.6	6.3
Phosphate Fertilizers	-	14.9	18.6	18.8	19.0	7.0
Nitrogen Fertilizers	-	21.5	14.5	20.0	24.5	3.8
Potash Fertilizers	-	-	0.0	0.0	0.0	0.0

/1 Based on OPEC exports.

/2 1955-57 - 1973.

/3 IDC exports jumped from 400 MT in 1967-69 to 102,000 MT in 1973.

/4 1957-1973.

Commodities & Export Projections Division
Economic Analysis & Projections Department
Development Policy Staff
May 1975

TABLE 7

INDEX OF INTERNATIONAL INFLATION/1

Year	1967-69=100	1973=100	Rates of Change from Previous Year
1955	85.9	57.3	--
1956	88.7	59.2	3.3
1957	91.6	61.2	3.3
1958	89.8	59.9	-2.2
1959	88.7	59.2	-1.2
1960	90.9	60.7	2.5
1961	92.9	62.0	2.1
1962	92.9	62.1	0.1
1963	93.6	62.5	0.6
1964	94.7	63.3	1.2
1965	96.4	64.4	1.7
1966	98.4	65.7	2.0
1967	99.4	66.4	1.0
1968	98.4	65.7	-1.1
1969	102.1	68.2	3.8
1970	109.4	73.1	7.1
1971	116.5	77.8	6.4
1972	126.6	84.6	8.7
1973	149.6	100.0	18.2
1974	182.2	121.7	21.7
1975	202.0	134.9	10.8
1976	219.9	146.9	8.8
1977	237.5	158.7	8.0
1978	255.4	170.6	7.4
1979	274.6	183.4	7.5
1980	293.8	196.3	7.0
1985	412.1	275.3	7.0

/1 Developed countries' exports of manufactures SITC 5-8.

Source: International Economy Division, Economic Analysis and Projections Department.
Development Policy Staff
May 1975

TABLE 8

OECD: GROWTH RATES OF REAL GNP

	1973	1974	1975	Mid-point of High and Low 1976	1977	1978	1979	1980	1973-80	1976-80	1980-85
North America	6.0	-1.7	-4.0	5.2	5.5	5.7	5.5	5.5	3.0	5.6	5.2
United States	5.9	-2.2	-4.5	4.9	5.2	5.4	5.2	5.3	2.7	5.3	
Canada	6.8	3.1	0.8	7.9	8.2	8.2	8.0	7.8	6.3	8.0	
Japan, Oceania	9.5	-3.0	1.2	8.2	6.8	6.8	6.4	6.3	4.6	6.6	6.3
Japan	10.2	-3.7	1.2	8.9	7.2	7.2	6.6	6.5	4.8	6.9	
Australia	5.8	0.5	1.2	4.0	4.8	5.0	5.2	5.0	3.7	5.0	
New Zealand	5.3	3.5	2.5	4.2	4.8	5.4	5.3	5.3	4.4	5.2	
Western Europe	5.3	2.2	1.3	3.6	5.3	5.0	4.6	4.5	3.8	4.9	5.0
Major Countries	5.6	2.0	1.2	3.5	5.2	4.9	4.5	4.4	3.7	4.8	
France	6.0	4.5	2.8	4.5	5.9	5.6	4.8	4.7	4.7	5.3	
Germany	5.3	0.5	1.2	3.9	5.4	4.8	4.5	4.4	3.5	4.8	
Italy	5.9	3.8	-1.8	1.8	5.6	5.2	4.6	4.4	3.3	4.9	
United Kingdom	5.3	-0.2	1.2	2.5	3.6	3.9	4.2	4.2	2.8	4.0	
Other	4.3	2.9	1.7	4.0	5.6	5.1	4.8	4.8	4.1	5.1	n.a.
Austria	5.5	4.5	2.5	5.0	6.2	5.6	5.4	5.2	4.9	5.6	
Belgium	5.3	4.2	2.2	4.4	6.1	5.0	5.0	5.0	4.6	5.3	
Denmark	3.5	2.0	1.0	2.9	4.9	4.8	4.8	4.7	3.6	4.8	
Finland	5.9	4.7	2.8	4.2	5.5	5.2	5.0	4.9	4.6	5.1	
Ireland	7.0	1.7	1.0	3.1	4.5	4.4	4.1	4.0	3.3	4.3	
Netherlands	4.4	2.5	2.5	5.0	7.6	6.3	5.2	5.1	4.9	6.1	
Norway	4.2	3.5	5.0	6.2	6.8	6.9	6.9	6.8	6.0	6.9	
Sweden	3.1	3.7	1.0	3.4	3.8	3.6	3.6	3.6	3.2	3.7	
Switzerland	3.5	0.2	-1.2	2.0	4.5	4.5	4.5	4.4	2.7	4.5	
OECD Total	6.3	-0.4	-1.1	5.0	5.6	5.5	5.3	5.2	3.5	5.4	

Source: IBRD, International Economy Division, Economic Analysis and Projections Department
Development Policy Staff
May 1975

TABLE 9

MEAN, STANDARD DEVIATION AND COEFFICIENT OF VARIATION OF COMMODITY PRICES, 1950 - 74 /1

Commodity	Unit	Mean	Standard Deviation	Coefficient of Variation
Petroleum	\$/barrel	2.4	0.62	0.25
Cocoa	¢/lb	47.2	9.90	0.21
Coffee	¢/lb	69.4	14.36	0.21
Tea	¢/lb	87.0	19.57	0.23
Sugar	¢/lb	8.2	1.30	0.16
Oranges	\$/MT	194.6	31.78	0.16
Lemons	\$/MT	175.1	21.31	0.12
Bananas	¢/Kg.	18.5	1.87	0.10
Beef	¢/Kg.	244.7	38.19	0.16
Wheat	\$/MT	104.1	10.22	0.10
Rice	\$/MT	239.4	34.17	0.14
Maize	\$/MT	79.7	5.95	0.10
Grain Sorghum	\$/MT	73.7	5.20	0.10
Coconut Oil	\$/MT	493.8	47.92	0.11
Copra	\$/MT	303.8	35.74	0.12
Groundnut Oil	\$/MT	505.7	52.62	0.10
Groundnuts	\$/MT	308.8	29.91	0.10
Palm Oil	\$/MT	361.3	41.89	0.12
Soyabean Meal	\$/MT	145.4	20.97	0.14
Fishmeal	\$/MT	253.5	42.89	0.17
Cotton	¢/lb	47.7	4.44	0.10
Jute	\$/MT	367.4	47.76	0.13
Sisal	\$/MT	356.2	101.30	0.28
Wool	¢/Kg.	312.5	51.80	0.17
Rubber	¢/lb	41.2	11.51	0.28
Tobacco	\$/MT	1,235.9	101.91	0.10
Logs (Niangon)	$\$/m^3$	59.6	5.05	0.10
Copper	¢/lb	67.4	17.39	0.26
Lead	¢/lb	17.1	2.59	0.15
Tin	¢/lb	203.5	33.75	0.17
Zinc	¢/lb	19.4	4.60	0.24
Bauxite	\$/MT	14.2	2.23	0.15
Iron Ore	\$/MT	24.7	6.46	0.26
Manganese Ore	¢/LTU	127.7	45.50	0.36
Phosphate Rock	\$/MT	19.6	3.19	0.16

/1 Computed from a three year moving average of constant prices.

Commodities & Export Projections Division
Economic Analysis & Projections Department
Development Policy Staff

May 1975

Comm.

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: See Addressees

DATE: May 15, 1975

FROM: Ernest Stern, Director, Development Policy

SUBJECT: Meeting of Commonwealth Heads of Government Dealing with Economic Matters

The attached excerpt of the Kingston Communique may be of interest.

Attachment

Addressees:

Messrs. Tims	Haq		Gulhati	Duloy
Holsen	Chernick	Ms.	Hughes	
Saxe	Vibert		Leiserson	
Singh				

OFFICE MEMORANDUM

TO: Regional Chief Economists

DATE: May 15, 1975

FROM: Ernest Stern, ES Director, Development Policy

SUBJECT: Meeting of Commonwealth Heads of Government Dealing with Economic Matters

The attached excerpt of the Kingston communique may be of interest.

Attachment

EXCERPTS FROM THE FINAL COMMUNIQUE OF THE MEETING OF COMMONWEALTH HEADS OF GOVERNMENT (KINGSTON, JAMAICA, MAY 1975) DEALING WITH ECONOMIC MATTERS

1. Commonwealth Heads of Government recognized the need to take immediate steps towards the creation of a rational and equitable new international economic order. They reaffirmed the statement included in the Commonwealth Declaration adopted in Singapore in 1971 that "The wide disparities of wealth now existing between different sections of mankind are too great to be tolerated ... Our aim is their progressive removal", and acknowledge the complexity, range and inter-related nature of the issues involved. They agreed that a small group of experts should be invited to draw up for consideration by Commonwealth Governments, in the context of the current international dialogue, a comprehensive and inter-related programme of practical measures directed at closing the gap between the rich and the poor countries. These measures would be designed to promote development and to increase the transfer of real resources to developing countries inter alia in the areas of production, distribution and exchange of primary and secondary products as well as services. Heads of Government recognized the importance in this context of co-operating to achieve an expanding world economy and world trade.

2. The group of experts should be selected from the Commonwealth on the basis of their personal capacities and their expert knowledge of contemporary problems of international economic development, and should be assembled in a way which would enable the perspectives of different regions of the Commonwealth and different national development strategies to be brought to bear on the problems concerned.

3. The group of experts should address itself to the issues and proposals elaborated in:

a) The declaration and the programme of action on the establishment of a new international economic order as adopted by the United Nations General Assembly;

b) The relevant principles of the Commonwealth Declaration adopted in Singapore in 1971; and

c) The concepts and proposals advanced during the discussions of the international economic situation at the Kingston meeting of Heads of Government including the presentations by the Government of Guyana on behalf of the Caribbean and the Government of Britain.

4. In drawing up a programme of practical measures the group should pay particular attention to:

a) Measures to transfer real resources from developed to developing countries through international co-operation in the field of international trade in primary commodities with particular reference to the integrated commodities programme recommended by the Secretary-General of UNCTAD, current proposals of buffer stocks, for indexation, and other relevant proposals, including the proposal for a general agreement on commodities;

b) Measures which the international community can introduce for assisting developing countries:

i) to increase food production,

ii) to promote rural development,

iii) to promote economic co-operation among themselves at the sub-regional, intra-regional and inter-regional levels,

iv) a review of existing organizations for industrial co-operation and development, and

v) to obtain greater control over, and benefits from, such activities as shipping, insurance, banking and other parts of the infrastructure for international trade and development;

c) Programmes for industrial development involving new and expanded forms of industrial co-operation, time enlargement of employment opportunities in developing countries, and more favourable access to the markets of developed countries;

d) A review of existing organizations for industrial co-operation and development;

e) Mechanisms for increasing the flow of long-term development funds, the transfer of technology and the transfer of real resources to developing countries; and

f) Reform and, where necessary, the restructuring of the international institutions concerned with the management of international trade and finance, and whether means could be found to increase the effective share of the developing countries in the decision-making process of the major international financial institutions.

In all of the above matters due regard would be paid to the special needs of the least developed, land-locked, the most seriously affected, and island developing states with limited natural resources.

5. In drawing up its recommendations the group of experts should consider the feasibility of utilising relevant concepts and mechanisms embodied in recent economic co-operation agreements between certain developed and developing countries.

6. The group of experts should consist of not more than ten persons.

7. The members of the group should be appointed by the Secretary-General after consultation with member Governments.

8. The group should aim at submitting to Governments an Interim Report on the results of its work indicating measures which are amenable to early and effective implementation in time to permit discussion of this report at the next meeting of Commonwealth Ministers and to enable Governments to take this report into account before the Seventh Special Session of the General Assembly.

9. It is expected that the group will endeavour to hold its first meeting by the end of May or early in June.

10. It would be desirable that the Secretary-General-Elect should be associated at as early a stage as possible with the work of the group.

11. Heads of Government appointed Mr. Alister McIntyre, Secretary-General of the Caribbean Community, Chairman of the Expert Group.

LOME CONVENTION

12. Heads of Government welcomed the conclusion of the Lome Convention drawn up by the European Economic Community and forty-six countries of Africa, the Caribbean and the Pacific. They welcomed the increased co-operation within the Convention between Commonwealth and non-Commonwealth countries in these areas. They expressed the hope that the principles underlying the Lome Convention could usefully contribute to the further development of relations between the EEC and other industrialised countries, on the one hand, and developing countries, including the Asian and other Commonwealth countries, on the other.

13. Heads of Government welcomed the valuable support which the Secretariat is giving to Commonwealth countries in the multilateral trade negotiations.

FOOD PRODUCTION AND RURAL DEVELOPMENT

14. Heads of Government discussed the report of the Commonwealth Ministerial meeting on Food Production and Rural Development held in London in March 1975. They welcomed the opportunity it

provided to consider in a Commonwealth setting the problems of the three-quarters of the population of Commonwealth developing countries who live in rural areas. Heads of Government endorsed the view that the problems of rural development and food production should be attacked in an integrated manner and should receive high priority from individual Governments and Aid Agencies. They stressed the need for aid-providing agencies to adapt their practices and programmes to meet the special needs of food production and rural development, and endorsed the proposal to establish a food production and rural development division within the Secretariat. The new division would enhance the effectiveness of the Secretariat's already significant contribution to this sector and should be essentially action-oriented.

15. Heads of Government emphasised the setback to agricultural production which has resulted from scarcity and high prices of fertilizer, and welcomed efforts, in the Commonwealth and elsewhere, to secure adequate supplies of fertilizer at reduced costs. They also called for similar efforts with respect to farm machinery, feed stuffs and other agricultural inputs.

DROUGHT AND OTHER NATURAL DISASTER

16. Heads of Government recognized the value of the Commonwealth as a forum in which to consult and concert broad strategies for action in the Sahelian Zone of Africa and in other natural disaster areas and endorsed the recommendation of the Ministerial Meeting of Food Production and Rural Development that Commonwealth action should supplement action taken by world bodies.

INDUSTRIAL DEVELOPMENT CO-OPERATION

17. In underlining the importance of increasing agricultural production, Heads of Government stressed the parallel and related need to accelerate the development of industry and endorsed the expansion of industrial co-operation, particularly between Commonwealth countries. In this context, they stressed the need for measures to promote the processing of primary commodities in their places of origin and the removal of barriers to trade in processed primary commodities and other manufactured goods.

18. Heads of Government stressed their concern to ensure that the activities of multinational corporations conform with the policies of host Governments and their goals for an equitable redistribution of wealth. They noted the work done on multinational corporations by the Commonwealth Secretariat and by

bodies in the UN system. They agreed on the need for countries to build up their capabilities to deal with multinational corporations.

DEVELOPMENT ASSISTANCE

19. Heads of Government affirmed the need for all countries with the capacity to do so, to maintain and, wherever possible, increase the flow of development assistance to developing countries, especially to the developing countries most seriously affected by recent economic developments. They should also promote the rapid industrialisation of developing countries.

20. Heads of Government reaffirmed their conviction that mutual help and shared responsibility were essential elements in Commonwealth co-operation. They expressed satisfaction at the expansion of the Commonwealth fund for technical co-operation in the four years since its establishment, noted with approval its flexibility and its capacity to respond quickly to the requests of member countries and commented favourably on its successful management.

21. Recognizing the need for the fund's resources to keep pace with the expanding requirements of Commonwealth Governments, Heads of Government noted with appreciation the steady growth in support for the fund and welcomed the substantially increased pledges made by developed and developing member countries. They noted the intention expressed by a number of Governments to increase their contribution and hoped that further increases would be forthcoming.

COMMONWEALTH INVESTMENT BANK

22. Heads of Government noted the studies organised by the Secretary-General at the request of the 1974 meeting of Commonwealth Finance Ministers, on the financial feasibility and the need for the services of a Commonwealth Investment Bank along the lines proposed by a Commonwealth expert group. They concluded that a number of issues still required discussion before the proposal could be put to Governments for a final decision. They requested the Secretary-General to convene a Committee of Commonwealth Officials to prepare a detailed and specific proposal, addressing itself to the unresolved issues which must be faced if such an institution is to be set up. This Committee should report to the next meeting of Commonwealth Finance Ministers.

MEETING OF COMMONWEALTH HEADS OF GOVERNMENT
KINGSTON, JAMAICA, APRIL/MAY 1975.

FINAL COMMUNIQUE.

1. COMMONWEALTH HEADS OF GOVERNMENT MET IN KINGSTON FROM 29 APRIL TO 6 MAY. ALL COMMONWEALTH COUNTRIES WERE REPRESENTED, TWENTY-EIGHT BY THEIR PRESIDENTS OR PRIME MINISTERS. THE PRIME MINISTER OF JAMAICA WAS IN THE CHAIR.

2. THIS WAS THE FIRST HEADS OF GOVERNMENT MEETING TO BE HELD IN THE CARIBBEAN. HEADS OF GOVERNMENT EXPRESSED THEIR GRATITUDE TO COMMONWEALTH CARIBBEAN GOVERNMENTS AND IN PARTICULAR TO THE PRIME MINISTER OF JAMAICA FOR THE WARM HOSPITALITY PROVIDED BY HIS GOVERNMENT.

3. HEADS OF GOVERNMENT EXTENDED A CORDIAL GREETING TO THE PRIME MINISTER OF GRENADA WHOSE COUNTRY HAD BECOME A MEMBER OF THE COMMONWEALTH SINCE THE PREVIOUS MEETING. THEY AFFIRMED THAT A REQUEST FROM PAPUA NEW GUINEA FOR COMMONWEALTH MEMBERSHIP ON THE ATTAINMENT OF ITS INDEPENDENCE WOULD BE WELCOMED.

4. HEADS OF GOVERNMENT PAID TRIBUTE TO THE MEMORY OF THE LATE NORMAN KIRK, PRIME MINISTER OF NEW ZEALAND, AND RECALLED WITH RESPECT AND AFFECTION HIS DEEP AND PRACTICAL CONCERN FOR HUMANITY AND HIS OUTSTANDING PERSONAL CONTRIBUTION TO THE DEVELOPMENT OF THE MODERN COMMONWEALTH.

/5.

5. HEADS OF GOVERNMENT REAFFIRMED THE VALUE THEY ATTACH TO THESE MEETINGS AND EXPRESSED SATISFACTION WITH THE CONSTRUCTIVE APPROACH AND MUTUAL CONFIDENCE OF THEIR DELIBERATIONS. THEY NOTED WITH APPROVAL THE INCREASING USE BEING MADE OF COMMONWEALTH MACHINERY TO FURTHER THE PRINCIPLES OF THE COMMONWEALTH DECLARATION AND TO PROMOTE CONSULTATION, CO-OPERATION AND COLLABORATIVE ACTION ACROSS AND WITHIN REGIONS. SUCH CONSULTATION FORMED AN IMPORTANT PART OF THE CONTRIBUTION COMMONWEALTH COUNTRIES MAKE TO THE DEVELOPMENT OF A NEW PATTERN OF INTERNATIONAL RELATIONS WHICH TOOK ACCOUNT OF THE SIGNIFICANT SHIFTS IN POLITICAL AND ECONOMIC POWER. HEADS OF GOVERNMENT URGED THAT THE COMMONWEALTH INITIATIVES ALREADY TAKEN TO THIS END SHOULD BE INTENSIFIED SO AS TO PROMOTE PEACE AND SECURITY, ECONOMIC AND SOCIAL JUSTICE AND HARMONY AMONG RACES.

6. THE REDUCTION OF CONTINUING UNACCEPTABLE ECONOMIC DISPARITIES, THE SHIFTING BALANCE OF POLITICAL AND ECONOMIC POWER AND COLONIALISM AND RACIALISM IN SOUTHERN AFRICA WERE THE MAIN PREOCCUPATIONS OF HEADS OF GOVERNMENT IN THEIR DISCUSSIONS.

7. HEADS OF GOVERNMENT RECALLED THE STATEMENT IN THE DECLARATION OF COMMONWEALTH PRINCIPLES: ''WE BELIEVE THAT THE WIDE DISPARITIES IN WEALTH NOW EXISTING BETWEEN DIFFERENT SECTION OF MANKIND ARE TOO GREAT TO BE TOLERATED'' AND PLEDGED THEMSELVES TO DO ALL IN THEIR POWER TO PROMOTE A NEW AND EQUITABLE ECONOMIC ORDER.

WORLD AND COMMONWEALTH TRENDS.

8. HEADS OF GOVERNMENT REVIEWED POLITICAL DEVELOPMENTS IN THE WORLD WHICH HAD OCCURRED SINCE THEY LAST MET, IN THE LIGHT OF THE VARIED INTERESTS AND CONCERNS OF MEMBER COUNTRIES. THEY ACKNOWLEDGED THE CONTRIBUTION OF THE SPIRIT OF DETENTE TO A MEASURE OF RELAXATION IN INTERNATIONAL TENSIONS AND CALLED FOR ITS UNIVERSAL APPLICATION. THEY NOTED, HOWEVER, THAT THERE WERE SOME CRISIS AREAS IN THE WORLD WHERE PEACE AND STABILITY WERE NOT YET SECURED AND WHICH WERE STILL SUBJECT TO SUPER POWER RIVALRY AND INTERFERENCE. THEY STRESSED THAT THE MAINTENANCE OF PEACE AND STABILITY COULD NOT BE LEFT TO ARRANGEMENTS BETWEEN THE SUPER POWERS BUT WAS THE RESPONSIBILITY OF THE ENTIRE INTERNATIONAL COMMUNITY. HEADS OF GOVERNMENT LAID PARTICULAR EMPHASIS ON THE OPPORTUNITIES FOR THE COMMONWEALTH TO MAKE A CONSTRUCTIVE CONTRIBUTION TO THE PROBLEMS OF SOUTHERN AFRICA AND UNDERLINED THE SPECIAL RESPONSIBILITY OF COMMONWEALTH MEMBER COUNTRIES TO WORK TOGETHER IN THE SEARCH FOR A RESOLUTION OF THE SITUATION IN RHODESIA.

DISARMAMENT /9.

9. HEADS OF GOVERNMENT EXPRESSED THEIR CONCERN AT THE CONTINUED TESTING AND PROLIFERATION OF NUCLEAR WEAPONS AND REAFFIRMED THE NEED FOR URGENT MEASURES TO FACILITATE A COMPREHENSIVE BAN ON ALL NUCLEAR WEAPONS TESTS AS ONE ESSENTIAL STEP TOWARDS GENERAL AND COMPLETE DISARMAMENT UNDER EFFECTIVE INTERNATIONAL CONTROL.

CYPRUS

10. HEADS OF GOVERNMENT, DEEPLY CONCERNED OVER THE CONTINUATION OF THE CYPRUS CRISIS, EXPRESSED THEIR SOLIDARITY WITH THE GOVERNMENT OF THE REPUBLIC OF CYPRUS AND THEIR DETERMINATION TO HELP IN THE ACHIEVEMENT OF A POLITICAL SETTLEMENT BASED ON THE INDEPENDENCE, SOVEREIGNTY, TERRITORIAL INTEGRITY AND NON-ALIGNMENT OF THE REPUBLIC OF CYPRUS. THEY REAFFIRMED THEIR SUPPORT FOR GENERAL ASSEMBLY RESOLUTION 3212 (XXIX) AND SECURITY COUNCIL'S RESOLUTIONS 365 (1974) AND 367 (1975) AND IN PARTICULAR THEY CALLED FOR THE SPEEDY WITHDRAWAL OF ALL FOREIGN ARMED FORCES FROM THE REPUBLIC OF CYPRUS, FOR THE TAKING OF URGENT MEASURES FOR THE RETURN OF ALL THE REFUGEES TO THEIR HOMES IN SAFETY AND FOR CONTINUED EFFORTS THROUGH THE INTERCOMMUNAL TALKS TO REACH FREELY A MUTUALLY ACCEPTABLE POLITICAL SETTLEMENT. THEY NOTED THE SPIRIT OF GOOD WILL WITH WHICH THE GOVERNMENT OF CYPRUS APPROACHED THE RESUMPTION OF THE INTERCOMMUNAL TALKS UNDER THE PERSONAL AUSPICES AND DIRECTION OF THE SECRETARY-GENERAL OF THE UNITED NATIONS AND EXPRESSED THE HOPE THAT THESE WOULD BE FRUITFUL.

11. HEADS OF GOVERNMENT, AS A CONCRETE EXPRESSION OF THEIR INTEREST AND CONCERN FOR A FELLOW COMMONWEALTH COUNTRY, AGREED TO ESTABLISH A COMMITTEE CONSISTING OF REPRESENTATIVES OF THE GOVERNMENTS OF AUSTRALIA, BRITAIN, GUYANA, INDIA, KENYA, MALTA, NIGERIA AND ZAMBIA TO MEET WITH THE COMMONWEALTH SECRETARY-GENERAL AS EARLY AS POSSIBLE, TO FOLLOW DEVELOPMENTS CONCERNING CYPRUS, MAKE RECOMMENDATIONS AND ASSIST IN EVERY POSSIBLE WAY TOWARDS THE EARLY IMPLEMENTATION OF THE ABOVE-MENTIONED UNITED NATIONS RESOLUTIONS.

MIDDLE EAST.

12. HEADS OF GOVERNMENT EXPRESSED CONCERN AT THE RENEWED DANGER OF CONFLICT IN THE MIDDLE EAST. THEY RE-EMPHASIZED THE NEED FOR THE ESTABLISHMENT OF A DURABLE PEACE IN THE AREA AS A MATTER OR URGENCY AND URGED ALL PARTIES TO RENEW THEIR EFFORTS TO ACHIEVE THIS OBJECTIVE. TO THIS END HEADS OF GOVERNMENT AFFIRMED THEIR SUPPORT FOR THE RELEVANT UN RESOLUTIONS ON THE MIDDLE EAST AND THEIR BELIEF THAT TO ENSURE SUCCESS IT WAS NECESSARY THAT THE AUTHENTIC AND LEGITIMATE REPRESENTATIVES OF THE PALESTINIAN PEOPLE PARTICIPATE IN THE FORTHCOMING PEACE NEGOTIATIONS IN GENEVA.

/INDIAN OCEAN

INDIAN OCEAN.

13. NOTING THAT THE INDIAN OCEAN WAS A REGION OF SPECIAL INTEREST TO A SIGNIFICANT NUMBER OF COMMONWEALTH COUNTRIES, HEADS OF GOVERNMENT RE-AFFIRMED THE DESIRABILITY OF ENSURING THAT IT REMAINED AN AREA OF PEACE AND STABILITY. SERIOUS CONCERN WAS EXPRESSED ABOUT THE INCREASE IN NAVAL ACTIVITY IN THE INDIAN OCEAN AREA ON THE PART OF THE GREAT POWERS AND THE ESTABLISHMENT AND EXPANSION THERE OF MILITARY INSTALLATIONS. HEADS OF GOVERNMENT CALLED UPON ALL NATIONS AND PARTICULARLY THE GREAT POWERS MOST DIRECTLY CONCERNED TO WORK TOWARDS THE IMPLEMENTATION OF THE RESOLUTIONS OF THE UNITED NATIONS DECLARING THE INDIAN OCEAN A ZONE OF PEACE.

SOUTH ASIA

14. THE HEADS OF GOVERNMENT NOTED THAT POSITIVE STEPS HAD BEEN TAKEN IN THE PROCESS OF NORMALISATION AMONG THE COUNTRIES OF THE SOUTH ASIAN SUB-CONTINENT. HOWEVER, THEY EXPRESSED THEIR GRAVE CONCERN AT THE IMPEDIMENT TO NORMALISATION OF RELATIONS POSED BY CERTAIN OUTSTANDING PROBLEMS RESULTING IN THE AGGRAVATION OF ECONOMIC HARDSHIP AND THE RETARDATION OF THE PROCESS OF NATIONAL RECONSTRUCTION IN BANGLADESH. THESE PROBLEMS INCLUDE THE REPATRIATION OF NATIONALS AND THE SHARING OF ASSETS. HEADS OF GOVERNMENT EXPRESSED THE HOPE THAT THE PROBLEMS WILL BE RESOLVED EXPEDITIOUSLY AND SATISFACTORILY THROUGH DISCUSSIONS AMONG THE COUNTRIES CONCERNED IN THE LARGER INTEREST OF PEACE AND STABILITY IN THE REGION.

INDO-CHINA.

15. HEADS OF GOVERNMENT WELCOMED THE END OF THE PROLONGED WAR IN INDO-CHINA, URGED COUNTRIES IN A POSITION TO DO SO TO CONTRIBUTE TO INTERNATIONAL ASSISTANCE FOR THE URGENT TASKS OF REHABILITATION AND RECONSTRUCTION AND LOOKED FORWARD TO THE NEW GOVERNMENTS OF THE REGION PLAYING THEIR FULL PART IN THE COMMUNITY OF NATIONS.

THE CARIBBEAN.

16. HEADS OF GOVERNMENT STRONGLY REAFFIRMED THE RIGHT OF PEOPLE IN EACH COUNTRY TO CHOOSE THE FORM OF GOVERNMENT WHICH THEY CONSIDERED BEST ABLE TO ACHIEVE THEIR SOCIAL, ECONOMIC AND POLITICAL GOALS.

/BELIZE

BELIZE

HEADS OF GOVERNMENT OFFERED THEIR FULL SUPPORT FOR THE ASPIRATIONS OF THE PEOPLE OF BELIZE FOR EARLY INDEPENDENCE. NOTING THAT TALKS HAD RECENTLY BEEN RESUMED WITH GUATEMALA, AND BEARING IN MIND THE SPECIAL RESPONSIBILITIES OF BRITAIN AS THE ADMINISTERING POWER, HEADS OF GOVERNMENT URGED THE PARTIES TO TAKE ALL NECESSARY ACTION FOR A SPEEDY SOLUTION OF THE PROBLEM, WHICH COULD BE ENDORSED BY THE INTERNATIONAL COMMUNITY THROUGH THE UNITED NATIONS, IN ACCORDANCE WITH THE PRINCIPLE OF THE SELF-DETERMINATION OF PEOPLES AS ENSHRINED IN THE CHARTER OF THE UNITED NATIONS.

CUBA.

HEADS OF GOVERNMENT EXPRESSED THE HOPE THAT ALL COUNTRIES WOULD NOW NORMALISE THEIR RELATIONS WITH CUBA AND RESPECT THE SOVEREIGNTY AND TERRITORIAL INTEGRITY OF THE STATE AND THE RIGHT OF ITS PEOPLE TO THE GOVERNMENT OF THEIR CHOICE.

SOUTHERN AFRICA.

17. HEADS OF GOVERNMENT HAD A THOROUGH AND CONSTRUCTIVE DISCUSSION OF THE CHANGING SITUATION IN SOUTHERN AFRICA AND ITS IMPLICATIONS FOR THE COMMONWEALTH. THEY CONSIDERED THAT THE IMMINENT INDEPENDENCE OF MOZAMBIQUE AND ANGOLA HAD RADICALLY ALTERED THE BALANCE OF FORCES IN THE AREA AND TRIBUTES WERE PAID TO THE PIBERATION MOVEMENTS WHO HAD CONTRIBUTED SO DECISIVELY TO THIS RESULT.

18. HEAD OF GOVERNMENT RE-EMPHASIZED THAT THE OBJECTIVE FOR RHODESIA WAS INDEPENDENCE ON THE BASIS OF MAJORITY RULE. THEY WELCOMED THE INITIATIVES TAKEN BY THE HEADS OF GOVERNMENT OF BOTSWANA, TANZANIA AND ZAMBIA AND THE PRESIDENT OF FRELIMO TO ACHIEVE THIS OBJECTIVE BY PEACEFUL MEANS IF POSSIBLE. THE HEADS OF GOVERNMENT, MEETING INFORMALLY, HEARD A STATEMENT BY BISHOP MUZOREWA, PRESIDENT OF THE AFRICAN NATIONAL COUNCIL. THE MEETING NOTED THAT THE NATIONALIST MOVEMENT NOW UNITED IN THE AFRICAN NATIONAL COUNCIL WAS SEEKING WITH SINCERITY AND DETERMINATION THE BASIS FOR AN AGREED SETTLEMENT.

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19. HEADS OF GOVERNMENT REAFFIRMED THEIR TOTAL SUPPORT FOR THE STRUGGLE OF THE PEOPLE OF ZIMBABWE FOR INDEPENDENCE ON THE BASIS OF MAJORITY RULE AND PLEDGED TO CONCERT THEIR EFFORTS FOR THE SPEEDY ATTAINMENT OF THIS OBJECTIVE. THEY TOOK NOTE OF THE DETERMINATION OF THE AFRICAN FREEDOM FIGHTERS, SUPPORTED BY AFRICAN AND OTHER STATES, TO ACHIEVE THEIR OBJECTIVE BY PEACEFUL MEANS IF POSSIBLE AND RECOGNISED THE INEVITABILITY OF INTENSIFIED ARMED STRUGGLE SHOULD PEACEFUL AVENUES BE BLOCKED BY THE RACIST AND ILLEGAL REGIME. THE MORAL RESPONSIBILITIES IN THOS CIRCUMSTANCES WOULD LIE WITH THENMINORITY GOVERNMENT AND THOSE WHO HAD CHOSEN TO SUSTAIN IT.

20. THE MEETING NOTED THAT SOUTH AFRICA CONTINUES TO SUPPORT THE REBEL GOVERNMENT BY AFFORDING IT THE MILITARY AND ECONOMIC ASSISTANCE ON WHICH ITS SURVIVAL DEPENDS AND REAFFIRMED THEIR VIEW THAT SOUTH AFRICA SHOULD FULFIL ITS INTERNATIONAL OBLIGATIONS AND STRICTLY APPLY THE UNITED NATIONS MANDATORY SANCTIONS AND WITHDRAW ITS FORCES FROM RHODESIA.

21. IT WAS AGREED THAT THE PROSPECTS FOR A SETTLEMENT WOULD BE GREATLY ENHANCED BY THE STRICT ENFORCEMENT OF SANCTIONS BY THE INTERNATIONAL COMMUNITY AS A WHOLE. HEADS OF GOVERNMENT UNDERTOOK TO BRING THIS CONSIDERATION TO THE ATTENTION OF GOVERNMENTS OUTSIDE THE COMMONWEALTH IN RENEWED REPRESENTATIONS WHERE A BREACH OF SANCTIONS WAS KNOWN TO HAVE OCCURRED. THEY ALSO AGREED TO TAKE ACTION AT THE INTERNATIONAL LEVEL FOR THE REINFORCEMENT AND EXTENSION OF SANCTIONS.

22. IN CONSIDERING THE RECOMMENDATIONS OF THE COMMONWEALTH SANCTIONS COMMITTEE, AND AUTHORISING THE COMMITTEE TO CONTINUE ITS WORK, HEADS OF GOVERNMENT EMPHASISED THE IMPORTANCE OF TAKING IMMEDIATENPRACTICAL STEPS TO ASSIST AN INDEPENDENT MOZAMBIQUE IN APPLYING SANCTIONS SINCE THE GREAT BULK OF RHODESIA'S EXPORTS AND IMPORTS IS DEPENDENT ON MOZAMBIQUE'S TRANSIT FACILITIES. THEY WERE UNANIMOUSLY IN FAVOUR OF PROVIDING IMMEDIATE FINANCIAL ASSISTANCE TO THE NEW GOVERNMENT OF MOZAMBIQUE. THEY ALSO ENDORSED THE RECOMMENDATION THAT AN INITIATIVE SHOULD BE TAKEN BY COMMONWEALTH GOVERNMENTS AT THE UNITED NATIONS TO ESTABLISH A PROGRAMME OF ASSISTANCE FOR MOZAMBIQUE IN TERMS OF ARCTICLES 49 AND 50 OF THE CHARTER.

/23.

23. HEADS OF GOVERNMENT WERE DEEPLY CONCERNED THAT SOUTH AFRICA CONTINUES TO OCCUPY NAMIBIA ILLEGALLY IN TOTAL DISREGARD OF THE RESOLUTIONS OF THE GENERAL ASSEMBLY AND THE SECURITY COUNCIL AND THE ADVISORY OPINION OF THENINTERNATIONAL COURT OF JUSTICE OF JUNE 1971, AND IN DEFIANCE OF WORLD OPINION. REAFFIRMING THAT THE FRAGMENTATION OF NAMIBIA WAS UNACCEPTABLE, THEY RECALLED THE OBLIGATION OF THE INTERNATIONAL COMMUNITY TO MAINTAIN THE TERRITORIAL INTEGRITY OF THE TERRITORY AND THE RIGHT OF ITS PEOPLE TO SELF-DETERMINATION AND INDEPENDENCE.

24. THE MEETING LOOKED FORWARD TO THE TIME WHEN THE GOVERNMENT AND PEOPLE OF NAMIBIA MIGHT BE WELCOMED INTO THE COMMONWEALTH, IF THAT WERE THEIR WISH.

25. HEADS OF GOVERNMENT REAFFIRMED THEIR TOTAL AND UNEQIVOCAL CONDEMNATION OF APARTHEID AND ALL FORMS OF RACIALISM. THEY WELCOMED THE BRITISH GOVERNMENT'S DECISION TO COMPLY STRICTLY WITH THE UNITED NATIONS EMBARGO ON THE SALE OF ARMS TO SOUTH AFRICA AND TO TERMINATE THE SIMONSTOWN AGREEMENT. THEY CONDEMNED THE VIOLATION OF THE EMBARGO BY THOSE COUNTRIES WHICH CONTINUE TO SUPPLY ARMS TO SOUTH AFRICA OR ENABLE THEM TO BE MANUFACTURED IN THAT COUNTRY. NOTING THE ALARMING INCREASE IN SOUTH AFRICA'S DEFENCE EXPENDITURE, HEADS OF GOVERNMENT EXPRESSED THEIR CONCERN THAT THIS MILITARY BUILD-UP WAS BOUND TO INCREASE TENSION IN AN AREA ALREADY PLAGUED BY DANGEROUS CONFLICT. HEADS OF GOVERNMENT ALSO AGREED TO MAINTAIN AND INTENSIFY EFFECTIVE PRESSURE ON SOUTH AFRICA IN THE STRUGGLE FOR THE ELIMINATION OF APARTHEID.

26. HEADS OF GOVERNMENT REITERATED THEIR SUPPORT FOR HUMANITARIAN ASSISTANCE TO THE INDIGENOUS PEOPLE OF SOUTHERN AFRICA IN THEIR EFFORTS TO ACHIEVE SELF-DETERMINATION AND INDEPENDENCE. SEVERAL HAEDS OF GOVERNMENT DESCRIBED THEIR CONTRIBUTIONS TO VARIOUS BILATERAL AND MULTILATERAL PROGRAMMES AND INDICATED THEIR INTENTION TO INCREASE SUCH ASSISTANCE. THE MEETING ALSO NOTED WITH APPROVAL THE DEVELOPMENT OF THE SPECIAL COMMONWEALTH PROGRAMME FOR ASSISTING THE EDUCATION OF RHODESIAN AFRICANS AND INDICATED THEIR DESIRE TO EXPAND THIS PROGRAMME TO MEET NEWNAND URGENT NEEDS. IN PARTICULAR, HEADS OF GOVERNMENT RECOGNISED THE IMPORTANCE OF EXTENDING THE VARIETY OF EDUCATION AND TRAINING OPPORTUNITIES AVAILABLE TO THE PEOPLE OF ZIMBABWE, WITH SPECIAL EMPHASIS ON TECHNUCAL AND INDUSTRIAL TRAINING, QUOTE IN SERVICE UNQUOTE EXPERIENCE AND ADMINISTRATIVE TRAINING. IT WAS ALSO AGREED THAT COMMONWEALTH MULTILATERAL ASSISTANCE SHOULD BE MADE AVAILABLE TO HELP IN THE DEVELOPMENTAL AND TRAINING NEEDS OF THE PEOPLE OF NAMIBIA.

/ECONOMIC MATTERS

ECONOMIC MATTERS.

27. COMMONWEALTH HEADS OF GOVERNEMNT RECOGNISED THE NEED TO TAKE IMMEDIATE STEPS TOWARDS THE CREATION OF A RATIONAL AND EQUITABLE NEW INTERNATIONAL ECONOMIC ORDER. THEY REAFFIRMED THE STATEMENT INCLUDED IN THE COMMONWEALTH DECLARATION ADOPTED IN SINGAPORE IN 1971 THAT QUOTE THE WIDE DISPARITIES OF WEALTH NOW EXISTING BETWEEN DIFFERENT SECTIONS OF MANKIND ARE TOO GREAT TO BE TOLERATED..... OUR AIM IS THEIR PROGRESSIVE REMOVAL UNQUOTE, AND ACKNOWLEDGE THE COMPLEXITY, RANGE AND INTER-RELATED NATURE OF THE ISSUES INVOLVED. THEY AGREED THAT A SMALL GROUP OF EXPERTS SHOULD BE INVITED TO DRAW UP FOR CONSIDERATION BY COMMONWEALTH GOVERNMENTS, IN THE CONTEXT OF THE CURRENT INTERNATIONAL DIALOGUE, A COMPREHENSIVE AND INTER-RELATED PROGRAMME OF PRACTICAL MEASURES DIRECTED AT CLOSING THE GAP BETWEEN THE RICH AND THE POOR COUNTRIES. THESE MEASURES WOULD BE DESIGNED TO PROMOTE DEVELOPMENT AND TO INCREASE THE TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES INTER ALIA IN THE AREAS OF PRODUCTION, DISTRIBUTION AND EXCHANGE OF PRIMARY AND SECONDARY PRODUCTS AS WELL AS SERVICES. HEADS OF GOVERNMENT RECOGNISED THE IMPORTANCE IN THIS CONTEXT OF CO-OPERATING TO ACHIEVE AN EXPANDING WORLD ECONOMY AND WORLD TRADE.

28. THE GROUP OF EXPERTS SHOULD BE SELECTED FROM THE COMMONWEALTH ON THE BAIS OF THEIR PERSONAL CAPACITIES AND THEIR EXPERT KNOWLEDGE OF CONTEMPRARY PROBLEMS OF INTERNATIONAL ECONOMIC DEVELOPMENT, AND SHOULD BE ASSEMBLED IN A WAY WHICH WOULD ENABLE THE PERSPECTIVES OF DIFFERENT REGIONS OF THE COMMONWEALTH AND DIFFERENT NATIONAL DEVELOPMENT STRATEGIES TO BE BROUGHT TO BEAR ON THE PROBLEMS CONCERNED.

29. THE GROUP OF EXPERTS SHOULD ADDRESS ITSELF TO THE ISSUES AND PROPOSALS ELABORATED IN:

I. THE DECLARATION AND THE PROGRAMME OF ACTION ON THE ESTABLISHMENT OF A NEW INTERNATIONAL ECONOMIC ORDER AS ADOPTED BY THE UNITED NATIONS GENERAL ASSEMBLY: AND

II. THE RELEVANT PRINCIPLES OF THE COMMONWEALTH DECLARATION ADOPTED IN SINGAPORE IN 1971: AND

III. THE CONCEPTS AND PROPOSALS ADVANCED DURING THE DISCUSSIONS OF THE INTERNATIONAL ECONOMIC SITUATION AT THE KINGSTON MEETING HEADS OF GOVERNMENT INCLUDING THE PRESENTATIONS BY THE GOVERNMENT OF GUYANA ON BEHALF OF THE CARIBBEAN AND THE GOVERNMENT OF BRITAIN.

33. IN DRAWING UP A PROGRAMME OF PRACTICAL MEASURES THE GROUP SHOULD PAY PARTICULAR ATTENTION TO:

I. MEASURES TO TRNASFER REAL RESOURCES FROM DEVELOPED TO DEVELOPING COUNTRIES THROUGH INTERNATIONAL CO-OPERATION IN THE FIELD OF INTERNATIONL TRADE IN PRIMARY COMMODITIES WITH PARTICULAR REFERENCE TO THE INTEGRATED COMMODITIES PROGRAMME RECOMMENDED BY THE SECRETARY-GENERAL OF UNCTAD, CURRENT PROPOSALS OF BUFFER STOCKS, FOR INDEXATION, AND OTHER RELEVANT PROPOSALS, INCLUDING THE PROPOSAL FOR A GENERAL AGREEMENT ON COMMODITIES.

II. MEASURES WHICH THE INTERNATIONAL COMMUNITY CAN INTRODUCE FOR ASSISTING DEVELOPING COUNTRIES -

(A) TO INCREASE FOOD PRODUCTION:

(B) TO PROMOTE RURAL DEVELOPMENT:

(C) TO PROMOTE ECONOMIC CO-OPERATION AMONG THEMSELVES AT THE SUB-REGIONAL, INTRA-REGIONAL AND INTER-REGIONAL LEVELS: AND

(D) A(REVIEW OF EXISTING ORGANISATIONS FOR INDUSTRIAL CO-OPERATION AND DEVELOPMENT.

(E) TO OBTAIN GREATER CONTROL OVER, AND BENEFITS FROM, SUCH ACTIVITIES AS SHIPPING, INSURANCE, BANKING AND OTHER PARTS OF THE INFRASTRUCTURE FOR INTERNATIONAL TRADE AND DEVELOPMENT.

III. PROGRAMMES FOR INDUSTRIALNDEVELOPMENT INVOLVING NEW AND EXPANDED FORMS OF INDUSTRIAL CO-OPERATION, THE ENLARGEMENT OF EMPLOYMENT OPPORTUNITIES IN DEVELOPING COUNTRIES, AND MORE FAVOURABLE ACCESS TO THE MARKETS OF DEVELOPED COUNTRIES:

IV. A REVIEW OF EXISTING ORGANISATIONS FOR INDUSTRIAL CO-OPERATION AND DEVELOPMENT:

V. MECHANISMS FOR INCREASING THE FLOW OF LONG-TERM DEVELOPMENT FUNDS, THE TRANSFER OF TECHNOLOGY AND THENTRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES: AND

VI. REFORM AND WHERE NECESSARY THE RESTRUCTURING OF THE INTERNATIONAL INSTITUTIONS CONCERNED WITH THE MANAGEMENT OF INTERNATIONAL TRADE AND FINANCE, AND WHETHER MEANS COULDNBE FOUND TO INCREASE THE EFFECTIVE SHARE OF THE DEVELOPING COUNTRIES INNTHE DECISION-MAKING PROCESS OF THE MAJOR INTERNATIONAL FINANCIAL INSTITUTIONS.

/IN ALL

IN ALL OF THE ABOVE MATTERS DUE REGARD WOULD BE PAID TO THE SPECIAL NEEDS OF THE LEAST DEVELOPED, LAND-LOCKED, THE MOST SERIOUSLY AFFECTED, AND ISLAND DEVELOPING STATES WITH LIMITED NATURAL RESOURCES.

31. IN DRAWING UP ITS RECOMMENDATIONS THE GROUP OF EXPERTS SHOULD CONSIDER THE FEASIBILITY OF UTILISING RELEVANT CONCEPTS AND MECHANISMS EMBODIED IN RECENT ECONOMIC CO-OPERATION AGREEMENTS BETWEEN CERTAIN DEVELOPED AND DEVELOPING COUNTRIES.

32. THE GROUP OF EXPERS t SHOULD CONSIST OF NOT MORE THAN TEN PERSONS.

33. THE MEMBERS OF THE GROUP SHOULD BE APPOINTED BY THE SECRETARY-GENERAL AFTER CONSULTATION WITH MEMBER GOVERNMENTS.

34. THE GROUP SHOULD AIM AT SUBMITTING TO GOVERNMENTS AN INTERIM REPORT ON THE RESULTS OF ITS WORK INDICATING MEASURES WHICH ARE AMENABLE TONEARLY AND EFFECTIVE IMPLEMENTATIONN IN TIME TO PERMIT DISCUSSION OFNTHIS REPORT AT THE NEXT MEETING OF COMMONWEALTH MINISTERS AND TO ENABLE GOVERNMENTS TO TAKE THIS REPORT INTO ACCOUNT BEFORE THE SEVENTH SPECIAL SESSION OF THE GENERAL ASSEMBLY.

35. IT IS EXPECTED THAT THE GROUP WILL ENDEAVOUR TO HOLD ITS FIRST MEETING BY THE END OF MAY OR EARLY IN JUNE.

36. IT WOULD BE DESIRABLE THAT THE SECRETARY-GENERAL-ELECT SHOULD BENASSOCIATED AT AS EARLY A STAGE AS POSSIBLE WITH THE WORK OF THE GROUP.

37. HEADS OF GOVERNMENT APPOINTED MR ALISTER MCINTYRE, SECRETARY-GENERAL OF THE CARIBBEAN COMMUNITY, CHAIRMAN OF THE EXPERT GROUP.

LOME CONVENTION.

38. HEADS OF GOVERNMENT WELCOMED THE CONCLUSION OF THE LOME CONVENTION DRAWN UP BY THE EUROPEAN ECONOMIC COMMUNITY AND FORTY-SIX COUNTRIES OF AFRICA, THENCARIBBEAN AND THE PACIFIC. THEY WELCOMED THE INCREASED CO-OPERATION WITHIN THE CONVENTION BETWEEN COMMONWEALTH AND NON-COMMONWEALTH COUTRIES IN THESE AREAS. THEY EXPRESSED THE HOPE THAT THE PRINCIPLES UNDERLYING THE LOME CONVENTION COULD USEFULLYN CONTRIBUTENTO THEN FURTHER DEVELOPMENT OF RELATIONS BETWEEN THE EEC AND OTHER INDUSTRIALISED COUNTRIES, ON THE ONE HAND, AND DEVELOPING COUNTRIES, INCLUDING THE ASIAN AND OTHER COMMONWEALTH COUNTRIES, ON THE OTHER.

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39. HEADS OF GOVERNMENT WELCOMED THE VALUABLE SUPPORT WHICH THE SECRETARIAT IS GIVING TO COMMONWEALTH COUNTRIES IN THE MULTILATERAL TRADE NEGOTIATIONS.

FOOD PRODUCTION AND RURAL DEVELOPMENT.

40. HEADS OF GOVERNMENT DISCUSSED THE REPORT OF THE COMMONWEALTH MINISTERIAL MEETING ON FOOD PRODUCTION AND RURAL DEVELOPMENT, HELD IN LONDON IN MARCMN1975. THEY WELCOMED THE OPPORTUNITY IT HAD PROVIDEDNTO CONSIDER IN A COMMONWEALTH SETTING THE PROBLEMS OF THE THREE QUARTERS OF THE POPULATION OF COMMONWEALTH DEVELOPING COUNTRIES WHO LIVE IN RURAL AREAS. HEADS OF GOVERNMENT ENDORSED THE VIEW THAT THE PROBLEMS OF RURAL DEVELOPMENT AND FOOD PRODUCTION SHOULD BE ATTACKED IN AN INTEGRATED MANNER AND SHOULD RECEIVE HIGH PRIORITY FROM INDIVIDUAL GOVERNMENTS AND AID AGENCIES. THEY STRESSED THE NEED FOR AID-PROVIDING AGENCIES TO ADAPTNTHEIR NPRACTICES AND PROGRAMMES TO MEET THE SPECIAL NEEDS OF FOOD PRODUCTION AND RURAL DEVELOPMENT, AND ENDORSED THE PROPOSAL TO ESTABLISH A FOOD PRODUCTION AND RURAL DEVELOPMENT DIVISION WITHIN THE SECRETARIAT. THE NEW DIVISION WOULD ENHANCE THE EFFECTIVENESS OF THE SECRETARIAT'S ALREADY SIGNIFICANT CONTRIBUTION TO THIS SECTOR AND SHOULD BE ESSENTIALLY ACTION-ORIENTED.

41. HEADS OF GOVERNMENT EMPHASISED THE SETBACK TO AGRICULTURAL PRODUCTION WHICH HAS RESULTED FROM SCARCITY AND HIGH PRICES OF FERTILIZER, AND WELCOMED EFFORTS, IN THE COMMONWEALTH AND ELSEWHERE, TO SECURE ADEQUATE SUPPLIES OFNFERTILIZER AT REDUCED COSTS. THEY ALSO CALLED FOR SIMILAR EFFORTS WITH RESPECT TO FARM MACHINERY, FEED STUFFS AND OTHER AGRICULTURAL INPUTS.

DROUGHT AND OTHER NATURAL DISASTER.

42. HEADS OF GOVERNMENT RECOGNISED THE VALUE OF THE COMMONWEALTH AS A FORUM IN WHICH TO CONSULT AND CONCERT BROAD STRATEGIES FOR ACTION IN THE SAHELIAN ZONE OF AFRICA AND IN OTHER NATURAL DISASTER AREAS AND ENDORSED THE RECOMMENDATION OF THE MINISTERIAL MEETING ON FOOD PRODUCTION AND RURAL DEVELOPMENT THAT COMMONWEALTH ACTION SHOULD SUPPLEMENT ACTION TAKEN BY WORLD BODIES. /INDUSTRIAL

INDUSTRIAL DEVELOPMENT CO-OPERATION.

43. IN UNDERLINING THE IMPORTANCE OF INCREASING AGRICULTURAL PRODUCTION, HEADS OF GOVERNMENT STRESSED THE PARALLEL AND RELATED NEED TO ACCELERATE THE DEVELOPMENT OF INDUSTRY AND ENDORSED THE EXPANSION OF INDUSTRIAL CO-OPERATION, PARTICULARLY BETWEEN COMMONWEALTHNCOUNTRIES. IN THIS CONTEXT, THEY STRESSED THE NEED FOR MEASURES TO PROMOTENTHE PROCESSINGNOF PRIMARY COMMODITIES IN THEIR PLACES OF ORIGIN AND THE REMOVAL OF BARRIERS TO TRADE IN PROCESSED PRIMARY COMMODITIES ANDNOTHER MANUFACTURED GOODS.

44. HEADS OF GOVERNMENT STRESSED THEIR CONCERN TO ENSURE THAT THE ACTIVITIES OF MULTINATIONAL CORPORATIONS CONFORM WITH THE POLICIES OF HOST GOVERNMENTS AND THEIRNGOALS FOR AN EQUITABLE REDISTRIBUTION OF WEALTH. THEY NOTED THENWORK DONE ONN MULTINATIONAL CORPORATIONS BY THENCOMMONWEALTH SECRETARIAT AND BY BODIES IN THE UN SYSTEM. THEY AGREED ON THE NEED FOR COUNTRIES TO BUILD UP THEIR CAPABILITIES TO DEAL WITH MULTINATIONAL CORPORATIONS.

DEVLOPMENT ASSISTANCE.

45. HEADS OF GOVENMENT AFFIRMED THE NEED FORNALL COUNTRIES WITH THE CAPACITY TO DO SO, TO MAINTAIN AND, WHEREVER POSSIBLE, INCREASE THENFLOW OF DEVELOPMENT ASSISTANCE TO DEVELOPING COUNTRIES, ESPECIALLY TO THE DEVELOPING COUNTRIES MOST SERIOUSLY AFFECTD BY RECENT ECONOMIC DEVELOPMENTS. THEY SHOULD ALSO PROMOTE THE RAPID INDUSTRIALIZATIONNOF DEVELOPING COUNTRIES.

COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION.

46., HEADS OF GOVERNMENT REAFFIRMED THEIR CONVICTION THAT MUTUAL HELPNAND SHAREDNRESPONSIBILITY WERE ESSENTIAL ELEMENTS IN COMMONWEALTH CO-OPERATION. THEY EXPRESSED SATISFACTION AT THE EXPANSION OF THE COMMONWEALTH FUND FOR TECHNICAL CO-OPERATION IN THE FOUR YEARS SINCE ITS ESTABLISHMENT, NOTED WITH APPROVAL ITS FLEXIBILITY AND ITSNCAPACITYNTO RESPOND QUICKLY TO THE REQUESTS OF MEMBER COUNTRIES AND COMMENTED FAVOURABLY ON ITS SUCCESSFUL MANAGEMENT.

47. RECOGNISING THE NEED FOR THE FUND'S RESOURCES TO KEEP NPACE WITH THE EXPANDING REQUIREMENTS OF COMMONWEALTH GOVERNMENTS, HEADS OF GOVERNMENT NOTED WITH APPRECIATION THE STEADY GROWTH IN SUPPORT FOR THENFUND AND WELCOMED THE SUBSTANTIALLY INCREASEDNPLEDGES MADE BY DEVELOPED AND DEVELOPING MEMBER COUNTRIES . THEY NOTED THE INTENTION EXPRESSED BY A NUMBER OF GOVERNMENTS TO INCREASE THEIR CONTRIBUTION AND HOPED THAT FURTHER INCREASES WOULD BE FORTHCOMING. /COMMONWEALTH

COMMONWEALTH INVESTMENT BANK.

48. HEADS OFNGOVERNMENT NOTED THE STUDIES ORGANISED BY THE SECRETARY-GENERAL AT THE REQUESTNOF THE 1974 MEETING OF COMMONWEALTH FINANCE MINISTERS, ON THE FINANCIAL FEASIBILITYNAND THE NEED FOR THE SERVICES OF A COMMONWEALTH INVESTMENT BANK ALONGNTHE LINES PROPOSED BY A COMMONWELTH EXPERT GROUP. THEY CONCLUDED THAT A NUMBER OF ISSUES STILL REQUIRED DISCUSSION BEFORE THE PROPOSAL COULD BE PUT TO GOVERNMENTS FOR A FINAL DECISION. THEY REQUESTED THE SECRETARY-GENERAL TO CONVENE A COMMITTEE OF COMMONWEALTH OFFICIALS TO PREPARE A DETAILED AND SPECIFIC PROPOSAL, ADDRESSING ITSELF TO THE UNRESOLVED ISSUES WHICH MUST BE FACED IF SUCHNAN INSTITUTION IS TO BE SET UP. THIS COMMITTEE SHOULD REPORT TO THE NEXT MEETING OF COMMONWEALTH FINANCE MINISTERS.

COMMONWEALTH SCIENTIFIC COMMITTEE.

49. NOTING THE CRUCIAL IMPORTANCE OF SCIENCE AND TECHNOLOGY IN PROMOTING SOCIAL AND ECONOMICNDEVELOPMENT, HEADS OF GOVERNMENT WELCOMED THE PROPOSAL OF THE COMMONWEALTH SCIENTIFIC COMMITTEENFOR ANNENLARGED PROGRAMME OF SCIENTIFIC AND TECHNOLOGICAL CO-OPERATION AMONG COMMONWEALTH MEMBERS ANDNFOR THE CLOSER INTEGRATION OF ITS ACTIVITIES WITHIN THE SECRETARIAT. THEY EXPRESSED THE VIEW THAT ATTENTION SHOULD BE GIVEN TO ENVIROMENTAL ASPECTS IN THE ENLARGEDNPROGRAMME.

COMMONWEALTH YOUTH PROGRAMME.

50. RECOGNISING THAT THE POPULATIONS OF ALLNCOMMONWEALTH COUNTRIES INCLUDED ANSIGNIFICANT ANDNINCREASING NUMBER OF YOUNG PEOPLE WHOSE TALENTS AND PTENTIAL OUGHT TO BE FULLY UTILISED IN MEETING THE DEVELOPMENTAL CHANLLENGES OF THEIR COMMUNITIES AND NATIONS, HEADS OF GOVERNMENT NOTED WITH SATISFACTION THE PROGRESS WHICH HAD BEEN MADE IN THE SHORT TIME SINCE THE ESTABLISHMENT OF THE COMMONWEALTH YOUTH PROGRAMME AND AGREED THAT THE PROGRAMME SHOULD BE EXTENDED BEYOND 1976.

/BRAIN DRAIN

BRAIN DRAIN.

51. HEADS OF GOVERNMENT ACKNOWLEDGED THE CONCERN EXPRESSED OVER THE PROBLEMS ASSOCIATED WITH THE BRAIN DRAIN AND AGREED THAT THERE WAS AN URGENT NEED FOR PRACTICAL MEASURES TO REDUCE THESE DIFFICULTIES BEING EXPERIENCED. THE SPECIFIC PROPOSAL FOR THE ESTABLISHMENT OFNA VOLUNTEER CORPS WAS CONSIDERED AND THE SECRETARY-GENERAL WAS ASKED TO UNDERTAKE A DETAILED STUDY FOR THE CONSIDERATION OF COMMONWEALTH GOVERNMENTF.

WOMEN IN PUBLIC AFFAIRS.

52. WHILE RECOGNISING THAT THERE WAS INCREASINGNPARTICIPATION BYNWOMEN IN THE NATIONALNAFFAIRS OF MANY COMMONWEALTH COUNTRIES, HEADSNOF GOVERNMENT EMPHASIZED THE NEED TO FOCUS GREATER ATTENTION ON THE RIGHTS OF WOMEN TO ENSURE THE AVAILABILITY OF OPPORTUN TIES FOR THEM TO PARTICIPATE ON A BASIF OF FULL EQUALITY IN THE POLITICAL , ECONOMIC, SOCIAL AND CULTURAL ACTIVITIES OF THEIR COUNTRIES. AS FAR AS POSSIBLENEXISTING AND FUTURE COMMONWEALTH PROGRAMMES SHOULD TAKE INTO ACCOUNT THE NEEDS AND ASPIRATIONSNOF WOMEN AND GENUINE EFFORTS SHOULD BENMADE TO PROVIDE FOR THEIR FULLNPARTICIPATION IN NATIONAL AND INTERNATIONAL AFFAIRS.

COMMONWEALTH FOUNDATION.

53. HEADS OF GOVERNMENT EXPRESSED APPRECIATION OF THE ACHIEVEMENTS AND PROGRESS OF THE COMMONWEALTH FOUNDATION WHICH THEY REGARDED AS HAVING AN IMPORTANTNROLE TO PLAY IN STRENGTHENING PROFESSIONAL CO-OPERATION THROUGHOUT THE COMMONWEALTH AND NOTED THENINCREASED BUDGETARY REQUIREMENTS FOR 1976/79.

REPORT OF THE SECRETARY-GENERAL.

54. HEADSNOF GOVERNMENT TOOK NOTE OF TME FIFTH REPORT OF TME SECRETARY-GENERAL.

ELECTION OF SECRETARY-GENERAL.

55. HEADS OF GOVERNMENT PAID WARM TRIBUTENTO THE SECRETARY-GENERAL, MR ARNOLD SMITH C.H. FOR HISNDISTINGUISHED SERVICE TO THE COMMONWEALTH OVER THE PASTNTEN YEARS AND ELECTED HONOURABLE SHRIDATHNRAMPHAL, FOREIGN MINISTER OF GUYANA, TO SUCCEED HIM.

/NEXT MEETING

NEXT MEETING.

56., HEADS OF GOVERNMENT ACCEPTED WITH PLEASURE AN INVITATION BY THE UNITED KINGDOM GOVERNMENT TO HOLD THEIR NEXT MEETING IN LONDON IN MID-1977 AT THE TIME OF THE CELEBRATIONS OF THE SILVER JUBILEE OFNH.M. THE QUEEN'S ACCESSION AS HEAD OF THE COMMONWEALTH.

Commodities

FOR AGENDA

Secretary - Bank

Room C-120
#3

Mr. Stern
Pending
JWW
3/28

SM/75/68

March 27, 1975

To: Members of the Executive Board

From: The Secretary

Subject: Direct Fund Financing of Buffer Stocks

It is intended to bring the attached paper on direct Fund financing of buffer stocks to the Board's Agenda by the middle of April.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Direct Fund Financing of Buffer Stocks

Prepared by the Research Department

(In consultation with other departments)

Approved by J. J. Polak

March 26, 1975

Introduction

In paragraph 7 of the Press Communique issued on January 16 following the second meeting of the Interim Committee of the Fund, it is stated "that the Executive Directors should be asked to consider possible improvements in the Fund's facilities on the compensatory financing of export fluctuations and the stabilization of prices of primary products and to study the possibility of an amendment of the Articles of Agreement that would permit the Fund to provide assistance directly to international buffer stocks of primary products." This paper is confined to the price stabilization question and focuses on the suggestion for direct Fund assistance to international buffer stocks, since any acceptance of this suggestion would involve an amendment to the Articles which it would be expedient to include as one of the batch of amendments at present being prepared for submission to the Governors of the Fund.

The proposal that worthy buffer stock schemes should be directly financed by the Fund was presented to the Interim Committee by Mr. Ali Wardhana, Minister of Finance of Indonesia, who argued that the usefulness of the buffer stock facility in its present form was limited both because (i) the facility is open only to members having a balance of payments need to draw and (ii) purchases under the buffer stock facility, unlike those under the compensatory financing facility, are not excluded from the computation of gold tranche purchases. If the Fund were in a position to finance buffer stocks by direct lending to buffer stock authorities, these two difficulties which relate to purchases by members would not arise. However, Mr. Wardhana, as well as proposing direct financing, also suggested that the facility should be turned into a "fully floating" one.

This memorandum begins by considering the issues of full floating and balance of payments need, which have already been much discussed in the context of the existing facility, and then proceeds to consider other issues relevant to the question of direct financing of buffer stocks.

1. Previous consideration of full floating and the requirement of need

While direct financing of buffer stock schemes has not been debated heretofore in the Fund, a number of arguments for and against the "fully floating" concept of the buffer stock facility and for and against the abolition or relaxation of the requirement of balance of payments need in connection with that facility have been adduced in previous Fund papers and discussions.1/

a. A fully-floating facility

In favor of permitting drawings in the buffer stock facility to "float" in the gold tranche as well as in the credit tranches, it has been argued that the fact that a member that has not already used its gold tranche will forfeit unconditional drawing rights if it draws under the buffer stock facility discriminates against that facility as compared with the compensatory financing facility and that it not only might deter members from using the former facility but has already deterred some members from using it to finance contributions to the tin buffer stock. On the other hand, it has been pointed out that since the buffer stock facility floats in the credit tranches its failure to float in the gold tranche does not entail any diminution in a member's total access to tranche facilities in the Fund; in effect, a member that draws on the facility in the gold tranche obtains a corresponding increase in its access to Fund resources under first credit tranche conditions.

In his summing up of the Executive Board discussion of June 29, 1973 on compensatory financing and buffer stock financing, as transmitted to the Deputies of the Committee of Twenty,2/ the Managing Director reported that there was considerable support for the proposal that the Articles of Agreement be revised as part of the reform exercise to permit buffer stock financing drawings to float in the gold tranche. It should be noted that under Article XXX(c) of the comprehensive draft amendment of the Articles of Agreement prepared by the Legal Department3/ it is proposed that the Fund, by an 85 per cent majority of the total voting power, may exclude from the definition of a reserve tranche purchase purchases and holdings under policies on the use of its resources other than for compensatory financing.

1/ See, in particular, the memorandum by Mr. Choi Siew Hong to the fifth meeting of the Deputies of the Committee of Twenty (C/XX/DEP/Doc/73/48), the staff paper "Possible Changes in Fund Arrangements for Compensatory Financing of Export Fluctuations and Buffer Stock Financing" (SM/73/146), the minutes of Executive Board Meeting 73/66 of June 29, 1973, including the statement by Mr. Hanh, and the memorandum by Mr. Wardhana "Possible Improvements in the Existing Fund Facilities Relating to Primary Producers" (ICMS/75/6).

2/ C/XX/DEP/Doc/73/71.

3/ DAA/75/2, page 92.

b. Elimination of the requirement of need

The proposition that purchases to finance buffer stock contributions should be relieved of the requirement that the purchaser should have a balance of payments need has up to now failed to win widespread acceptance. The main arguments in its favor have been that since the object of the buffer stock facility is rather to avert future payments needs than to offset present needs and that since wider recourse to buffer stocking would confer benefits on producers and consumers alike, it would be inappropriate to apply a needs test to drawings related to it. It is implied that the constraint involved in such a test creates problems for some countries in participating in buffer stock schemes. This might be particularly important for schemes where joint financing by consuming as well as producing countries was envisaged.

As against this, it has been argued that the balance of payments needs test is basic to the operation of the General Account, that there is no evidence that the channeling of Fund assistance through member countries, even subject to a balance of payments test, has impeded the setting up of buffer stocks when they would otherwise have been appropriate, that the incentive provided by the removal of this requirement may not be great in the case of a country in a strong payments position, and that to set aside the requirement would incur the danger of a misuse of Fund resources. The staff paper SM/73/146 did, however, suggest a more flexible interpretation of the requirement in the case of buffer stock drawings by allowing drawings up to a year after the member's contribution to the buffer stock scheme to be classified under the facility to the extent that the payments difficulties experienced at the time of the drawing could be attributed to the "freezing" of a part of the member's resources in the buffer stock account. In his summing up of the Executive Board discussion of June 29, 1973, as forwarded to the Deputies of the Committee of Twenty, the Managing Director said that while the suggestion that the Articles of Agreement be amended to permit the setting aside of the balance of payments need requirement for buffer stock drawings was not generally considered to be acceptable, there was some support for the more flexible interpretation of that requirement suggested by the staff.

2. Direct lending by the Fund to a buffer stock facility

The problems that might be raised by any direct Fund lending to buffer stock authorities are not exhausted by the two considerations, discussed above, which have been those most emphasized by proponents of the scheme.

a. Risk of the Fund

Thus, in the staff memorandum SM/73/146, the point was made that "direct lending to commodity councils, besides involving greater risks for the Fund, might involve the Fund in the affairs of these councils to a greater extent than would be compatible with the Fund's area of responsibility." It is possible, however, to conceive of arrangements, involving guarantees by members of the Fund that are producers or consumers of the commodity in question, which would relieve the Fund to a large extent of the risks in question, and would thereby relieve the Fund of the necessity for any closer scrutiny of buffer stock schemes than is involved in present arrangements under the buffer stock financing facility.

b. Timing of repayment

A related question, raised towards the end of Mr. Ali Wardhana's memorandum, concerns the timing of repayment. If repayment of loans to commodity councils were geared to the running down of buffer stocks previously accumulated, or were left to a decision of the council itself, the timing of repayment would be dependent not only on market developments but also on the policy of the commodity council with respect to selling prices, export restrictions, etc., and might in some circumstances be long delayed. At present, a member's drawings under the buffer stock financing facility have to be repaid within a period of three to five years or when the buffer stock repays contributions to the member, whichever is the earlier. It would not seem appropriate that any direct lending by the Fund to commodity councils should be exempt from the general principle that use of the Fund resource should be temporary; this could be safeguarded if the councils, like members, were required to repay over a three to five year period, and if the member country guarantees were to be applicable to repayment according to such a repayment schedule.

c. Quantitative limits

Drawings under the buffer stock financing facility may not exceed 50 per cent of quota, and drawings under the compensatory financing facility and the buffer stock facility taken together may not exceed 75 per cent of quota. It has been suggested that these limits should be extended to 75 per cent of quota and 100 per cent of quota, respectively.1/ In his summary of the Executive Board meeting of June 29, 1973, however, the Managing Director reported that the suggestion that the limit of 50 per cent of quota for buffer stock financing drawings be increased appeared to find little favor among Executive Directors. If it were desired to subject direct buffer stock financing to quantitative limits analogous to those applicable to the present facility, this could easily be done by providing that member guarantees of buffer stock loans would be accepted only up to 50 per cent of the guarantor's quota, and that the sum of a member's compensatory financing drawings and of any guarantees it provided for buffer stock loans could not exceed 75 per cent of the member's quota. If this course were not followed and if the amount the Fund was prepared to lend for each particular buffer stock

1/ See C/XX/DEP/Doc/73/48.

scheme had to be determined ad hoc, the Fund might become rather too deeply involved in assessing the merits of particular schemes. However, even if the amounts accepted in guarantee were limited in the manner suggested above, the amount provided for buffer stocking might be greater under direct lending than under the present facility inasmuch as some members, particularly members consuming the commodity in question, that were unable or unwilling to draw under the present facility, possibly because of absence of balance of payments need, might be willing to provide a guarantee for amounts lent directly to a commodity council.

It may be assumed that, under direct lending as under the present facility, the Fund would continue to require that an appropriate part of the initial and operating costs of any particular buffer stock scheme would be met from resources other than those of international financial institutions.

3. <u>Issues for decision at this time</u>

It is not necessary for Executive Directors at this time to arrive at definite conclusions regarding the merits of direct financing of buffer stocks. It is important, however, for Directors to decide whether the potential case for such direct financing is strong enough to warrant the inclusion, in the package of draft amendments now under preparation for submission to the Governors, of an amendment empowering the Fund to engage in it.

One relevant consideration in this connection is the attention paid to raw material issues in other international discussions. The Secretary-General of the UNCTAD presented, on December 9, 1974, a report entitled "An Integrated Programme for Commodities" (TD/B/C.1/166) in which it is suggested, inter alia, that agreements involving international buffer stocking should be negotiated simultaneously over a wide range of commodities, so that the special interest of countries in particular commodities could be an incentive to them to reach agreement on others. A tentative list of 18 stockable commodities is cited, accounting for some 60 per cent of the non-oil exports of developing countries.

One particular feature of the Secretary-General's proposal was that a common fund supported by exporting and importing countries should be created for the financing of these international stocks. The common fund, it is hoped, would be assisted by international financial institutions, such as the Fund and the World Bank, as well as by borrowing from other sources. The stockpiling program envisaged might, it is thought, involve capital resources up to a maximum of $11 billion, although the actual amount likely to be needed might, for a variety of reasons, be much smaller. The Committee on Commodities of the Trade and Development Board of the UNCTAD, at its meeting in February, asked the

Secretary-General to continue to develop his proposals.[1/] It also took note of the planned studies of possible improvements in facilities for compensatory financing of export fluctuations and of the possibility of direct assistance to buffer stocks, and invited the international financial institutions to take into account the proposals made in document TD/B/C.1/166 and its Supplements 2 and 4 which deal, respectively, with the common fund and with compensatory financing.

Although details on the common fund have not as yet been worked out, it seems clear that this approach could raise for the Fund problems beyond those that would arise in connection with Fund lending to individual buffer stocks. For example, even if guarantee features were included analogous to those suggested above for lending to individual buffer stock schemes, lending to a common fund would involve a considerable break with the existing arrangements. The guarantors would not be the producers or consumers in any particular buffer stock scheme, and any incentive that repurchase obligations under the present facility give--and which guarantee obligations arising out of a commodity scheme might also give--to ensure that the scheme is so managed as to promote a balance between stock accumulation and decumulation in the medium term would be lost. More generally, the Fund would not be able, as at present, to make its financial assistance to buffer stocking dependent on observance of the principles set forth in Chapter III, Section 2 and Annex A of Part II of the staff study on "The Problem of Stabilization of Prices of Primary Products," except insofar as such principles might be applicable to the coordinated stocking activities financed by the common fund, taken as a whole.

4. Nature of a possible amendment

If it were felt that an amendment permitting the Fund to engage in direct transactions for the financing of buffer stock operations desirable, it is the opinion of the staff that such an amendment should provide for lending through the General Account rather than for the allotment of special drawing rights to buffer stock authorities as suggested in paragraph 16 of Part II of DAA/74/9, Supplement 1. The latter course would require much more extensive reshaping of existing Articles than would the former, and is doubtfully compatible with the declared purpose of the Special Drawing Account "to meet the need, as and when it arises, for a supplement to existing reserve assets" (Article XXI, Section 1).

The adoption of an amendment permitting direct lending for buffer stocks need not be accompanied by the abolition of the buffer stock facility as at present constituted. There might even be some advantages in leaving open the possibility of providing assistance to some schemes through direct loans to commodity councils and to others through drawings related to buffer stock contributions. It would be necessary

1/ See "UNCTAD--Eighth Session of Committee on Commodities," a report by Fund observers (SM/75/58).

to ensure, however, that the sum of any member's drawings and guarantees for buffer stock purposes should not exceed the relevant limits determined in relation to its quota.

An amendment to permit direct General Account lending to buffer stock agencies might run somewhat as follows:

Article V, Transactions with the Fund

Section _____. Loans to Finance International Buffer Stocks

The Fund may lend the currencies of its members or special drawing rights to international organizations to assist them in establishing or maintaining international buffer stocks of primary products. In considering such lending the Fund shall have regard to its own present and prospective liquidity. The terms and conditions prescribed by the Fund for any loan shall include a requirement that interest and repayment be fully guaranteed by members of the Fund that are also members of the borrowing organization.

SecM75-170

FROM: The Secretary

March 13, 1975

UNCTAD - COMMITTEE ON COMMODITIES

Integrated Programme for Commodities

Attached for information is a report on the meeting of the UNCTAD Committee on Commodities held in Geneva from February 10 to February 21, 1975. The report, which is confined to one of the items on the Committee's agenda, namely an integrated programme for commodities, has been prepared by the observer who attended the meeting on behalf of the Bank. A copy of the statement made by the observer at the same meeting is also attached.

Distribution:

Executive Directors and Alternates
President
Senior Vice President, Operations
Executive Vice President and Vice President, IFC
President's Council
Directors and Department Heads, Bank and IFC

INTEGRATED PROGRAMME FOR COMMODITIES

1. UNCTAD Committee on Commodities met in Geneva, February 10-21, 1975, to discuss, among other subjects, an integrated (i.e. multi-commodity) programme for commodities covering a wide range of primary products. The principal objectives of the proposed programme are stabilization of commodity prices at an adequate level and security of supplies in international trade. The rationale for favoring the simultaneous negotiation of up to 18 commodities, as compared to the traditional, commodity-by-commodity approach is that it offers a broader bargaining framework within which to reconcile the diverse interests of a large number of producers and consumers.

2. The core of the integrated approach is the establishment of internationally-held and internationally-managed buffer stocks and a Common Fund to finance them. The staff report suggested that tentatively 18 commodities could be considered suitable for inclusion in such a program. For illustrative purposes, it estimated that, at 1970-74 or 1972-74 prices, the Common Fund would need a line of credit of $11 to $13 billion, with one-half of the amount required for grains alone (table 1).[1/] The fund could be financed from a number of sources, including a levy on exports, contributions from importing and producing countries, borrowings from IMF and the World Bank, and special assistance from individual (oil) countries willing to contribute.

3. Emphasizing the need for action, the Secretariat pointed out that the commodity boom has been short-lived and the non-oil developing countries are likely to face serious deterioration in their terms of trade. Even in 1972-1974, when the price boom contributed $47 billion to world trade in non-oil primary products, the benefit to the developing countries was only $11 billion. For 1975, OECD has estimated that its members could expect to gain $7½ billion through the deterioration of the terms of trade of non-oil developing countries. The Secretariat pointed out that the commodity-by-commodity approach towards stabilizing prices had not been effective and an alternative should be explored. However, it was stressed that the proposed Integrated Programme does not discard the commodity-by-commodity approach, but is meant to provide a comprehensive framework for such agreements.

4. The Committee met against the background of the Dakar declaration issued in the previous week by the Group of 77. This declaration expressed the view that the developing countries continue to be at a bargaining disadvantage in restructuring world trade. The developed countries have not taken much action to solve the commodity problem and there is no price support in world markets for primary products in marked contrast to the systems operating in the domestic markets of the developed countries. The Group of 77 passed a number of resolutions, including one proposing the setting up of a special fund by the developing countries for financing

1/ These are aggregate amounts; since not all buffer stocks would be buying simultaneously, the actual credit would be much smaller.

buffer stocks and another one for establishment of producers' associations of raw materials, although no framework for implementing these resolutions was established.

5. The developing countries, as well as the East European countries and China strongly supported the UNCTAD proposals at the Committee on Commodities. However, one country did caution the Committee that developed countries should not be identified as the importing countries, just as developing countries should not be identified as the exporting countries. The distribution of benefits should be carefully examined lest a large share went to the richer nations.

6. The industrialized countries wanted more time to study the issues involved and requested further refinement of the proposals, including priorities and financial needs. However, in their individual positions several countries supported the creation of buffer stocks for commodity price stabilization.

7. The Common Market countries stated that the present concern of the consumer countries for stability of supply is paralleled by the concern of the producer countries for stability of export earnings. As a first step they were willing to negotiate commodity agreements on wheat, maize, rice, and sugar. Since coffee, cocoa and tin agreements were due for renegotiation this year and the FAO Intergovernmental Group is examining the possibility of a tea agreement, they thought that their offer covered a sizeable portion of the UNCTAD proposed list of 18 commodities, although they realized that foodgrains were not of major export importance for the developing countries.

8. At its concluding session the Committee agreed that the Secretariat's proposals constituted a useful basis for further work on an Integrated Programme which could lead to just and equitable solutions to the problems of commodities. It requested the Secretary-General of UNCTAD to elaborate the provisions of the proposed Integrated Programme, further including:

(a) suitability of individual commodities for stocking, - management measures including operating principles and rules and objectives of intervention, - size, location and carrying costs of stocks; and

(b) amounts, terms, techniques and prospective sources of finance for stocks.

9. The Committee on Commodities is expected to reconvene twice more this year (in summer, and again, late in 1975), to continue the discussions. It will also review the effect of stabilization on the imports of the developing countries, particularly the poorest. It may then make recommendations or submit conclusions to UNCTAD IV, scheduled for April 1976 in Nairobi.

10. The Committee also discussed or took note of a number of other issues, including indexation of commodity prices, reduction or elimination of tariff and other trade barriers, possible improvements in facilities for

compensatory financing of export fluctuations and direct assistance to international buffer stocks.

11. The Bank Observer made a statement on the Bank Groups' position and policies regarding the financing of buffer stocks. (Copy attached).

12. The staff proposes to follow closely the developments concerning the Integrated Programme and the renegotiation of several commodity agreements due to take place this year.

Attachments.

Economic Analysis and Projections Department
Development Policy Staff
March 12, 1975

INTERNATIONAL STOCKS; ESTIMATED PURCHASE COST

Commodity	Stock Required	Purchase Cost, at average prices in: 1970-1974	1972-1974
	('000 tons)	($ million)	
Grains	45,000	4,725	5,940
Sugar	5,500	1,200	1,665
Coffee	15,000	1,097	1,200
Cocoa	300	337	428
Tea	90	101	104
Rubber	375	193	229
Cotton	535	557	668
Jute and manufactures	..	98	100
Sisal	114	32	46
Wool	228	505	661
Copper	557	854	955
Lead	240	91	107
Zinc	425	273	370
Bauxite (al. content)	825	47	52
Alumina (al. content)	562	83	85
Iron ore	26,000	286	312
Tin	40	194	227
Total:		10,673	13,149

Source: UNCTAD: The Role of International Commodity Stocks, TD/B/C.1/166/Supp. 1, Dec. 12, 1974.

Statement by the World Bank Representative
at the 8th Session of the
UNCTAD Committee on Commodities, February 10-21, 1975

Mr. Chairman:

The report of the Secretary-General, and his proposals for an Integrated Program for Commodities, are of great interest to the Bank as a major institution concerned with financing development in the developing countries. We welcome the initiation of discussions on concrete proposals to deal with the persistent commodity problems which are of such great importance to the prospects of the developing countries, and particularly the poorest. The Bank staff remains ready to cooperate fully with the UNCTAD Secretariat, as we have done in the past.

The Bank has reviewed the commodity problem on several occasions in the past. For example, in 1968/69 the Bank staff undertook a study on "Stabilization of Prices of Primary Products." The Board of Directors of the Bank, after a thorough discussion of the analysis presented and the recommendations made by the staff, decided that the World Bank Group could assist its member countries to help solve the commodity problem in close cooperation with other national and international agencies in several ways, including a financing of diversification projects, assistance to international commodity agreements and strengthening the competitiveness of primary products in world trade through, for example, research and development.

The commodity problem within its broad context of trade policy for development, was also examined in 1969 by the Commission on International Development, headed by the former Prime Minister of Canada, Mr. Lester B. Pearson. The Commission recommended that financing of reasonable buffer stocks in support of well-conceived commodity agreements and policies should be recognized as a legitimate object of foreign aid.

With a view to implement the recommendations of the Pearson Commission and the decisions of its Board of Directors, the Bank enlarged and expanded its role in the diversification of the economies of the developing countries who depend so heavily on exports of usually a couple of primary products. It increased its technical assistance and support of international commodity agreements; it entered into consultative arrangements with specialized commodity bodies to ensure that Bank actions affecting those commodities were consistent with the policies of those bodies. Recognizing the stocking of commodities as a legitimate and important segment of the production process, the Bank expanded its assistance for foodgrain warehousing facilities in several countries. The Bank also took measures to assist the developing countries in helping them process an increasing share of their raw material exports within their own countries, whether it was as simple as washing of coffee beans or more complex as manufacture of plywood. The record of the Bank in these fields is well documented and it is not necessary to give the details here.

Again in 1973 the Bank staff prepared a report on "Development Policy for Countries Highly Dependent on Exports of Primary Products." The report discussed Bank Group policy relating to countries highly dependent on exports of primary products with unfavorable market prospects. The analysis showed that in some cases market organization schemes can help stabilize and increase export earnings of developing countries. Also, a major obstacle to growth of agricultural exports from the developing countries are trade barriers imposed by the developed countries with the purpose of limiting access to, or reserving the market for domestic producers. But the report pointed out that the commodity problem is most difficult for small poor countries. Consequently, the World Bank President directed that the Bank Group lending and technical assistance programs should emphasize measures to improve export prospects of these countries.

During the discussion of this paper Bank policy towards financing of buffer stocks was once again reviewed by the Board of Directors. The President of the Bank stated that, if buffer stock financing was of broad interest to member governments, and if the IMF and other resources were inadequate for the purpose, he would consider proposing that the Bank provide financial support to countries participating in commodity agreements or financing buffer stocks directly.

In 1974 once again some members of the Board of Directors asked for clarification about Bank policy towards financing of stocks and Mr. McNamara reiterated that the Bank was prepared to examine the issues and intricacies of buffer stock financing, but no request had so far been received.

Mr. Chairman, I have dwelled at some length on the evolution of Bank policy towards financing of buffer stocks, to put before the Committee a clear picture of Bank policies on the subject. In essence, the policy remains that the Bank is ready to receive applications for financing of buffer stocks and examine them in each case on its merits.

It is not possible to foresee all the issues that may arise in connection with the implementation of Bank policy, but a few of the major areas can be identified. Bank loans require governmental guarantees. In case of national buffer stocks this is a simple issue but with an international buffer stock authority the nature and form of such guarantees will need to worked out. Bank lending also requires findings as to financial viability and repayment capacity. Once the nature, scope and organizational structure of an international buffer stock is agreed on these questions can be dealt with. Other issues relate to the amount of financing required, the availability of financing from various sources and the division of gains from stabilization measures between developed and developing countries. I mention these questions, not because they are insuperable obstacles but in order that they can be kept in mind as discussions proceed and proposals are formulated.

The harmonious and close working relations between the Bank and the specialized U.N. Agencies and the independent commodity bodies have been productive and mutually beneficial. We remain ready to further strengthen the bonds of cooperation.

Mr. Stern:
So far the statement has been well received. As of now, only mention of World Bank by Rumania - in favorable manner. Regards

V. Mosani

Actually issued on the 12th.

11 March 1975
Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Sixth special session
Geneva, 10 March 1975

OPENING STATEMENT BY THE SECRETARY-GENERAL OF UNCTAD[1/]

I

Mr. President, distinguished delegates,

1. We are, as you are well aware, in the initial months of a year which, I hope, will be a turning point in development co-operation. It is a year of intensive discussions and negotiations on development issues, the year of the Second General Conference of UNIDO, the General Assembly's special session on development and international economic co-operation, the mid-term review and appraisal of the International Development Strategy, the multilateral trade negotiations and the energy conference. It is a year of heightened consultations on economic issues amongst groups of countries - the Group of 77, the non-aligned, the members of OECD, of EEC, of OPEC and so on. It is also International Women's Year, to be marked by a conference whose objectives and concerns are integral to development.

2. The present special session of the Board has the advantage of being held early in the year, the advantage of being able, for this reason, to contribute to and influence the deliberations to come. The session is devoted to three closely related issues: the mid-term review and appraisal of the International Development Strategy, the implementation of the Declaration and the Programme of Action for the Establishment of a New International Economic Order, and the efficacy of the United Nations system for dealing with the basic issues of development. These issues will be the concern of the General Assembly later this year, both at its seventh special session and at its thirtieth regular session. It is the hope and expectation of all, I am sure, that out of these events will emerge a better understanding of the development problem, a new commitment to the development objective and an identification of new directions to be pursued.

1/ At the 414th meeting of the Trade and Development Board on 10 March 1975.

3. It is the task of UNCTAD through this session of the Board to contribute to these issues in the light of its own concerns and its own experience. But the Board has, in addition, another objective. The fourth session of the Conference next year will follow upon the vital meetings of the General Assembly. It will, in my view, present an opportunity, perhaps the first opportunity, to implement some of the broad policies that might be outlined and adopted by the Assembly. For this very reason, the Board should seek to influence those policies and to help in their formulation in those areas which fall within its responsibility. In this way, the Board could better prepare the ground for a successful fourth session of the Conference.

4. The themes before the General Assembly are both substantive and institutional. Although the mid-term review and appraisal of the Strategy at the regular session is likely to be wide-ranging, the two-week special session of the Assembly may need to single out some basic issues. In the two principal documents before you, I have endeavoured to provide a background to your deliberations on both the substantive and the institutional questions. In the remarks I am now making, I intend to do no more than introduce, and perhaps supplement, the observations I have already offered.

II

5. What can we say on the substantive issues which pertain to the International Development Strategy? If we begin by reflecting on the first five years of the Second Development Decade and of the Strategy, what observations could we make? There are doubtless several, but a few basic ones come to mind.

6. The first is that rapid expansion and rising prosperity in the developed countries, as witnessed in the initial period of the Decade and even earlier, do not spontaneously and readily percolate to the developing countries - at least not on a comparable scale. It is true that, at the time of the biennial review, we found some satisfaction in the fact that the growth rate of the developing countries taken as a whole was on average around the 6 per cent target set for the Decade. But, even then, it was evident that the average concealed an unsatisfactory pattern of distribution in which the poorest and the most populous countries fared relatively badly. The mechanisms of transmission of the process of growth and prosperity appear to be as weak internationally as they are nationally. There is no assurance that the increasing affluence of the rich will always lift up the poor.

7. The second observation concerns the instruments of development co-operation. Although there are other elements in the development co-operation policy of the industrialized countries - the generalized system of preferences is an example - development aid has been one of its main pillars. But here the picture has been one of relative failure. Despite good performances by some countries, there have in general been substantial shortfalls in respect of the targets in this field. The Chairman of the Development Assistance Committee of OECD has, in his recent report, pointed to the paradox that, although during the ten years 1963-1973 the member countries of OECD experienced marked expansion and prosperity - with their total product increasing by as much as two thirds and their <u>per capita</u> product by 50 per cent in real terms - official development assistance actually declined - also in real terms - by some 7 per cent. This is surely a reflection that something is wrong with the aid instrument for development co-operation as we have known it, a reflection of some underlying malaise whose roots go deeper than the difficulties and problems of the developed countries.

The experience we have had points, I believe, to the need to set the role of assistance within a broader framework of measures to meet the external resource needs of developing countries and to explore new and more assured mechanisms for financial resource transfers.

8. The third observation we need to make is that now, at the mid-point of the Decade, we have moved into a phase of multiple crises, a phase in which rapid expansion in the developed countries is not in prospect. We have entered a phase of economic slow-down, occurring in a setting of continued inflation, increasing payments problems and major changes in price relationships. The crisis has enveloped the developing countries as well. Many of them face a desperate situation where, instead of growth and development, there is a feverish struggle to avert a breakdown. But the problems caused by high prices for food, fuel, machinery, equipment, fertilizers, and other imports and those caused by falling prices for commodity exports, lie atop more deep-seated tensions, reflecting the processes of demographic, political, social and economic change, reflecting the expectations and aspirations of growing numbers of young people entering the work force in search of employment. These are, indeed, massive problems, which pose a serious challenge even in the most favourable external environment.

III

9. What conclusions can we draw from all this that are of relevance to the Strategy during the remaining part of the Decade? Our experience of the first five years points to but one basic conclusion: that there is an absolutely urgent - I would say imperative - need to get development moving again, and to get it moving on a new course. There are both internal and external dimensions to this problem, national as well as international aspects. Internally, in the developing countries, there is a need for new strategies, new styles of development that are more responsive to the human condition - strategies that combine economic growth and the transformation of productive capacity with employment creation, better income distribution, better health and nutrition, better education and better resource use and conservation. Above all, the developing countries need to greatly intensify their efforts to raise domestic food production. All this is a responsibility which the developing countries themselves must bear; it is a test of the strength of will and of the sincerity of purpose of their governments.

10. But, as UNCTAD has repeatedly emphasized, the success of their efforts will be thwarted in the absence of a suitable international framework. Such a framework has now to be fashioned in the context of a new global situation - one which is not predicated entirely on exceptionally high growth rates in the developed countries, although quite clearly the avoidance of dislocation and disruptions in these countries is essential for a smoothly functioning global economy. It has to be fashioned in the context of a global situation where the countries of the third world have acquired a new awareness of themselves and of their capacity for action; a global situation where there is a growing concern with problems of resource utilization; one in which important changes in political relationships have taken place, resulting from a relaxation of international tensions that could enable the socialist countries to strengthen their presence and participation in the global economy. The international framework is, as I said, UNCTAD's main preoccupation and it is on aspects of this that I shall now dwell.

IV

11. Mr. President, if the momentum of development is to be resumed it is necessary, first of all, to ensure that the external resource requirements of the developing countries are met. In the present crisis, the initial reaction has been to meet this

need through the provision of emergency aid. But these programmes will help to offset the impact of higher import prices and enable countries to remain where they are, rather than take them forward on a new course. Although more external resources are urgently needed, an exhortation for additional aid surely cannot be the main theme of the special session of the Assembly, of a new policy for development, or of the review of the Development Strategy. Aid is doubtless of vital importance. It needs to be increased; it needs to be provided on better terms; it needs to be parallelled by much better access to capital markets on suitable terms and by the adequate treatment of debt problems. But we have to ensure at all times that the efficacy of these measures is not undermined by a continuing decline in the real value of external earnings of the developing countries, brought about, for example, by collapsing commodity prices or deteriorating terms of trade.

12. There is clearly a need for a new emphasis, one that is based on a recognition of the fact that the bulk of the external resources of developing countries accrue through trade, that, in the absence of effective measures to underpin and strengthen external earnings, efforts on other fronts could be self-defeating. A failure to recognize this adequately is, I believe, a major flaw in the concept of development co-operation as we have known it - a defect whose roots lie perhaps in a disinclination to interfere with prevailing economic mechanisms. But this has now to be corrected with a new endorsement of the importance of trade. There is surely something basically wrong with a trend where the share of the developing countries in world trade, exclusive of oil, continues to decline. A successful development policy should see a reversal of this trend; it should witness an acceleration of the trade of developing countries at a rate faster than for the rest of the world. If this is not achieved, development policy, and trade policy in particular, simply cannot be on the right lines.

V

13. I have already, on other occasions, drawn attention to the fundamental importance for developing countries of their trade in primary products and to the need for major new initiatives in this field. I do not need to dwell on this again except to say that the overall integrated programme for commodities which the UNCTAD secretariat has proposed must be seen as the cornerstone of a new trade policy for development. I should like to add that I am greatly encouraged that the member States of UNCTAD, at the recent session of the Committee on Commodities, showed an awareness of the importance of this problem and a willingness to examine the integrated programme. I do indeed hope that intergovernmental consideration of the programme and of the commodity problem, as well as the secretariat's supporting work, will have advanced considerably by the time the General Assembly meets. But I would at the same time expect that a recognition of the real importance of the commodity problem and of the need for new initiatives will be strongly and amply reflected in the deliberations and discussions of the Assembly's special session as well as in the new orientations given to the International Development Strategy. This is, I believe, of cardinal importance.

14. Action on the trade front must not, however, be confined to commodities alone. Commodities are for many developing countries the base - and clearly the base needs to be sound; but the wider objective is surely a reduction in the traditional dependence on commodities through a dynamic transformation of the economies of developing countries in the direction of industrialization. A corollary to this would be a rapidly expanding trade in industrial products.

15. Now the question of reducing barriers to exports of industrial products by developing countries has for long figured on the agenda of UNCTAD. Progress has certainly been made through such mechanisms as the generalized system of preferences, recently introduced by the United States as well. We need also to ensure that further progress occurs through the multilateral trade negotiations. UNCTAD will certainly pursue its role in helping to further improve the GSP and will endeavour to fulfil its mandate in respect of the multilateral trade negotiations. I should like in this connexion to say that I very much appreciate the efforts of member States to help resolve the question of UNCTAD's participation in the meetings of the Trade Negotiations Committee and its subsidiary bodies.

16. The problem of trade in manufactures cannot, however, be seen only as a problem of access, a problem of removing barriers. This is perhaps a necessary condition, but not a sufficient one. We can hardly remain content with opening doors and rely on the forces of the market to do the rest. I believe myself that there is a need for a more active policy, for an interrelated and mutually supporting package of measures to stimulate the trade of developing countries in industrial products - covering not only their traditional concerns with conditions of access to markets but also the constraints on their ability to supply such products. Such a package should aim, at the international level as well as the national, at eliminating barriers and providing facilities of a financial, institutional and technological nature. It would comprise measures in the field of the transfer of technology and policies relating to the role of transnational corporations in this sector. It should also embrace the marketing and promotion of industrial goods, the availability of export credits, and so on. Similarly, it would be related to issues in the area of adjustment measures undertaken by the developed countries. Problems relating to the processing of primary products and international trade in them will provide a link with policies in the commodity sector. This is an area of great potential that is integral to industrialization itself. If the UNIDO Conference gives, as I expect it will, a new impetus to the acceleration of industrialization, the trade implications of this goal would, I am sure, be far-reaching and would need to figure on the agenda for action. This would give a new perspective to the issue of trade in manufactures.

17. Before leaving the trade sector, I should like also to reaffirm the role of transport and insurance in the service of trade. UNCTAD has been responsible for important policy innovations in this area and these issues should be further advanced in the second half of the Decade.

VI.

18. A new focus on trade and on measures in this field as an integral part of a global development strategy needs to be supported by parallel measures which aim at providing an appropriate monetary and financial framework. One of the major features of the present international situation is the breakdown of the old monetary system and the tentative character of the arrangements that have taken its place. When the third session of the Conference convened, there were hopes that a new reformed monetary system would be established. There were hopes that the new monetary system would be based on the international creation and management of liquidity and that it would be characterized by an adequate participation of the developing countries in the decision-making process. Many of these hopes have been frustrated. Although the decision to establish SDRs was a milestone in international monetary affairs, the general thrust of progress in this field has been arrested. The developing countries had hoped that an increasing part of global liquidity would be met through the creation of SDRs and that these would be distributed in a better fashion than is now the case, through the principle of the link. Instead of this, we now have a situation which has seen the de facto revaluation of gold as a means of buttressing international liquidity and the continued use of reserve currencies. We have allowed a situation to develop in which the immediate prospects for an increase in SDRs have been considerably weakened, a situation which has in turn jeopardized the prospects for the link. This is not a good result to mark the increased participation of the developing countries in the decision-making process in the field monetary reform. If the minimal requirements of developing countries are to be met by increases in international liquidity other than through the creation of SDRs, then, at least, the magnitude and distribution of these increases should be subject to internationally agreed criteria.

19. There is a need now to pursue the original goals of monetary reform in the light of the new setting. The basic requirements of the developing countries remain as relevant as ever - the need for appropriate participation, the need for liquidity, the need for "rules of the game" which are consistent with the interests of developing countries, the need for adjustment mechanisms in pursuance of these rules which do not impose excessive burdens on the developing countries, and the need for adequate support in the way of resources to help in the observance of these rules. Indeed, for developing countries, the distinction between short-term and long-term resources is a fragile one, sometimes a meaningless one. Basically, the developing countries cannot comply with any system of rules if the resources needed for the maintenance of their development effort are not forthcoming. There is need for a reformed monetary system which would recognize this fact. Participation in such a system should also be as UNCTAD has urged before, more representative and universal than at present.

20. In the financial sphere, there remains the need to implement, and perhaps even improve, the targets laid down in the Strategy and the Programme of Action for the Establishment of a New International Economic Order. Progress in the trade field, as I have already stressed, must be accompanied by substantial increases in financial resource flows. I believe that the time has come for changes in the concept of aid itself. Up to now, aid has been essentially a voluntary act on the part of donor countries, given effect to through their budgets. In the period ahead there is a need perhaps to establish more automatic, perhaps even more dependable mechanisms for resource transfers to the developing countries. The SDR link would of course be one such mechanism and it is indeed a pity that it still remains unimplemented. But, looking ahead over a longer period, there is a prospect of other mechanisms being established. Some of these are in an embryonic stage at the moment but may gain in relevance in the period ahead. Amongst these are the proposals for the utilization, for the benefit of developing countries, of the resources accruing from the exploitation of common property rights, particularly the sea-bed and ocean floor, and proposals for the imposition of taxes on the use of non-renewable resources.

21. There is, further, the whole problem of access to capital, of the institutions and modalities in this field. Allied to this, is the problem of the external debt of developing countries which, even by the end of the 1960s, was a cause for concern. In the present situation, with the acceleration of the emergency borrowing, the collapse in commodity prices and the consequent need for even further borrowing, the debt problem is likely to assume greater dimensions. In this respect I am very pleased to be able to draw the attention of the Board to the results of the meeting of the Ad hoc Group of Governmental Experts on Debt Problems of Developing Countries, which was concluded only last week and which resulted in a broad agreement on some initial steps in two vital areas, that of the institutional machinery for dealing with the debt question, and the problem of establishing principles for guiding debt rescheduling. On the question of financial resource transfers, there is need also to pay continued attention to the need to direct increased aid flows to meet the requirements of the least-developed countries whose problems, as you are aware, are of a particular concern to UNCTAD.

VII.

22. We have to look at the trade problem and resource transfers not only in their sectoral aspects but also from the geographical or directional standpoint. Up to now, the major emphasis has been placed on the historical North-South pattern of trade - how to overcome the drawbacks that have appeared so far and how to intensify existing exchanges. But, as I have said on a previous occasion, we cannot dwell exclusively on a bipolar view of the trade potential of the developing countries, one which seeks merely to intensify their exchanges with the developed market-economy countries. Indeed, it is difficult to visualize a situation in which the developing countries, having proceeded far with industrialization, would be selling all their surpluses of manufactured goods in the markets of the Western countries alone. Quite clearly, it will be part of the process of change and evolution to bring about changes in the historical directions of trade and to utilize new opportunities and new potentials that might arise.

23. In this respect, we have to look to the trade flows between the developing and the socialist countries. These flows have grown faster than trade between the developing countries and the developed market-economy countries. But we cannot take it for granted that this trend will continue and intensify spontaneously. We need to see how it could be enhanced, and what new policies and modalities are available for making use of this potential. With the present improvement in international relations and with the continuing growth of the productive capacities of both the socialist countries and the developing countries, there are surely new opportunities to be grasped.

24. Besides this, however, there is the whole question, the major question, of trade and other exchanges between the countries of the third world themselves. It is unthinkable that, with their vast territories, resources and populations, the present minimal level of interchanges amongst themselves could continue into the future. There is a need for a new understanding of the potential in this field, and a new attempt consciously to pursue, and to grasp the opportunities that exist. This is the essence of the concept of self-reliance, collective self-reliance, so urgently stressed in the Programme of Action. It is also the subject of a draft resolution before you.

25. The scope for co-operation amongst the countries of the third world is of two kinds, each of which needs to be developed. There is first of all the need for co-operation through joint action by developing countries to improve their position

vis-à-vis the outside world, to give themselves a measure of leverage, of countervailing power. Then there is also a need to strengthen economic and financial, trade and other relations with each other. I feel that this is an area for new work and for new initiatives which could result in major and far-reaching developments. The obstacles which inhibit trade and other exchanges amongst the developing countries need to be identified and new modalities developed for facilitating such exchanges. In the document that I have presented 1/ I have drawn attention to such new possibilities as preferential trading agreements and payments arrangements, not merely on a limited regional scale but covering the third world as a whole. These are at present tentative ideas which clearly need to be studied before any pronouncements could be made on their desirability and feasibility.

26. A new situation has emerged with the accrual of financial surpluses to the oil-exporting countries, which themselves are members of the third world. I believe that in the future the absorptive capacity of these countries will grow considerably and that they will be able to utilize an increasing part of these surpluses for the transformation of their own economies. But I believe also that for some time to come these countries will be in possession of resources which could be made available for investment and use in the world outside. Already the oil-exporting countries are large providers of aid and this has been an entirely new element in the global picture of resource transfers to the developing countries. I think it is now appreciated that the aid efforts of the oil-exporting countries are of a considerable magnitude and that they even better the performance of the developed countries in respect of the share of GNP devoted to external aid.

27. The financial resources of oil-exporting countries could, however, go beyond the provision of aid, beyond the provision of assistance to offset the rise in import prices. There is the prospect of investments other than aid. Is it not possible for the other countries of the third world to offer outlets for the investment resources of oil-exporting countries which would provide the security and the rate of return that these investments require? Such a channelling of resources would be in the interests of a sound world economy. A triangular relationship, in which the surplus resources of the oil exporters are invested in part in the developing countries, should at least parallel the present concept of the recycling of surplus oil funds. The developed countries of the West have essentially a payment problem, an exchange problem - they are not short of capital. Yet it is somewhat paradoxical to devise means of helping these countries meet their payments and exchange difficulties by way of solutions that also provide them with capital. This is the implication of bilateral recycling. Would it not be better to meet the exchange and payments problems of the Western countries by a system which enables them to reduce their deficits through greater exports to the countries of the third world which have benefited from the investment of capital resources by the oil-exporting countries? But this process will hardly take place spontaneously. There is a need for new mechanisms to help it along. The proposal for the financing of buffer stocks is one such mechanism, but others need to be fashioned involving such issues as investment guarantees and the like, as has been pointed out in the document before you.

1/ TD/B/530.

28. The question of economic co-operation amongst the countries of the third world needs to be set in a global perspective and viewed as a major dimension of a global strategy for development. This is why the issue is of relevance to international fora. I am convinced that the issue of co-operation among the developing countries is one which will gather momentum in the period ahead.

VIII.

29. I wish now to turn to institutional questions, which are of interest both in the context of UNCTAD and in that of the United Nations system as a whole. It is somewhat difficult to comment on these questions because it is hard to judge whether institutional reform is likely to be approached by Governments in terms of its widest dimensions, opening the door for major structural changes, or whether it is to be confined to the improvements and modifications that are possible over a shorter period. I can do no more than give expression to some general thoughts that I have on this subject.

30. I believe that for the United Nations system as a whole the major institutional question is how to make the system itself an effective forum for decision-making and action in the economic field; how to reduce the tendency for major decisions to be made outside of the system, for various reasons. This is a complex question which embraces issues relating to attitudes of member States and to the machinery of the system itself. In this context there is, of course, the question of the role that UNCTAD could play in a situation in which the United Nations becomes more active in the process of policy formulation and decision-making.

31. The questions of more specific interest to UNCTAD are two-fold. The first is the wider issue of a comprehensive international trade organization. In response to the request of the Board, I have submitted a paper on this question drawing attention to some of the basic issues. The question of a comprehensive trade organization has remained on the agenda of UNCTAD from the very beginning, and has recently been the subject of a resolution of the Dakar Conference of the developing countries. On previous occasions when the views of Governments were sought, it was apparent that there was still a lack of consensus that the time had arrived for a decisive step in this field. Nevertheless, I felt that it was necessary to bring to the attention of members the changes that have taken place in the world situation which are relevant to this issue and which have occurred since the earlier reactions. There is still no organization in the field of international trade which satisfies the need for comprehensiveness in the coverage of issues and for universality of membership. Despite all the changes that are taking place there is still no new philosophy, there are no new "rules of the game" that have been elaborated for international adoption. The old code, based largely on the concepts of free trade and government non-intervention and on the most-favoured-nation principle, has been eroded by many developments and this has been recognized in the way of exceptions and waivers to its written rules. But given the growing presence of the socialist countries and the developing countries in the world economic system, and the changing attitudes in Western countries, there is the question of whether new approaches are not needed which recognize the changed situations, as well as new institutions which could respond to these problems.

32. Secondly, there is the more specific question of how UNCTAD could become, even within its present framework, a forum for more effective negotiation and decision-making. In the first 10 years of its existence, UNCTAD has been a forum in which the wider issues of development have been debated, a forum for generating new ideas and for exerting an influence on international development policy in general. But it has yet to be an effective body for setting up actual arrangements, for decision-making.

There has, of course, been some progress - the Cocoa Agreement and the Code of Conduct for Liner Conferences were subjects of intensive intergovernmental negotiation. But much more, I believe, can be done and needs to be done. The work on the integrated programme for commodities will, I hope, be an example of the use of UNCTAD as a negotiating forum. However, if UNCTAD is to play this role in the future, it would need adaptation. At the level of the governmental machinery, there is the need for arrangements which reflect the requirements of flexibility and speed in decision-making at a high level. In this connexion, there is the proposal which the Board has to consider for a high-level Standing Committee. Other bodies, as you are aware, have found it necessary in a situation of continuous change and crisis to establish decision-making machinery of an effective and flexible kind, and we could well reflect on what UNCTAD would need to do in this respect. In a wider sense, it is perhaps also appropriate to reflect on the adequacy and relevance of the present compartmentalized structure of Committees and of Divisions geared to service these Committees.

33. There is one further observation that I should like to make. I believe that it is important for member States to determine the proper forum in which an issue has to be mainly dealt with. It is true that no issue can be separated in an exclusive fashion. But, in regard to each of the major issues, it would be helpful if responsibility for the basic thrust is clearly placed on one institution. Where it is placed on UNCTAD, it would enable the secretariat better to discharge its responsibilities. In other words, it would help to know on which stage each act is being played.

34. Mr. President, my remarks have ranged over a number of issues that are of particular relevance to UNCTAD. I have tried to emphasize those that might provide some orientation to the International Development Strategy. You will, I know, agree that all this calls for new positions and actions on the part of the members of the world community - both the developed and the developing countries. The developing countries have to give effect not only to new internal development strategies, but also to the concept of collective self-reliance, within a framework of international co-operation. The developed countries need perhaps to fashion new policies on development, policies in respect of the third world which are more responsive to the changes and pressures of our time. The end result of this should be, not merely an acceleration of the tempo of development, but a buoyant and smoothly working global economy.

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An integrated programme for commodities:

A common fund for the financing of commodity stocks

Report by the Secretary-General of UNCTAD

CONTENTS

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I. Introduction

1. Recent commodity developments, in which the state of stocks has been a prominent factor, make it pertinent (and for many countries a matter of vital importance with respect to some commodities) to consider whether more stable and predictable conditions of trade and prices could be encouraged through more constructive stocking activity. A fundamental question then is whether in the public interest the financial resources devoted to holding stocks or other deferred claims on commodities in unstable conditions might not be more efficiently employed through an extensive multi-national government-sponsored role in stock operations.

2. Co-ordination between governments designed to harmonize stocking activities might increase their effectiveness at a considerably lower net cost to economies than their nominal financial requirements and could reduce public expenditures now incurred where income and price stabilization policies for producers or consumers are pursued in relation to unstable external markets. If stock management was planned as a key element in an integrated international policy of commodity stabilization, the cost of stocks would need to be related to the whole of the benefits expected to accrue from the integrated programme. However, for stocking policies in this context to be of general value in the world economy and to attract political support from countries with different degrees of interest in any single commodity, they should relate to a "package" of commodities large enough to be of significance to the well-being of a wide number of primary producing countries and also to the stability of economic activity and to the current external accounts of the main consuming countries. The piecemeal approach to commodity arrangements has not achieved this generality of interest.

3. This paper suggests that this objective would be facilitated by assuring financial assistance large and flexible enough to cater for stocking arrangements for a number of commodities. It considers that the negotiation of commitments on international commodity trade, including arrangements for stocks, would be greatly assisted, and the differing national interests more easily reconciled, in the larger context of a number of commodity negotiations initiated or contemplated more or less concurrently, if there were a financial authority ready to support operational arrangements of an appropriate kind. The secretariat believes that a common facility or fund for stock financing could act as a catalyst in the establishment of an integrated commodity policy and, in an atmosphere of greater concern with commodity problems, would help to resolve the difficulties experienced in the past when governments have discussed or negotiated a commodity-by-commodity approach to stabilization arrangements.

4. Proposals for large-scale financing of commodity stocks will need to be considered in the context of the radical changes occurring in the system of international payments. Commodity stabilization schemes might have equilibrating influences within the general framework of world trade and payments brought about by the international monetary crisis, the oil situation and the difficulties in the food situation. The modalities of a financial operation with this aim are outlined in sections III and IV of this paper, taking into consideration the international financial situation as well as equity of interest in an international approach to commodity trade stabilization.

5. Commodity stocks entail direct costs to private business and frequently to governments. Because of the paucity of information on the size, cost and duration of stockholding, the extent of the resources so tied up has not usually been given the attention it deserves when the financial implications of individual public schemes have been considered. If schemes for a more comprehensive range of commodities were studied concurrently, there would probably be large offsetting financial implications to be taken into account with regard to the existing cost of stocking operations, the purposes they serve and the ways in which they might be modified by the introduction of other arrangements.

6. One aspect of the financing of stocks that merits particular attention is the effect of variations in stock levels on foreign exchange outflows from importing countries. Import demand for stocks can represent an unpredictable and sizeable drain on foreign exchange reserves. These outflows may not be essential to the immediate production or consumption requirements of the economy, and are undesirable if payments for commodities or claims on them accelerate as a hedge against inflation and exchange rate changes, thus adding to the forces influencing foreign exchange markets that the authorities are endeavouring to counter. An illustrative example of the magnitude of certain types of transactions is the increase in LME stocks of copper by more than 100,000 tons in the course of 1974, representing in effect (to the extent that it was not financed by foreign exchange inflows) imports to the value of at least £70 million. The slowdown in Japan's growth after 1970 led to a large increase in imported raw material stocks. The export subsidies granted by EEC as an alternative to stocking, when prices of sugar, grains and dairy produce were at low levels in the late 1960s, rose to well over $1 billion annually on these products.

7. Apart from the cost of the stockholding itself, the case for financing governmental or intergovernmental stocks should take into account the wider economic effects. Most studies conclude that the changes in the value of trade and income resulting from the effect of stock operations to the price and volume of commercial transactions will be larger than the expenditures involved in stock transactions. The financial analysis of a stock operation should thus not be measured in terms of the profit and loss account of the stock alone, but should take into account the "hidden" gains or losses of its influence on trade returns. Moreover, if a full economic accounting were made of stockholding policies, it would take into consideration all the ramifications of their effects, including the effects on balance of payments, public expenditures on insulating domestic sectors from instability in domestic and external trade, and their contribution to general policies of economic stabilization.

8. Such effects are not directly accountable, as is the profit and loss account of the stocking operation taken alone. Some of the costs of market instability are measurable through, for example, variation in deficiency payments, export subsidies or import levies. It is not usually possible, however, to make more than analytical estimates of changes in the value of trade that might result from the generation and disposal of stocks. Nevertheless, it has to be borne in mind that any judgement of the value of financing stocks would be imperfect without allowing for the possible offsetting values in trade results and in public and private expenditures which might be achieved by the introduction of the arrangements.

II. Current arrangements for stock financing

9. The financing of stocks naturally presents a varied picture of arrangements and use of funds around the world. Two broad generalizations seem possible. First, the institutions that undertake stocking operations tend to be serviced by financial institutions of a similar character. Private commercial firms use the parts of the banking system that provide short- or medium-term credit for private business activity. As larger elements of industry-wide organizations and statutory bodies in the marketing of commodities emerged, they looked to public or semi-public sources of financing. There are broad exceptions to this linkage. Public financing has entered the picture, for private commercial firms as well as marketing organizations, through government appropriations for particular measures. The extent of governmental assistance to agriculture and mining industries, and also to importers and users of commodities, in ways that facilitate stockholding, is already much wider than is generally considered to be the case, and should be given some weight in judging proposals for co-ordinated government support of stockpiling policies.

10. It follows, as a second general observation, that the economics of stocking is greatly influenced by variability in the terms of its financing, and the greater the variation in the cost of money from place to place and from one period to another the more difficult it is to ensure that the aggregate effect of decisions on stocks is the one needed in the global circumstances of the market. At the one extreme, stock management that depends largely on highly unstable commercial money market interest rates will be viable only if commodity markets are highly unstable, and may contribute to that instability. At the other extreme, public finance provided at negative real interest rates can encourage perverse flows of commodities that are also counter-productive for stability. Differences between countries in credit availability and its cost is one of the factors that make it difficult for many producers to withhold from weak markets, allowing their weak bargaining power in this respect to be exploited, and encouraging the movement of supplies into inventories in more favourably financed, and generally importing, hands.

11. Governments supporting organized stockholding schemes, including national buffer stocks and the two international schemes for tin and cocoa, have recognized that assured financing at reasonable charges must be provided. Individual governments have committed themselves to contributing to such schemes in various ways: budgetary appropriations, loans that have increased their liabilities to central banks, use of statutory powers to recoup contributions from the private interests concerned, legislated use of producer reserves and public guarantees for loans by the banking system.

12. Nevertheless, both in national schemes and in international arrangements the scope of stocking operations has been limited by financial constraints imposed sometimes by a cautious approach to the scheme itself, and sometimes by general financial stringency or other factors not connected with the commodity arrangements. This has sometimes led to the abrupt abandonment of stabilization operations and objectives. When the possibility of breakdown is foreseen by traders, a stabilization scheme is placed under strain and the market can be destabilized. In other instances, the management of stocking arrangements has had recourse to high-cost commercial financing (as in the case of the International Tin Agreement), reduction in expenditures by making deficiency payments (the New Zealand Wool Commission), or postponement of full payment (the Canadian Wheat Board).

13. Judging by previous experience, one serious obstacle likely in negotiation on international stocks is that importers generally have not accepted the principle that they should help to finance them, taking the view that buffer stock schemes are primarily for the benefit of producers. This has applied both to national schemes (as for wool, meat, coffee and grains) as well as to the international stock of tin and to preliminary attitudes taken on other commodity proposals. This view appears somewhat equivocal when in fact the limited funds that producers could set aside made it more likely that stocks would be inadequate to hold ceiling prices in times of scarcity. Recent high levels of prices may have persuaded importers to reassess their interest in adequate stocking arrangements. Moreover, just before the recent commodity boom, there were already some signs of change in this respect. Voluntary contributions were made by two importer members of the International Tin Agreement, and the negotiators of the International Cocoa Agreement agreed on a trade levy on cocoa, the incidence of which falls partly on consumers and partly on producers.

14. Another difficulty encountered, in the view of a number of developing countries that have contemplated participation in buffer stock operations involving relatively large expenditures for government or industry, arises over the domestic financing arrangements. There can be obstacles to providing the amounts from public taxation or borrowing, particularly in the very low-income countries. On the other hand, to obtain the funds from the industry or sector concerned may deprive it of resources needed for modernization or expansion. The financial and legal position of some governments also precludes official external borrowing for the purpose, unless offsetting changes are made in the domestic money supply or government indebtedness.

15. An important intergovernmental initiative on the financing of buffer stocks and other associated costs was taken jointly by the International Monetary Fund and the World Bank in 1969, through the establishment of the buffer stock financing facility of the IMF and decisions by the Bank on longer-term assistance for expenditures not qualifying for IMF assistance. 1/ The IMF facility allows its members to refinance contributions to international buffer stock schemes through loans on terms partly determined by the general practices of the IMF and more specifically related to the purpose of buffer stock financing. The provision of finance on public financing terms through international financial institutions thus implicitly recognizes that stocking policies are in the category of economic activities whose financial viability should not be judged by market considerations of the operation alone.

16. The funds provided are to be used for the financing of new purchases of stocks or of operating expenditures under international control. The World Bank is prepared to extend loans to finance storage facilities for the holding of national or international commodity stocks, and will also take into account additional external borrowing requirements arising from participation in appropriate commodity stock schemes, in considering development loans and credits for its members.

1/ These policies are set out in reports of the Executive Directors of the IMF and World Bank entitled, The Problem of Stabilisation of Prices of Primary Products, part II, IMF, 1969, and Stabilisation of Prices of Primary Products, part II, World Bank, 1969.

17. The IMF facility is primarily intended for members in their capacity as exporters of primary products. The assistance is available when balance-of-payments difficulties demonstrate a need to use IMF resources, and on that account it was anticipated that importing members, though not excluded from use of the facility, would rarely find it necessary to seek this assistance. The limit on loans is set at 50 per cent of the member's quota in the IMF. The charges and repayment terms are as for other general use of IMF resources, that is, on a graduated scale from 4 per cent per annum at one year up to 6 per cent per annum at four years, and repayable within five years. 2/ The IMF needs to be satisfied that the member will co-operate with the IMF in seeking solutions for its balance-of-payments difficulties.

18. As regards the nature of the schemes for which IMF assistance may be expected, certain criteria are laid down. They should be international arrangements adhering, in their negotiation and conduct, to general principles protecting exporter and importer interests. They are expected to be of medium-term duration, and to seek to avoid trade discrimination. An appropriate part of the financing is to be found from sources other than the IMF facility. With regard to stabilization objectives and operations, the scheme should endeavour to smooth out short-term price fluctuations around a medium-term trend, to the extent possible simultaneously with stabilization of export earnings, and at least avoiding significant destabilization. The price stabilization aim is defined as one in which stock accumulation and decumulation could be expected to balance out roughly in the medium term, without resort to adjustment in the prices or volume of trade that destabilized export income. Provisions for quantitative controls of a restrictive character, in association with the buffer stock arrangements, is not, *a priori*, regarded favourably. However, the IMF makes an *ad hoc* decision on schemes that involve long-term supply controls aiming at remunerative prices for developing countries "even though this may involve a permanent real income transfer from consumers to producers", by taking into account whether consumers can be deemed to have consented to the objectives, through adequate provision for their participation, and the likelihood that the agreement would function without eventually breaking down.

19. The amounts available under the IMF facility are potentially very large. The cost of such borrowing is determinable at the time of the commitment and is exceptionally low. Once the IMF has determined that a particular scheme is worthy of support, the processing of loans is rapid. In practice, use of the IMF facility for loans and repayments can be fitted to the requirements for reserves and liquidity of buffer stock operations as a revolving operation at minimum cost. As a source of finance, the facility is greatly superior to one of indeterminate and fluctuating charges or opportunity costs of money to which other forms of financing are subject, with the consequent risk to the viability and effectiveness of stabilization.

20. When the IMF facility was introduced as a venture into a new field of activity in 1969, it was hoped that it might play an important role in helping individual countries to agree on action of collective benefit. So far that has not been the case and, in consequence, use of the facility has been for amounts of about

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2/ Plus a service charge of 0.5 per cent.

SDR 25 million, measured against a theoretical quota provision under the facility for primary producing developing countries (excluding oil exporters) of well over SDR 3 billion. The experience with the facility has been limited to transactions connected with the financing of the buffer stock of the International Tin Agreement, and to provisional acceptance of the International Cocoa Agreement as a suitable agreement for assistance under the facility when its buffer stock arrangements might require. The World Bank has provided loans for national storage facilities, though it has not yet been called on to support an international stabilization scheme.

21. The relatively minor use made of the IMF facility should not detract from the potential value and farsightedness of the wider approach taken in the activities of the IMF towards facilitating stabilization in the commodity field. If the IMF initiative had been complemented by successful efforts on the part of governments to establish stabilization schemes, it is likely that the facility would have been more intensively used. Moreover, this initial activity in the financing of international buffer stocks provided useful experience for larger international stocking activity. The IMF is giving further consideration to the buffer stock financing facility, and some IMF members have suggested various amendments to the facility on the basis of experience to date; 3/ these suggestions have been taken into account in the views expressed in paragraphs 33-37 below. However, apart from improvements that may be obtained in the financing facilities provided by the IMF, wider provisions for financing would increase the likelihood of international co-operation to establish practical operational measures for stocking commodities. The following sections discuss this possibility, including the more extensive function that might be performed by the international financial institutions.

3/ For example, "Malaysia and the International Monetary Fund", Quarterly Economic Bulletin, Bank Negara Malaysia, September 1972.

III. The role and efficiency of common financing

22. Certain general considerations might be advanced in support of a common financial source for commodity stocking schemes analagous to the practice of consolidated financing for various economic and social purposes, ranging from the floating of loans in international capital markets to cover a country's short- to medium-term external requirements to centralized arrangements with the domestic banking system to cover the credit requirements of agricultural production and marketing. These considerations include the cheaper terms obtainable, overall management of the use of credit, greater lender security and improved access to capital markets.

23. All these reasons are relevant to the purposes of commodity stabilization and some of the general advantages might be summarized as follows:

(a) Experience with commodity negotiations leaves little doubt that greater weight would be attached by governments to solutions with financial implications if the source and cost of financing were assured.

(b) The amount of capital indebtedness outstanding is likely to be reduced in common financing of stocking arrangements for a number of commodities, as compared with equivalent individually financed arrangements. The liquidity required in working capital and in contingency accounts in connexion with each commodity handled should be less. The calling-up of funds should be more closely geared to operational needs, and the ratio of funds employed to assets called up would be higher in the case of commodity operations that did not coincide. These factors would keep down the financial charges that would need to be met in the accounts of the stocking operations.

(c) The spreading of risk through investment in a number of stocking operations would make it easier to attract financial resources by reducing the element of risk-bearing reflected in the interest rate, though the risk attached to investment in government-sponsored individual stocking operations is also not likely to be high.

(d) The management of stocking operations can concentrate in a more specialized manner on purely operational objectives, through devolution of the financial management problems involved in seeking funds and in conducting operations to meet fluctuating and higher costs from commercial and other non-consolidated sources.

24. The merits of common funding require examination in the light of other aspects of its constitution and operation, and chiefly with regard to the sources of investment in the common fund and the kind of schemes which it would be designed to support. Stock operations that are well planned and expertly managed should be capable of providing a return on investment, and the rate of return will have a bearing on the kind of investment attracted. In this regard, however, there are also considerations arising from the views held by governments (and the commodity interests concerned) on the responsibility for commodity policies that ought to be shown in the financial arrangements. Participants in commodity arrangements and their financing would need to strike a balance between, on the one hand, the origin of the investment (with its implications for control of use) and, on the other, equitable sharing of the responsibility for commodity arrangements.

25. The tenets of the Havana Charter were based on the desirability of balanced representation between exporters and importers, or producers and consumers (which in practice has meant the former rather than the latter), but they gave no guidance with respect to the sharing of obligations between participants to provide resources for commodity agreements. It was not until 1968 that governments (in the UNCTAD Committee on Commodities) enunciated the principle of shared costs in buffer stock financing. 4/ It was believed at the time that access to the resources of the international financial institutions represented one means of moving in the direction of shared interest. 5/ The funds these institutions provide are controlled through the weighted voting system of the international financial institutions. 6/

26. In sum, the position in practice is that exporters have been expected to finance commodity stocking schemes, partial loans for the purpose having been offered by the international community, and the principle of importer-exporter control has been retained. This position has not predisposed governments to enter stabilization schemes to a significant extent.

27. A new approach would be to agree, first, on the principle that exporters and importers, jointly, should assume an appropriate part of the financing of stocks, and second, that they might borrow for this purpose from the international financial institutions. In addition, the contributions of individual trading countries might be determined in a flexible manner, taking account of circumstances other than their trade position. Finally, associated funds should be sought through the attraction of liquid balances into commodity stock financing as an alternative to other forms of holding of these balances.

28. This approach would abandon, or at least modify, two attitudes commonly held as aims for commodity stock financing; (a) that the whole of the financing should be found directly by trading countries, and in broadly equal shares by importing and exporting participants, and (b) that individual countries have to contribute in direct proportion to trade shares. The current international payments situation might at the same time make it more improbable that major importing countries would be receptive to the idea of additional foreign exchange outlays to meet half of the cost of commodity schemes, and unrealistic to expect that developing countries can do so, while at the same time the creation of large payments reserves might provide a unique opportunity to obtain the necessary infusion of capital for stocking policies.

29. The following section therefore puts forward one possible joint scheme for financing commodity stocks. The fund is conceived as based on contributions by trading countries, refinanced substantially through the IMF or the World Bank, and also open to investment by other sources of finance. Supplementary sources of finance could also be contemplated by means that would link buffer stocks to, and help them to support, other features of an integrated approach to commodity arrangements.

4/ Decision 1 (III) of the Committee on Commodities adopted on 8 November 1968.

5/ Trade and Development Board resolution 19 (II).

6/ The World Bank and the IMF, which together with the then envisaged international trade organization were seen as linked parts of an international organization dealing with problems of trade and payments, adopted a system of voting proportional to the financial subscriptions of their members.

IV. The viability of a common fund

A. Potential sources of funds

30. The sources of capital made available to a common fund would be a main determinant of the viability of the operation. Three important criteria for the generation of capital in relation to the specific use to be made of it would appear to be that:

(a) Substantial interest in the purposes of the investment should be reflected in an appropriate commitment in the financial arrangements together with an appropriate role in their management.

(b) Because of the public interest in the overall purposes of international trade policies for food and raw materials, international capital should be provided on terms and conditions comparable to those for other public investment.

(c) Confidence in the security and usefulness of international investment in the fund should be encouraged by a reasonable rate of return and guarantees of repayment commensurate with the motives of the investors of the capital provided.

Loan commitments by trading countries with the assistance of the international financial institutions

31. For the reasons noted in the study on international stocking policies, it would not be possible to forecast the timing and magnitudes of calls on the common fund for individual commodites, and thus to expect that detailed formulas could be used to determine the amounts of financing individual trading countries should be prepared to contribute, as in the case of a single commodity agreement. Participating countries would need to make a broad assessment of the value of the fund to them, with regard to their primary trade in general. The basis for determining the distribution of contributions might reflect the trade distribution of a number of commodities as one element. Rules for the determination of contributions and procedures for call-up of financial commitments would need to be elaborated in the light of the overall composition of the fund.

32. Financial commitments by trading countries would reflect their commitment to the workability of the arrangements to be financed, thus enhacing the likelihood that other capital would be attracted to the fund. In the case of most of the major commodity-importing countries, such financing would not necessarily be a drain on foreign exchange reserves to the full amount of the contribution. Major importers among developing countries would be likely to feel greater foreign exchange stringency, especially when they had commitments to stocking arrangements as exporters, so that the distribution of contributions between trading countries might weigh alternatives that took various factors into account.

33. One means of obtaining substantial financial resources equivalent to the interest of all countries in commodity trade would be through an enlargement of the role of the international financial institutions in this field. It would be possible, for example, for World Bank bonds to be issued in major capital markets for this purpose, providing

that the funds so obtained could be lent to members in ways dovetailing with the fluctuating requirements of commodity schemes. It might have more appeal to examine the possibilities of building on the initial essay into this field undertaken by the IMF, especially as the general activities of that institution support policies in the field of national balances of payments and the international monetary system more related to objectives of trade equilibrium and stable international commodity conditions in an integrated programme. However, the prospect of substantial financial assistance through the IMF within the framework of an integrated programme as conceived would seem to imply major changes in the present basis for IMF operations.

34. If changes in the IMF facility were made along the lines suggested in paragraph 37 below, they could be an important incentive to the participation of the major trading countries in the financing arrangements of commodity schemes, especially if the overall financial burden were lightened by the participation of other capital. However, there would be grounds for treating loans by the major trading countries in the common fund arrangements on different terms to other capital subscriptions. To the extent that assistance was obtained from the IMF, the cost would be low, and would make viable operations more likely. The terms of loans by governments without IMF assistance should probably not be at higher interest rates than loans with IMF assistance. Contributions by trading countries in some relationship to their substantive interest in the arragements, and to other benefits, could be regarded as having an element of venture capital, and might thus not need to be given the same assurance of returns or repayment as in the case of other capital. This would not alter the fact that governments accepting obligations with the IMF on charges and repayment would examine the overall viability of common fund arrangements for the probability of there being no net losses for contributors over a period of years.

35. It is possible to conceive of more than one means by which the resources of the IMF could be made available to a common fund for stocking purposes. The IMF could make resources available through its General Account, in which the assets are the subscriptions from members and under which the present buffer stock financing facility is operated. It might also use its present powers to create SDRs to contribute to the fund, as a special feature of proposals for a link between SDR creation and the needs of developing countries. In principle, it could also borrow funds for special lending operations, as it has done for the IMF oil facility.

36. If it was felt that the most practical and earliest concrete action could be by extending the operations under the General Account, and through the reform of the existing buffer stock financing facility, a number of issues touched on in the review of present arrangements would require attention.

37. Some of the changes indicated below could be made by the IMF within the general policies and procedures already established; others would seem to require amendment of the Articles of Agreement.

(1) The IMF could decide to make resources available directly to the common fund, or alternatively by refinancing contributions made by IMF members. In either case, this would require reconsideration of its basic approach under the current facility to the financing of individual commodity schemes, and would raise questions with regard to the criteria presently applied to schemes, in order to allow the IMF to satisfy itself that the eventual use of its resources would be in line with its general purposes.

(2) The condition of immediate and temporary balance-of-payments difficulties applied to borrowings from the IMF (and its counterpart influence on repayment obligations) would probably be a serious impediment to commitments to a common fund. These conditions are not directly related to the purpose or need for the stock financing (though the circumstances can coincide), and thus introduce uncertainties about availability of the funds, because members would not be assured that the overall circumstance of their balance of payments would allow borrowing from the IMF at the exact time that a contribution fell due. 7/ More flexible conditionality would thus be desirable in this respect, on the grounds that effective stock operations are likely to prevent future balance-of-payments strains.

(3) Other present conditions and procedures would require modification. The IMF's lending would, in practice, need to be unequivocally additional to other access to IMF resources, through removal of the present links whereby use of the buffer stock financing facility eliminates other borrowing rights. Present limits on the amount of buffer stock financing might also need to be re-examined. Furthermore, IMF loans are of somewhat short duration for the financing of stock operations, and repayment terms could be moderately extended, as under the recently approved extended credit facility. In other respects, the IMF has adopted a flexible and pragmatic approach to the requirements of its members in connexion with buffer stock schemes that would fit well in the formulation of their contributions to a common fund. The IMF has not, for example, insisted on rigid rules with regard to shares of contributions or to uniformity of financing arrangements among different schemes.

(4) The IMF could consider making its facility generally available to its members (as would follow in part from the changes set out under (2) and (3) above, so that major importers, including industrial countries, could use IMF resources for this purpose. The basic rationale for major high-income importing countries to support an expanded IMF role, in conjunction with other capital, would be that they could use their own access to IMF drawing rights for this purpose, complementing the assistance now mainly available to developing countries. 8/ Some industrial countries might wish to make loan commitments without having recourse to IMF assistance, but for others the use of IMF resources might be more convenient than their domestic arrangements for the appropriation of funds.

7/ The final repayment obligation (at 3-5 years) also falls due independently of the circumstances of the stocking operation.

8/ On the other hand, countries with strong currencies, including some primary producing countries, would have to take into account that their currencies would be obtained by other members in loans from the IMF.

Other borrowing

38. There is at present one very large body of capital - namely the payments surpluses of some oil-exporting countries - for which the financial authorities of the countries concerned may seek appropriate external investment outlets. If means were found of attracting investment in the proposed common fund, this could present a unique opportunity for supporting improvements that would be of mutual benefit to the partners in world commodity trade, including oil-exporting countries as importers of food and raw materials and, in the case of some of these countries, as exporters of both oil and other primary commodities.

39. The potential financial capacity of countries with large international reserves, relative to their role in international commodity trade (other than oil), suggests that the conditions for investment from these reserves in a common fund for commodity stocking operations might be based on different criteria from those for investment by trading countries discussed in the preceding section. Such loans might be regarded as preference capital, by analogy with industrial and commercial investment, having pre-emptive rights on the returns and assets of the common fund, or as other first secured indebtedness.

40. Preservation of the value of the investments would probably be an important consideration. Successful stocking operations should help to underpin investment in primary commodities, to the extent that the real value of commodities can be maintained under an integrated programme in which international stocks are established. In addition, assurance of preservation of value in relation to exchange rate changes has been improved since 1974 by the use of SDRs as a measure of asset value and the valuation of the SDR in terms of a basket of currencies.

41. Calls could be made under loan agreements with interested lending countries in phase with the overall borrowing of commodity agencies from the common fund (and in co-ordination with calls on contributions by major trading countries). The loans might receive interest at a fixed rate; if it were comparable to the return arranged for borrowing under the oil facility of the IMF, the possibility of effective stabilization operations would be greatly improved.

Charges for use of stocking arrangements in connexion with multilateral commitments

42. In the study of multilateral commitments in commodity trade, 9/ it is suggested that acceptance of commitments by governments with regard to the level of trade volume and prices would be encouraged by the possibility of using international stocking arrangements to take up deficits in fulfilment of commitments. The charges attached to this use could be regarded as a calculable insurance premium on commitments, reduced to the extent that commitments were filled. If such charges were based on carrying costs in stocking operations, they would be a fraction of the full value of the commodity deficits, but would constitute a valuable source of income for the stocking arrangements, and this would be a useful procedure for determining the profitability of transactions that the stocking management assumed in this respect.

9/ TD/B/C.1/166/Supp.3.

B. Procedures and transactions

43. There are a number of operational questions that would arise in respect of a common fund on which no attempt will be made to take a position at the present stage. Indeed, issues arising over interpretation of the original articles and intended scope of activity in other institutions make it clear that their resolution does not have to precede the establishment of international economic organs of fundamental value. Some questions will come up at an early stage, if only because preparation of the commodity arrangements will be moulded by the nature of the financial arrangements expected. How would agencies for commodity operations deal with the fund? What role ought the fund to assume in the supervision and management of commodity arrangements? What interest should it take in measures included in commodity schemes that do not have financial implications but could affect stocking operations? What management structure should the fund have? What kind of schemes should it support, and what part of their financing should be met from the IMF? What security or collateral ought to be offered by a commodity agency to the fund? Should existing arrangements be brought under the fund?

44. The form of organization appropriate for commodity stocking operations, as discussed in paragraphs 19-22 of TD/B/C.1/166, will have a bearing on the policies and rules suitable in fund operation. Generally, the fund might be considered to have a legitimate interest in certain aspects of the management of stocking operations and other associated measures. It would have to assure itself of the viability of its own operations, and also that the schemes it was helping to finance met the purposes for which the fund was set up. It would need to establish criteria. As was pointed out when governments were making the decision to establish the IMF facility, this is an area of great difficulty and sensitivity. 10/ It was recognized that the preparation, negotiation and management of commodity schemes would be the responsibility of governments and appropriate bodies established for these purposes, and not of the IMF.

45. It would seem appropriate at the present time to take a fresh look at the purposes and constitution of commodity schemes that would be worthy of financial support. This is a purpose of the series of studies to which the present paper belongs. In its financial relations with schemes, however, while an intergovernmental financial instrument such as a common fund dealing with an intergovernmental commodity agency should be able to obtain sufficient security from the obligations assumed by governments, it might be desirable not to exclude the possibility that in excpetional circumstances stocks could be used as collateral.

10/ The Problem of Stablization of Prices of Primary Products, IMF, Part II, p.15.

46. Procedures for transactions with the fund would need to be standardized, though again with sufficient flexibility for the technical objectives of operations in individual commodities to be effectively pursued. One possible approach would be for the fund's management to enter into an agreement with the executive organ of the commodity scheme on its initiation, setting out the conditions with regard to amounts, charges and repayments on loans which it would stand ready to make in connexion with the scheme. This would take the form of a standby or overdraft arranged with the collective participants. Disbursements would then be made at short notice and as required for the scheme. The fund would be able to manage its liquid resources and its borrowing rights economically in relation to a number of arrangements, by linking actual disbursements as far as possible to the schedule of actual stocking expenditures.

47. The fund should be able to harmonize charges and repayment schedules for its clients at relatively low levels if its sources of capital were as outlined in the previous section. If the fund is large, it would not seem necessary to link particular sources of capital with particular commodities as regards either schedules of charges or repayment obligations. Moreover, if the principle of the responsibility of participating governments for commodity schemes is recognized, and the fund becomes a new injection of capital into commodity schemes, it would not seem necessary to bring existing funds for commodity stabilization within the control of the fund. Separate arrangements could look to the fund for additional financial help. They might also find it desirable to phase out current arrangements for financing as agreements fall due for renewal. Financing by the fund would imply that arrangements would meet the overall criteria adopted by the fund, and would follow general principles incorporated in an integrated programme in which the common fund was one instrument. If, for example, the introduction of trade commitments into commodity agreements was a desirable criterion for stocking assistance, this would need to be taken into account in providing partial assistance to separately financed arrangements.

V. Further work

48. Having regard to the urgency expressed by the Trade and Development Board in its resolution 124 (XIV), and the need for governments to have adequate time to consider proposals with financial implications, the Committee on Commodities will need to make a careful assessment of the further work required in recommending a time-table of work, as called for under the resolution.

49. It will be of key importance for governments to decide at an early stage whether to proceed with the examination of a common fund designed to operate in support of a broad range of stocking arrangements and other elements of an integrated programme, so that worthwhile policy initiatives for the integrated programme in general could give proper weight to the financing issues associated with the programme.

50. Preparatory work for the negotiation of a general financial instrument will need to take account of the complementary elaboration of policies supported by governments in other intergovernmental bodies concerned within the United Nations system and in economic organs of more limited membership. Continuing work under the responsibilities of UNCTAD will thus require more intensive consultations with the relevant intergovernmental bodies. These consultations have been initiated in accordance with paragraph (6) of resolution 124 (XIV).

51. In this connexion, the prosecution of the work of UNCTAD on the financing aspects of the integrated programme will need to take account of the further consideration being given by the IMF to the buffer stock financing and compensatory financing facilities.11/ In addition, work in UNCTAD will be related to matters included in the terms of reference of the Joint World Bank/IMF Ministerial Committee on the Transfer of Real Resources to Developing Countries (called the Development Committee), set up in October 1974. The Committee is to undertake a programme of work on a number of issues, including international financing schemes for commodity regulation and price stabilization.12/ It is expected that the Development Committee will wish to be fully informed of relevant proposals in UNCTAD, and the Committee on Commodities will wish to take account of the Development Committee's organization of its work at its next meeting in January 1975.

11/ IMF Survey, 1974, June 17, page 208.

12/ The resolution establishing the Committee states that "the Development Committee shall establish a detailed programme of work, taking account of the topics listed in Annex 10 of the Outline of Reform" [of the International Monetary System]. The annex referred to lists four topics, including "international financing schemes for commodity regulation and price stabilization". A communiqué of the Group of 24 on the resolution stated that the Group "wished to record their understanding that..... the work programme of the Committee shall include, [inter alia], international financing schemes for commodity regulation and stabilization. Priority shall be given to (i) the problems of countries most seriously affected by the current economic situation; (ii) access to capital markets and the promotion of the flow of capital resources to developing countries; (iii) protection and expansion of the real value of the export earnings of developing countries."

52. At the same time, the emergence of a consensus of interest in a common fund will not be sufficient unless practical proposals as regards the sources of funds and the operation of the fund are elaborated taking full account of administrative, legal and other factors that would affect the decisions of governments of potential contributors and countries with major primary trading interests. There will need to be close consultation with such governments in the pre-negotiation stages.

53. This consultative activity should be carried on in conjunction with continuing work by the secretariat on the integrated programme. The work of the secretariat would be aimed at clarification of a number of aspects of fund constitution and operation. The probable size of the fund required will need to be estimated in the light of ongoing feasibility studies of buffer stock operation and other measures for the range of commodities covered. Issues of financial significance that require more time for examination include more detailed investigation of the probable range of transactions in individual schemes, the effect on costs and returns of the integration of stocking operations with purchase and supply commitments, the probability of coincidence in transactions for a number of commodities, the possible impact on commercial inventories and other stocks, and the extent of local currency and foreign exchange costs involved in an international approach. Better information on the technical aspects of commodity trade and stock management will need to be incorporated in this programme of work and, in general, there will need to be a fuller understanding of the specific problems faced by individual countries in adapting commercial systems and national policies to international stocking arrangements.

54. Determination of the possible ranges of financing involved for individual commodities and in total will allow governments to assess their particular interest in providing financial support for the proposals. It would also be useful to examine further the possible principles and methods of operation of the fund, since they would affect initial positions on the proposals. As this preparatory work proceeds, it may be necessary to seek expert and technical advice on financing aspects through a meeting of experts in national and international financial operations.

55. Proposals for new forms of international co-operation pose the question of the existing responsibilities of the several intergovernmental organizations with relevant interests and of whether there is a case for a separate agency. For an activity concerned with financial matters and dependent in part for its effectiveness on commercial and technical expertise, the adaptability of existing international organizations would have to be studied with great care. For the common fund, as described, the acquisition of funds from various sources could also influence the question of responsibility for its activities. In the light of these considerations, the formation of views on management would best be taken up when the attitudes of governments towards the creation of the fund and other aspects of the integrated programme have become clear.

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Item 5 of the provisional agenda

An Integrated Programme for Commodities

Report by the Secretary-General of UNCTAD

This report, together with its supporting papers, presents a number of major proposals for priority consideration by the Committee on Commodities in response to resolution 124 (XIV) of the Trade and Development Board.

Paragraph 6 of the resolution requested the Secretary-General to elaborate further the proposals contained in his note on an over-all integrated programme for commodities (TD/B/498), including inter alia the more detailed elaboration of techniques, their feasibility and financial implications, examination of measures to help developing countries to promote the processing of raw materials, and examination of possibilities for exporting developing countries to increase their participation in marketing and distribution. Paragraph 7 of the resolution further requested the Secretary-General to make as many of these studies as possible available to the Committee for consideration at its eighth session.

The five supporting papers referred to above are on (i) the role of international commodity stocks (TD/B/C.1/166/Supp.1); (ii) a common fund for the financing of commodity stocks (TD/B/C.1/166/Supp.2); (iii) the role of multilateral commitments in commodity trade (TD/B/C.1/166/Supp.3); (iv) compensatory financing of export fluctuations in commodity trade (TD/B/C.1/166/Supp.4); and (v) trade measures to expand processing of primary commodities in developing countries (TD/B/C.1/166/Supp.5).

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CONTENTS

AN INTEGRATED PROGRAMME FOR COMMODITIES

Introduction

1. Developments in the world economy in 1974 and those now more clearly foreseen for 1975 give added force to the sense of urgency expressed by the Trade and Development Board at the first part of its fourteenth session in calling for a new approach to international commodity problems and policies (resolution 124 (XIV)). The emphasis that now needs to be placed without delay on an international approach to problems of food and raw materials is being shaped by world events. Most important, it is now evident that a serious slowdown is occurring in economic activity in the major industrial countries, accompanied by unabated inflation and radical change in the international payments situation. The transmission of adverse effects to the economies of primary producing countries must be prevented by policies that maintain over-all levels of effective demand and prices for exports. International action on commodities must be prepared to deal with this prospect. Secondly, the imbalances in commodity supply and demand since 1972, together with oil developments and the food crisis, have stimulated a fundamental rethinking of the features of an international trading system that will assure vital supplies to importers, and give adequate incentives to primary producers. This concern is heightened by the extent of the recent upward fluctuations in commodity prices, and the important initiatives taken by producing countries in these circumstances to redress the balance of bargaining power in trade through co-operative association. An integrated commodity programme must incorporate better assurances as to supplies and markets, and greater price stability at levels that are adequate for producers and equitable to consumers; it should also allow for the constructive organization of producers in order to influence the operation of the institutional framework in international trade relations. Thirdly, present difficulties are symptomatic of long-term structural problems in developing economies brought about by concentration and over-dependence on primary production and export. An integrated programme ought therefore not to impede but should rather encourage diversification in agriculture and diversification (especially vertical) in the economy in general, based on fuller co-operation between industrial countries and the primary producing countries in their general trade policies.

2. For the first time in many years, the world is without adequate reserve stocks of essential foods and several industrial materials. The consequence may be greater instability in the world economy and in commodity trade than in the past. Yet roughly two dozen of the more important commodities or groups of commodities in world trade represent two-thirds of the economic activity for export of the developing countries (excluding oil), and over half of the external purchasing power of the national product of at least 60 countries. Unless there is radical change of approach, there is little assurance that future output trends will be able to prevent a recurrence of the present crisis, or will be adequate for the requirements of world trade or the economic development of most of the world's population.

3. On the basis of these general considerations, the following proposals are made on the key issues that would form the core of an international approach to commodity problems:

(a) Establishment of international stocks of commodities, on a scale sufficient to provide assurance of disposal of production undertaken on the basis of a realistic assessment of consumption, as well as assurance of adequate supplies at all times for importing countries, and also large enough to ensure that excessive movements in prices - either upward or downward - can be prevented by market intervention;

(b) The creation of a common fund for the financing of international stocks, on terms and conditions that would attract to the fund investment of international capital, including the support of international financial institutions, while also reflecting in its composition the responsibility of governments of trading countries for the management of international commodity policies;

(c) The building up of systems of multilateral commitments on individual commodities, whereby governments, on the basis of a multilateral appraisal of trade requirements, enter into purchase and supply commitments as a means of improving the predictability of trade requirements and encouraging rational levels of investment of resources in commodity production. The functioning of the system, and the capacity of governments to undertake commitments on behalf of their export and import sectors, would be facilitated by arrangements for linking the commitments to the operation of international stocking mechanisms, and to compensatory schemes;

(d) Improved compensatory arrangements in situations of fluctuation in commodity prices and earnings for which international stocking or other arrangements could not secure suitable price and production incentives;

(e) The implementation of measures removing discrimination in trade against processed products, encouraging the transfer of technology and supporting a more intensive research effort, in order to secure rapid development in the processing of raw materials in producing countries as a basis for the expansion and diversification of export earnings.

Chapter I

CONCEPT AND MEANING OF AN INTEGRATED PROGRAMME

4. In his note on an over-all integrated programme for commodities (TD/B/498), submitted to the Trade and Development Board at the first part of its fourteenth session, the Secretary-General of UNCTAD presented the case for a new initiative in international commodity policy which might take the form of a multilateral negotiation, or "package deal", for the establishment of international arrangements covering a comprehensive range of commodities of export interest to developing countries. It was suggested that these arrangements might be based on a common set of principles, objectives and techniques, and should be "multi-dimensional" in scope, covering not only pricing policy but also aspects such as marketing, diversification and access to markets.

5. Document TD/B/498 was a response to the call made in the Programme of Action on the Establishment of a New International Economic Order,1/ adopted by the General Assembly at its sixth special session, for the preparation of an over-all integrated programme for a comprehensive range of commodities of export interest to developing countries, setting out guidelines and taking into account the current work in this field. The call for such a programme was itself the result of the current crisis of international commodity policy, constituted by the fact that years of studies, discussions and consultations in various forums have succeeded in establishing international arrangements for only a few commodities, hardly any of which have proved to be effective or durable.

6. The proposal for an over-all integrated programme for commodities endeavours to launch international commodity policy onto a new course which, it is hoped, may have a greater chance of success than the approaches hitherto adopted. The proposed new approach is an attempt to move urgently from the field of consultation to the field of negotiation. To facilitate this shift, it is proposed that arrangements for a comprehensive range of commodities should be negotiated in the form of a package, so that the special interest of countries in some commodities could be an incentive to them to reach agreement on others. Although this implies a departure from the traditional piecemeal, commodity-by-commodity, approach to negotiations, it does not alter the fact that specific arrangements would have to be devised for individual commodities. It does mean, however, that the drawing up of arrangements for a substantial number of commodities would have to be agreed upon at the same time and undertaken simultaneously, or as simultaneously as possible, this being an important dynamic feature of the new approach.

7. Fundamental to the proposed new approach is the setting of wider objectives for international commodity arrangements, including the improvement of marketing systems, diversification (horizontal and vertical), expanded access to markets, and measures to counter inflation, in addition to the traditional objectives of stable and remunerative prices. Acceptance of these additional objectives is essential if more viable and more durable commodity arrangements are to be established. Without some

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1/ General Assembly resolution 3202 (S-VI), Sect. I, 3, para. (a), (iv).

kind of provision for relating prices of exports to prices of imports,1/ for example, commodity arrangements operating in conditions of rapid international inflation would tend to break down. In the case of some commodities, provision for improved access to markets would also be essential, since the expansion of world supply in line with demand cannot be assured if efficient producing countries fear that any attempt to expand their exports will be frustrated by import restrictions, as has been notably the case with sugar and livestock products.

8. The proposed new approach recognizes the principle, as reflected in the Havana Charter, of co-operation between exporters and importers, or producers and consumers. But it also recognizes that co-operative action by producers can be - and in given instances has been - an aid to negotiations with consumers. Indeed, in some cases, such co-operation might be indispensable to negotiations and generally it would be an important means of expediting and facilitating progress. It should therefore be accepted and encouraged.

9. One final point needs to be made regarding the relationship between the proposed integrated programme and the work of existing international commodity councils and consultative groups. In document TD/B/498, it is stressed that these bodies should be consulted, and that their work should be taken fully into account, in the preparation of the integrated programme. Some of these bodies, in fact, already plan to draw up and negotiate economic arrangements for the commodities with which they are concerned. Such work could be perfectly compatible with the idea of the integrated programme, and indeed could form part of it, provided the governments concerned carried out the work in the manner and in the spirit of the programme.

10. Briefly stated, the principles and objectives on which it is proposed the programme should be based are the following:

(a) There is a need to seek solutions simultaneously and urgently to the problems of a number of commodities of major interest to developing countries, both as exporters and importers, in view of the considerable threat to the interest of these countries posed by prospective developments in the world economic situation in both the short term and the longer term (see paragraphs 1-2 above);

(b) International action on commodities should take due account of the interests of both exporting and importing countries;

(c) Co-operative action by producing countries has a legitimate and important role to play in solving the problems of individual commodities;

(d) Arrangements for the stabilization of prices, in the sense of the smoothing out of irregular or cyclical fluctuations, are required for many commodities in order to allow correct responses to price incentives in production, to help stabilize export incomes and import bills, and to improve the competitive position of natural raw materials facing competition from synthetics;

1/ The General Assembly's Programme of Action called, in this respect, for "a link between the prices of exports of developing countries and the prices of their imports from developed countries" (Sect.I,1, para.(d) of resolution 3202 (S-VI)).

(e) Commodity prices should be at levels which provide incentives for the maintenance of adequate levels of production, which are just and remunerative, which take due account of world inflation, and which are consistent with developmental objectives;1/

(f) Diversification and the expansion of processing of commodities in developing countries should be encouraged;

(g) The improvement of marketing and distribution systems, more advanced technology, and research should be actively promoted in the interest of both importers and exporters;2/

(h) International commodity arrangements should seek to ensure liberal access to protected markets for exporting countries and security of supplies for importing countries.

Provisions for attaining additional agreed objectives could be incorporated in arrangements for individual commodities or groups of commodities in the course of detailed negotiations on the programme.

1/ Including the suitability of preferential terms for exports to developing countries where appropriate and technically feasible.

2/ The findings of UNCTAD studies on marketing and distribution of certain products will also be relevant to this objective. This programme of studies is being carried out in pursuance of Conference resolution 78 (III), and is the subject of a report to the Committee under agenda item 7.

Chapter II

ELEMENTS OF THE PROGRAMME PROPOSED

A. International stocking policies

11. The most urgent need is for action on commodity stocks, and it is suggested that this be given priority consideration. The urgency is dictated by the recent and possible future developments in the world economy. Prices of a wide range of primary products have been falling precipitously in recent months, despite continuing international inflation. While declines from the 1973-1974 peaks were to be expected, their extent and speed have been ominous. By November 1974, prices of copper, rubber, zinc and wool had fallen by more than 50 per cent, cotton and tropical vegetable oils by 30-50 per cent, and iron ore, lead, abaca and tin by 20-30 per cent. A continuing shortage of some agricultural products coupled with high prices, notably for sugar, in the midst of the present recession, can be attributed in large part to past under-investment associated with long periods of low prices. To wait until the downturn becomes more general may be leaving matters too late to negotiate on corrective measures of international scope. It is necessary to agree on plans now to prevent over-reaction and slump.

12. It is proposed that international stocks should be established for a wide range of commodities by purchasing them when their prices are at an agreed floor level. Table 1 lists 18 major commodities which appear suitable for international stocking. The list is provisional. Some of these commodities, for example, wheat and wool, are exported predominantly by the developed countries, but are important to developing countries as both exporters and importers. Some others, for example, tropical beverages and natural rubber, are produced exclusively in the developing countries. The 18 commodities listed account for 55-60 per cent of the total primary product exports of developing countries other than petroleum, and their stabilization at an adequate level would have far-reaching effects on these countries.

13. The accumulated stocks would serve as an international reserve of foodstuffs and industrial raw materials which would help to assure an uninterrupted flow of world consumption and world industrial production. They would be released to the market or to the participating countries when prices moved above an agreed ceiling. Such international reserves should be created, since the national stocks of some key products, very large until several years ago, have now been depleted. By the end of 1973, the aggregate of existing stocks of cereals and most non-ferrous metals had fallen to under 10 per cent of world annual consumption, and of several other major foodstuffs and agricultural raw materials to under 25 per cent. Most of these stocks do not leave any reserve margin above working ("pipeline") stock requirements. Stocks will have to be rebuilt, although not necessarily to earlier levels. Since it is unlikely that any one single country will attempt in the future to hold stocks for the world economy, the question is whether there will be attempts by a number of countries to carry stocks individually, or whether there will be an international system of stock accumulation, holding, and disposal.

14. The present proposal is not limited to meeting the current emergency situation. The machinery of international stocks, once created, should remain in existence and would then be able to exercise a continuing stabilizing effect on world commodity markets, in the interest of both the exporters and the importers. In the absence of price support by an international stock, the exporting countries, particularly low-income ones, are frequently compelled, in periods of excess supply or weak demand marked by falling prices, to sell on a declining market, thus depressing prices and earnings even further, because they do not have enough financial resources to hold

Table 1

Major stockable commodities: Trade values, 1972[a]

(Millions of United States dollars)

	Exports f.o.b.				Imports c.i.f.			
	World	Developed market-economy countries	Socialist countries	Developing countries	World	Developed market-economy countries	Socialist countries	Developing countries
Wheat[b]	4 366	3 818	388	160	4 609	1 540	1 291	1 778
Maize	2 298	1 914	53	331	2 444	1 905	324	215
Rice	1 120	537	143	440	1 232	175	82	974
Sugar	3 334	921	178	2 235	3 379	2 304	460	614
Coffee (raw)	3 049	-	-	3 049	3 368	3 101	126	141
Cocoa beans	723	-	-	723	729	572	131	26
Tea	745	79	57	609	784	470	72	242
Cotton	2 828	587	484	1 757	3 055	1 714	792	549
Jute and manufactures	762	71	21	670	840	520	120	200
Wool	1 346	1 143	42	161	1 722	1 361	257	105
Hard fibres	87	3	-	84[c]	106	92	7	7
Rubber	904	-	-	904	1 095	689	305	101
Copper	4 113	1 364	354	2 395	4 226	3 635	377	214
Lead	418	257	45	116	470	379	60	31
Zinc	862	558	110	194	938	736	77	125
Tin	730	70	28	632	758	613	53	92
Bauxite	305	82	5	218	363	325	36	2
Alumina	609	265	46	298	685	532	91	62
Iron ore	2 608	1 213	403	992	3 484	3 039	425	21
Total	31 207	12 882	2 357	15 968	34 287	23 702	5 086	5 499

Source: FAO, Trade Yearbook 1972, and national statistics.

a/ The figures are preliminary. In sugar, cocoa and copper, import values appear understated in relation to exports. In metals and ores, EEC intra-trade is excluded.

b/ Including flour.

c/ In addition, $49 million exports of hard fibres manufactures.

Notes: Oilseeds and vegetable oils are under consideration. Special investigation is needed of a suitable stabilizing mechanism for oilseeds and vegetable oils produced in the tropical areas, which are interchangeable with other oils and fats in a varying number of uses and are therefore exposed to complex substitution effects. In bauxite and iron ore, further investigation is needed of the processing stage at which they could be stored most economically.

back supplies. While the support provided by an international stock may not be sufficient for them to achieve an adequate price level and other measures may be needed, such support is likely to be a necessary condition in most cases. For the importing countries, international stocks would bring security of supplies and reasonably stable prices; also, by providing producers with certainty concerning prices and markets, such stocks would help assure adequacy of supplies for the importing countries over the long run, especially if supported by investment on the part of international development agencies designed to expand output of scarce materials. A wide geographic distribution of physical location of stocks would be an additional guarantee of equal access to primary products.

15. While the primary objectives of the proposed international stocking system are price stabilization at an adequate level, and assurance of supply and outlets, it should also aim at a financial profit on its operations as a whole. In this way it would be able to discharge its economic functions in a sustained manner. The buying and selling prices should be subject to re-examination at regular intervals, initially perhaps once a year, in the light of experience, particularly with respect to the level of purchases and sales by the stock. If in serious surplus situations it became necessary for the producing countries to introduce temporary mandatory restrictions on exports, it is suggested that such restrictions should be made proportional to output at the time of introduction, thus avoiding the need for extended quota negotiations in advance as well as the danger of freezing the geographic pattern of production. Since the lasting solution to persistent cases of over-production is structural readjustment, it is proposed that the incentives provided by the operations of an international stock should be used to stimulate resource shifts and resource mobilization policies designed to accelerate diversification of production and exports.

16. The cost of acquisition of the necessary volume of the 18 commodities listed in table I has been provisionally estimated at $US 10.7 billion, assuming the commodities were bought at average prices prevailing in the five-year period 1970-1974. Of this amount, $4.7 billion is accounted for by grains (wheat, rice and coarse grains). The next largest amounts are for sugar, coffee and copper, aggregating $3.2 billion. If the commodities were bought at average prices of the three-year period 1972-1974, the aggregate cost would be one-fourth higher, and at 1970-1972 prices probably one-fourth lower. Applying prices prior to 1970 would not be useful for these illustrative estimates, in view of the distorting effect on all nominal values of international inflation. The estimate for grains assumes a reserve stock based on the FAO analysis of world needs prepared for the World Food Conference; international grains stocking requirements would be lower if they were designed primarily to assure supplies for the low-income countries (mostly in South Asia and Africa) and for other developing food-importing countries (i.e. some petroleum producers). Conversely, the estimated stocking requirements for some industrial raw materials may well be on the low side.

17. The aggregate figure of $10.7 billion represents conceptually a commitment rather than a disbursement figure, for two reasons. First, the estimates for each commodity represent the maximum which may be accumulated; in practice, the accumulation will vary between zero and the maximum. Secondly, if a multi-commodity stock or a common financing fund is in operation, purchases of some commodities will be offset by sales of others in particular periods. The extent of the offset will be determined by the amplitude of the international business cycle: the stronger the cyclical movements, the more likely that most commodities will move together and there will be little offset. During the post-war period, some commodity prices moved in opposite directions to others in most years; but if the future is likely to show more cyclical instability than the last two decades, the offsetting action will be weaker.

The policy implication of these factors is that access to resources should be as large as possible, although the actual use of funds in particular periods may be below gross commitment needs. Further work is needed on the selection of commodities, size of stocks, price ranges, and likely length of the stocking periods, in order to improve the estimates given above.

18. International stocking mechanisms exist at present for only two of the 18 commodities, tin and cocoa. The operating experience and financial results of the tin stock, covering the last 20 years, have been favourable. The mechanism of the cocoa stock has just been established. The limited use of stocking arrangements in international commodity policy is inconsistent with the present and prospective needs of the world economy.

19. The functions of an international stock can be performed by national stocks in the producing and consuming countries, provided the producers have sufficient finance, and all national stocking policies are internationally agreed. The first condition is met by some producing countries but not the majority. The second condition has not been realized in practice, although it is feasible in principle; it would require institutional arrangements and a set of agreed rules concerning the range within which the participating governments would try to keep the world market price, and the stock-releasing and stock-accumulating obligations of each government. Even if these conditions were met, the aggregate of national stocks, each based on individually perceived country needs, could be expected to be larger than an internationally managed stock which could be deployed more efficiently to achieve the same objectives: the latter would have to be of a size to cover the net deficit (or to absorb the net surplus) of world production in relation to consumption, while the aggregate of national stocks would tend to be of a size to cover the gross deficit, i.e. the sum of deficits of individual countries. In addition, there would be an element of uncertainty as to access to supplies since the stocks would be nationally owned and operated. Some of these problems could be partly resolved by the simultaneous existence of an internationally managed stock and national stocks, all operating in a co-ordinated manner. Such co-ordination would require a sustained effort in international co-operation. Nevertheless, if the traditional policies of the leading importing countries towards international stocks for commodity stabilization are maintained, it will be in the interest of producers, faced with stagnation or worse in their economies, to adopt stocking arrangements among themselves.

20. Early action on international commodity stocks is seen as the cornerstone of the integrated programme, and the question of organizational arrangements will be a first consideration. The proposed programme embraces the establishment of international stocking arrangements for most commodities of significance to developing countries in their capacity as substantial importers or exporters. In some cases, such arrangements might be organized as a series of individual commodity schemes, in which the stocking operations could be one among several types of measure in a multi-dimensional approach to the short-term and long-term adjustments required. The common fund for the financing of stocking schemes, also proposed in the programme, would help to ensure consistency in the objectives and conduct of individual commodity schemes.

21. On the other hand, it will be of little real value to engage in arrangements for financing international stocks if slow progress is made with the arrangements for the stocking operations themselves. It may be necessary to organize generalized arrangements for stocking those commodities on which progress could not be made in individual commodity schemes despite a consensus on the problems. Moreover, the organization of stocking arrangements would have to be viewed in a different perspective if the onset of a serious general recession led to the prospect of a major decline in the volume of trade and prices for export commodities of cardinal importance

for developing countries, while prices of basic foods and general inflation rates remained high. While early action on stocking arrangements is in any case required, such conditions would make it all the more imperative to set up a rapidly organized scheme to acquire stocks of a number of commodities. Such a scheme might have to be organized on multi-commodity lines, under a single agency, and in large part to provide an outlet for production already initiated. It might have to be set up as a transitional measure, allowing time for the establishment of more comprehensive measures under an integrated programme.

22. There are other reasons for a multi-commodity approach, which would either co-ordinate stocking for a group of related commodities, or would more ambitiously seek to manage stocks of a comprehensive range of commodities. The functions of a central agency could have the advantage of incorporating the purposes of a common financing fund, as well as those of stock management, though it would be necessary to consider the extent of its involvement in other types of commodity adjustment policies, such as supply management. The functions of a multi-commodity organization set up with the wider objective of co-ordinating the activities of a number of commodity agencies could include longer-term objectives. It could be responsible for, and be capable of, taking into account the effects of policies for one commodity on others. It could give guidance to individual commodity agencies on diversification policies, and it could set a better perspective for long-term planning on crops with long gestation periods than could individual agencies of medium-term duration. This type of operation could also, as noted above, make a significant contribution to the control of the business cycle, by co-ordinating the purchases of commodities in the downswing to support effective demand and protect employment, and by releases of commodities in the periods of upswing and inflationary pressures.

23. Commodity stock operation could also be integrally linked with multilateral commitments on trade, as advocated in paragraph 38 below. The support of stocking arrangements would be a strong inducement for governments to enter into supply and purchase commitments, while at the same time such commitments should make for greater smoothness of operations by stocking agencies, by helping to prevent the need for abrupt adjustment in prices or production to divergent trends in supply or demand. In brief, governments that entered commitments would be entitled to the use of stocking facilities, as exporters or importers, with respect to non-fulfilment of the commitments. Policies would need to be elaborated with regard to the role of stocks in this manner, and these policies, combined with those on multilateral commitments, could be mutually reinforcing in encouraging trends towards global equilibrium in national supply and demand.

B. The financing of stocks

24. The integrated programme will need to adopt a broad solution to the financing of stocks as a key element in the programme. The illustrative example given in the study on the role of international commodity stocks (TD/B/C.1/166/Supp.1) suggests that the comprehensive programme envisaged might involve capital resources of the order of $11 billion (nearly half of which might be for grains alone), though the amount in use at any time might not approach this size, and would in part represent re-allocation of public expenditures already committeed to stocking (see para. 17 above). International co-operation in investment of this magnitude cannot therefore be considered in a similar manner to the amounts of less than $200 million committed to the two existing international stocks.

25. Present stock operations suffer from financial constraints in government budgets and industry, and from the instability of interest rates. Credit shortages and "double-digit" interest rates currently make it virtually impossible to break even on

stocking operations unless price swings are wide. Financing stocking operations with an uncertain quantity and an unstable price of money cannot be expected to achieve stable prices, costs and returns for commodities. Consequently, governments supporting stocking schemes recognize that assured sources of funds at reasonable charges should be provided. Financing probably remains a major factor impeding the establishment of stocking schemes.

26. Although, under present arrangements, the IMF buffer-stock financing facility is a potentially large source of funds, it has not been used extensively during its five years of operation, and has not so far acted as a catalyst, as hoped, for the negotiation of new buffer-stock arrangements. The facility is intended to assist mainly developing country exporters with contributions to individual international schemes, but a serious difficulty in the use of the facility even by such countries has been the reluctance of importers generally to make their contribution directly to such schemes.

27. In view of the foregoing, it is proposed that stock financing should be undertaken through a common fund, constituted for the specific purpose of directly financing stocks of a number of commodities. The fund should be supported by both exporting and importing countries, so that an appropriate commitment to the financial arrangements would be shown by countries participating in the management of stocking arrangements. The financial burden for these countries would be eased if the international financial institutions extended assistance more widely and effectively to all countries among their members. Furthermore, the fund should be open to investment from other sources, as a major or supplementary source of financing. To do so, the stocking operations and the rules of the fund should provide security of investment and reasonable returns. The fund should be able to raise its finances on terms and conditions comparable to those for other official international investment. The balance of commitments accepted by governments and the international financial institutions would exercise a key influence on the objectives of international policy in the commodity field.

28. Recent developments may have modified the attitude of importers as regards financing stocking arrangements. The appropriate conditions for investment in international stocks could be achieved if the major trading countries could agree on joint responsibility for the public financing as well as the management of commodity stabilization measures. It would have to be recognized, however, that many countries would have problems in making a sizeable contribution in a period, of the kind that at present seems to be ahead, of balance-of-payments disequilibria, inflation and slow economic growth. These difficulties might be eased in two ways.

29. First, the IMF might appear to be an appropriate means of refinancing, though effective assistance would appear to entail substantial amendment of its present policies on the financing of buffer-stocks, including the extension of the availability of loans in practice to all member countries that undertook stock financing. The World Bank may also be an appropriate source of funds.

30. Secondly, while the financial backing of the major commodity trading countries should be lent to the fund, viable commodity stocking operations could also be regarded as a sound investment. The contributions by trading countries would help to guarantee the security and viability of such an investment. Investment, in particular any investment that could be attracted from oil-exporting countries, would require to be secure and to provide a reasonable return.

31. Consolidated financing for stocking arrangements could thus spread the burden of financing, and it would help to ensure that the resources required were kept to a minimum by full employment of them. It is also conceivable that consolidated financing would be less than the current real costs of commodity stocks, while producing economic benefit more effectively than at present. Moreover, a financial instrument large and flexible enough to cater for a package of commodities should be evaluated, not only against the large costs already incurred in stocks, but also in terms of its contribution to the stability of economic activity and its impact on balances of payments. For these wider reasons, international stocking schemes might be introduced at more modest net cost to the economies of both importers and exporters than the apparent investment.

C. Multilateral commitments in commodity trade

32. The objective of more stable conditions in commodity supply and demand in general, and the role and viability of international stocking operations, would be strengthened if governments encouraged sustained levels of trade by undertaking multilateral supply and purchase commitments to which stocking policies would be related. These commitments could be agreements between governments on the approximate amounts of a commodity that each government expected the economy to supply or demand, to or from all participating countries, based on forecasts of trade, including state trade, private and official bilateral contracts and open market trading. Though the agreement would carry an obligation, as described below, it would not have the full character of a contract obliging governments as such to acquire or supply amounts that were not purchased or sold under the ordinary trading system of the country during the period of the commitment.1/

33. Assurance of supply is the second outstanding area of concern emerging from the chaotic commodity developments of the 1970s. Set alongside the chronic concern of primary producing countries with sustained market capacity, there is a unique opportunity for a marriage of interests in realizing more predictable and more stable movement of commodities in international trade. Governments now seem more ready to recognize that reciprocal trade volume commitments could facilitate forward planning of resource use in their domestic economic policies and in solutions for balance-of-payments difficulties. These commitments could best be achieved multilaterally, and with as wide a coverage of trade flows for particular commodities as possible.

34. Trade arrangements that could offer some guidelines for national trade operations and for production planning would be valuable on several grounds. Most generally, national authorities dealing with foreign exchange budgets, import policy and the expansion of exports have to take decisions based on appraisal of market developments and the probability of national actions affecting their trade. The market price mechanism and such national actions, as short- and medium-term indicators, cause serious difficulties for such planning.

1/ See TD/B/C.1/166/Supp.3 in which more formal multilateral contractual arrangements are considered.

35. An additional advantage of governmental purchase or supply commitments organized multilaterally, is that they might improve terms and conditions in the extensive proportion of commodity trade that is already transacted through forward contracts. Conclusion of the commitments multilaterally would help to bring more complete information and competition to the conclusion of bilateral private or governmental contracts, especially for commodities for which open market prices are not available or representative. One of the purposes of producers' associations is to improve their bargaining position in this respect. The commitment procedure, involving as it would the exchange of information with other producers, could be of considerable value to exporting countries as regards their sales policy and the regulation of foreign companies operating in their territories.

36. The difficulty in making commitments on trade is that the influence that governments can exercise on the performance of producing and trading sectors varies a great deal. The nature of agriculture does not ensure export availability, and most importing governments cannot enforce purchases by commerce and industry. Moreover, even if such commitments were undertaken for a period of as short as one year, the ability to project requirements and supplies differs between commodities. Nevertheless, it should be possible to proceed on the basis of the best possible short-term forecasts of import demand and export availabilities, undertaken by national authorities in consultation with the private interests concerned.

37. To be effective, a system of multilateral commitments would need to cover a large proportion of trade in any given commodity. Otherwise, any significant imbalance in import demand and export supply might not be discernible. Producers' associations could find an important place in the system, by determining the export potential and price conditions acceptable to their membership as a basis for a constructive relationship with consuming countries. Bilateral trade arrangements and state trading practices would also fit well into the procedures of multilateral commitment, since such transactions assist governments in deciding on their over-all requirements and supply.

38. The likelihood of governments being able to contemplate commitments would be enhanced in these circumstances if a supporting role were to be assumed by international stocks, whereby the obligations of governments to fulfil commitments that had been realistically appraised but impeded by circumstance would be mainly taken over by the management of stocks. The use of stocking arrangements in this way would need to be symmetrical, assisting both countries whose commercial performance left a deficit in import commitments as well as countries whose export availabilities failed to reach the amount committed. One method of operation could be to allocate shares in an international stock to participating countries that could be taken up against non-fulfilment of commitments. Such stocking rights could be transferable. While the financing of stocks might be independently provided through a common fund, the use of stocking rights in this manner, by either exporters or importers, could entail certain charges (possibly determined in relation to carrying costs) as a disincentive to deliberate evasion of purchase or supply commitments. Such charges would provide a useful source of operating revenue for stocking agencies, but would not place a large financial penalty on commitment deficits. As noted in para. 23 above, pricing policy would need to be harmonized under stocking arrangements and in the determination of multilateral commitments.

39. Multilateral commitments could also be concluded on commodities for which stocking arrangements were not feasible, especially if compensatory schemes were also available to countries with a high dependence on non-storable export products. There may also be scope for arrangements that balance commitments on one commodity against commitments on another.

40. The system could thus be envisaged as a three-stage process applying to trade in one or several commodities as follows:

(i) Projection of the global potential for trade between exporters and importers over a specified period, at least annually and preferably over the medium term, as a forward planning exercise;

(ii) Consultations between producers (or consumers) as a means of resolving significant coverages in annual export availability or in import demand, the range of prices applicable, or other terms of arrangements;

(iii) Agreement in the form of purchase and supply commitments concluded multilaterally, but without specification as to the direction of trade.

41. The question arises whether stocking arrangements will by themselves perform many of the functions claimed for multilateral commitments. A system of international stocks alone can realize important objectives, including the reduction of price fluctuations and the effecting of short-term adjustment for imbalances in production or consumption in a manner less abrupt than results from the operation of market forces and prices alone. In this respect, stocking arrangements will help to reduce the uncertainties in planning trade and production policies. However, as stressed in section A above on international stocking policies, when they are not open-ended they will usually need to be associated with provisions for quantitative controls and alteration of intervention prices if and when stock operations are not achieving longer term equilibrium in supply and demand. Such measures effect adjustment when the problem has developed and place the burden on export producers; forward commitments could encourage a less painful or less wasteful adjustment process. While, therefore, stocking arrangements would not need to be associated with multilateral commitments in order to perform a central role in an integrated programme, their value might be more effectively realized in dealing with temporary and irregular market disturbance, particularly from the demand side, if price movements and quantitative restrictions due to structural imbalance could be averted through forward trade commitments. On the other hand, a multilateral commitment system would most probably stand a greater chance of acceptance and would be greatly strengthened in practice if supported by international stocking arrangements.

D. Compensatory financing of commodity trade

42. The foregoing measures would still leave certain countries vulnerable to export instability and to depressed trends that reflected a weak bargaining position for key exports. These would probably be countries with a significant dependence on commodities for which stocking arrangements or multilateral commitments are not feasible, or where participation in a multilateral commitment still left serious fluctuation in their prices or returns. Such commodities are less likely to have a significant influence on the trade or payments situation of importing countries, so that arrangements for compensation could be more suitably directed to the assistance of exporting countries.

43. The justification for such assistance is already concretely acknowledged in the international community through the IMF facility for the compensatory financing of export fluctuations, and by a major group of importing countries in the EEC proposals for a commodity compensation scheme available to associated and associable countries. Medium-term loans by the IMF are intended to smooth out fluctuations in the total export trade of primary producing members and thus compensate for fluctuations in specific commodity exports when these are reflected in downturns in over-all export receipts. The IMF scheme is self-financing, with full repayment of loans. It does not lay down conditions with regard to the domestic arrangements the financial authorities of borrowers make on producer prices or incomes. About SDR 1 billion of assistance was provided to 32 countries in 1963-1973. The EEC scheme would be applicable to a selected group of commodities, and while based on returns to those commodity sectors individually, is intended to have an income-stabilizing influence for the individual producer in recipient countries. It has provisions that would cause non-repayable expenditures, though partly self-financing.

44. For those countries in the position described in paragraph 42 above, the expansion and liberalization of IMF assistance would probably be of significant help. The introduction of the EEC scheme would also be helpful in finding solutions to this kind of problem. There would probably continue to be problems in some special areas of commodity trade for particular countries that it might not be possible to encompass in the IMF approach at the level of total export earnings, but the extent of these problems would probably be greatly reduced if appropriate changes could be made in the IMF facility to enlarge the amounts transacted and the number of countries using the facility. Within an integrated approach to commodity problems, it would seem best to give priority attention with regard to compensation aspects to the possibility of building on the present IMF facility, with attention being given at a later stage to any additional compensatory measures that might be required in consideration of the scope of the expanded facility.

45. The aspects of the facility in mind in this respect are (i) the need for more flexible conditions as regards the balance-of-payments criterion for assistance; (ii) relaxation of the limits on the amounts available as determined by IMF quotas to take account of the size of shortfalls; (iii) easier requirements on the completion of detailed export statistics within a relatively short period of the shortfall in exports; (iv) extension of the repayment period beyond the present obligation to make complete repayment within five years, including a closer link with the recovery of exports; and (v) account to be taken of changes in the import purchasing power of a country's exports.

46. If, however, action on these lines did not appear feasible, the problem for the exporters of the perishable commodities for which demand and prices are highly unstable would remain large enough to warrant consideration of commodity compensation schemes. The most critical point of policy in a commodity compensation scheme is that the scheme should be considered as a residual measure, to be applied when other more direct approaches are inappropriate or inadequate to meet the ultimate objective of stabilizing and maintaining the real export income of exporting developing countries. Consequently, the scheme should be designed to provide automatic compensation payments in the form of loans to developing countries experiencing shortfalls in their export income from the commodities considered (i.e. those not covered by other arrangements). Such loans would be repaid out of part of any excess of exports over the agreed "normal" levels (from which the shortfalls were calculated). Repayment procedures might also include provision for conversion of unpaid balances into grants.

E. Expansion of processing and diversification

47. The contribution of commodity production and trade to the economic development of the developing world will only be realized rapidly and efficiently if shifts in resources within the primary sectors of the developing countries and within their economies in general can occur. The measures above would create more favourable conditions for appropriate diversification and for freeing resources in a more broadly based economic structure. But in addition, separate and more constructive attention will be required in the international community to develop means of expanding the processing of primary products, removing trade discrimination in this respect, and to encourage the transfer of technology and research with this objective.

48. For the generality of primary commodities exported by developing countries, there is need for greater diversification into the more manufactured forms of the basic products. Expansion of trade in semi-processed and processed products is inhibited by various factors, among which are tariff and non-tariff barriers in developed countries. This situation needs to be improved through extension of GSP coverage to more products of primary origin, the removal of ceilings and quotas under the GSP, and the removal or relaxation of other non-tariff barriers. In addition, increased attention needs to be paid to the problems of the development of processing in the economies of developing countries, including such aspects as the transfer of technology and research. Among the actions that developing countries can take, it will be important to provide export incentives.

Chapter III

APPLICATION IN PRACTICE OF THE VARIOUS PRINCIPLES, OBJECTIVES AND TECHNIQUES

49. In considering how the various principles, objectives and techniques dealt with in the preceding chapters might be applied in practice, four separate groups of commodities which face distinctive basic problems and for which distinctive policy objectives need to be set can be taken as a basis for negotiation. This illustrative grouping is not meant to represent any exhaustive list of commodities, nor to be exclusive regarding the techniques indicated. Further, it is without prejudice to the possibility of adopting a multi-commodity system and arrangement of the type referred to in paragraphs 21 and 22 above and in the supporting document on international stocks1/ or the proposal contained in paragraph 51 below.

50. The first group that can be distinguished consists of essential foodstuffs, in respect of which the prevention of excessive fluctuations in world prices in both the short and long term, the provision of adequate incentives to production, and the building up of large internationally-held reserves, is in the common and vital interest of virtually all countries of the world, exporting and importing, developed and developing. Because production of these commodities is widespread throughout the world and subject to unpredictable fluctuations, supplies and prices at the world level can be effectively administered only by means of stocking arrangements. For the reasons described in the supporting paper on international stocks,2/ the most economic and effective way to achieve the required degree of supply and price stabilization, and the necessary margin of supply security, would be to establish internationally owned and internationally managed buffer stocks, with financial support from the proposed common fund. The current world shortages of cereals and sugar have underlined the fact that national action, far less private commercial action, cannot be relied upon to ensure adequate prices and security of supply for basic food commodities, shortages of which can cause hardship, suffering or death to millions of human beings. Indeed, international stocks should be established as a matter of urgency for wheat, coarse grains, rice, sugar and selected vegetable oilseeds and oils.3/ The international co-ordination of national stocks, as proposed by the World Food Conference, would be a major improvement in the organization of world trade in food, though it should be regarded as an important first step towards the establishment of international stocks.

51. In view of the inter-relationships between markets for different cereals, and those between the markets for different vegetable oilseeds and oils, it would be necessary for a single, multi-commodity, stock to be established for each of these two groups of commodities.4/ In order to provide further safeguards for importing

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1/ TD/B/C.1/166/Supp. 1, paras. 41 - 43.

2/ Op.cit. para.8.

3/ See also para. 71 below, for the views of the World Food Conference of relevance to this question.

4/ The complexity of the fats and oils group would entail careful examination of the feasibility of stock operations. Moreover the question of which particular coarse grains, and which particular vegetable oilseeds or oils, should be stocked would be a matter for further study. It might be possible to limit stock operations to certain key commodities in each group.

and exporting countries, stock arrangements could be reinforced by commitments by exporting countries regarding the flow and allocation of supplies in cases of unexpectedly severe shortages, and by commitments by importing countries regarding minimum degrees of access to protected markets, along the lines suggested in the supporting paper on the role of multilateral commitments in commodity trade (TD/B/C.1/166/Supp.3).

52. The second group of commodities consists of essential industrial minerals subject to substantial price instability and/or unsatisfactory price trends. These commodities include bauxite, iron ore, copper, lead, zinc, manganese ore, tungsten and phosphates (in addition to tin, for which an international buffer stock already exists). In view of their importance in the export structure of many developing countries (and some developed primary exporting countries), and in the import bills of many developed and developing countries (because of the inelastic nature of the demand for them), there is a large common interest for both exporting and importing countries in the prevention of excessive fluctuations in their prices. In addition, importing countries have a strong interest in the longer term security of supplies of these commodities at "reasonable" prices while exporting countries are also extremely concerned to maintain their prices at adequate levels, taking into account world inflation, the conditions of demand for the particular commodity, and the rate of depletion of reserves.

53. One way in which these objectives might be attained simultaneously would be through international stock operations of the kind in effect for tin. The price range to be defended by such a stock could be set by agreement at a level which would reconcile the price ambitions of exporters and importers, while the stock itself, provided it had substantial resources, could provide security of sales outlets for exporters and security of supplies for importers. This would represent a solution substantially the same as that proposed for basic foodstuffs.

54. However, the level of production of mineral commodities can be planned much more easily than that of foodstuffs. Hence effective management of world supplies and prices of mineral commodities can, in principle, be achieved by producing countries without the help of international stocking mechanisms, provided their production policies can be concerted sufficiently closely.

55. In taking action towards that end, producing countries would be acting in accordance with the principle of the sovereignty of all countries over the exploitation and use of their own natural resources. Nevertheless, they would need also to respect the principle that, in acting jointly, producers should take due account of the interests of consumers. Alternatively, this objective might be met by negotiation with consumers, where necessary, to provide them with a substantial degree of security of supplies and stability of prices over the short to medium term.1/

56. The third group of commodities facing distinctive problems is agricultural raw materials. These include cotton, natural rubber, jute, hard fibres such as sisal, wool, etc. Virtually all of these materials face strong competition from synthetic substitutes and, as a result, the terms of trade of many of them, in other words the ratio of their prices in the world market to the prices of manufactured goods in world trade, have shown a long-run deterioration. The increase in the price of oil, as a raw material for synthetic production, but also as an input in the production of natural materials, has altered this relationship, possibly in favour of natural products. It would however, not be possible, even through concerted

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1/ Provided adequate facilities were available to them for the financing of stocks, exporting countries might not wish to conclude "symmetrical" contractual arrangements with importing countries, that is, arrangements incorporating a reciprocal commitment by the latter countries.

international supply management, to maintain the price of such products at levels which were out of line with their value in demand in relation to the course of prices for synthetic materials. The chief way in which producers of these commodities can exert a sustainable upward influence on their prices is by increasing consumer and manufacturer preferences for them through improvement of their quality, attractiveness and technical characteristics and through market promotion.

57. Another important way in which demand for these natural commodities could be expanded is by assisting manufacturers in their planning and operations by providing assurances with regard to the availability of raw material supplies and their cost. There is evidence that the considerable instability in prices and to some extent in supply influences the choices made by manufacturers in favour of synthetic materials that are supplied at fixed prices which change relatively infrequently.1/ The basic objective which should be pursued for these commodities in the context of an over-all integrated programme, therefore, is assurance of delivery at predictable and stable prices. Since a fairly close regulation of market prices is required, stabilization should be sought by means of buffer-stock operations, and, to the extent possible, by offering natural raw materials on similar delivery and price terms as can be obtained from the manufacturer of synthetic materials. Producing countries have also expressed a strong interest in alternatives to the day-to-day open market system of trading in these commodities.

58. The collaboration of importing countries in such operations would help greatly to ensure their success and it is to be hoped, therefore, that they would participate fully in the financing and management of stocking arrangements. However, in case importing countries show insufficient interest, exporting countries should be assured of adequate international financial support to enable them to establish effective stocks on their own.

59. As part of an over-all integrated programme for commodities, therefore, international stocks should or could be established for cotton, natural rubber and wool. In addition, stocks should be established for jute and hard fibres, including the simply processed forms of jute (yarn, bags and cloth) and of hard fibres (cordage), since it is in these forms that the bulk of world exports of the former fibre, and a large and increasing proportion of the latter, now enter international trade. As the products concerned are of a fairly standard and homogeneous nature, stocking operations for them should not present any undue technical difficulty.

60. The fourth and final group of commodities whose problems need to be separately distinguished is a group of tropical beverages and fruits which have shown a tendency to over-production or which are subject to cycles of over-production and shortage. As a result of these tendencies world prices of these products have either been depressed over a considerable period (as in the case of tea, bananas, oranges and tangerines), or subject to wide fluctuations (as in the case of cocoa and coffee). Even the recent exceptional commodity price "boom", it may be noted, failed to lift (or maintain) the prices of these commodities (except perhaps cocoa) to satisfactory levels, especially if the recent acceleration of world inflation is taken into account. It is probable that in the production of most of these commodities real wages have been falling.

1/ See the report submitted by the UNCTAD secretariat to the intensive intergovernmental consultations on cotton held in April 1974 (TD/B/C.1/CONS.14/L.2, paras. 34 and 35).

61. A common feature of the situation of all these commodities is that solutions to the problems facing them depend on co-operative remedial action by producers, as well as the assistance of the international community. Action by producers is needed to manager supply through restraint on investment. The action of the international community is needed to assist in financing stocks for those products that are storable and to conclude trading commitments on those which cannot be economically stored. Special arrangements may be useful for the disposal of temporary or marginal surpluses, as in the stocking provisions of the International Cocoa Agreement.

62. For cocoa and coffee, which are marked by both long cycles and sharp short-term variations in production and prices, a special blend of stabilization policies may be needed. Short-term fluctuations can be offset by international stocking operations combined with export quotas as needed; the solution to the long cycle has to be sought in policies stabilizing the rate of investment and promoting shifts to other activities. A progressive export tax applied when prices are high would dampen the cycle as a whole, because it would curtail investments in surplus capacity and therefore avoid prolonged periods of depressed prices and earnings; in addition, if tax proceeds are used for financing diversification, there would also be income generated by the released factors of production. For tea, an agreement may be facilitated by international assistance for stocking and diversification, thus helping to remove obstacles to agreement amongst the producers concerning future output and investment. More generally, operation of an international stock could be used to stimulate desirable resource shifts and resource mobilization policies in the producing countries. In bananas, co-operation among the producing countries in deciding on an agreed selling policy is a pre-condition for an improvement in prices.

63. The co-operation of importing countries in "policing" export quota arrangements, or in concluding multilateral commitments with exporting countries, might be of valuable assistance to the latter in their efforts to improve the stability or the level of the price of their commodity. On the other hand, exporting countries may wish to rely more on their own cohesion and self-discipline by attempting to operate such arrangements as minimum price agreements, central selling systems, uniform export taxes or co-ordinated stocking systems, according to the characteristics of the different commodities and their markets.

64. In effective arrangements for the commodities in the four groups described above could be established on the lines indicated, a major step forward would have been taken in dealing with the "commodity problem" at the world level. Inevitably, however, the extent to which the commodity problems of individual developing countries would be remedied would vary greatly, depending on the composition of the exports of the different countries and the degree of success of the various arrangements es established. For most developing countries there would be a residual problem of some degree or other, reflected in the extent to which the trend of each country's commodity export earnings, in terms of its import purchasing power, was satisfactory or otherwise. In the light of this, an <u>extension and improvement of the existing compensatory financing facility of the IMF</u> would be of value for the purpose of dealing with these residual commodity problems of individual developing countries, on the lines described in the supporting paper on compensatory financing arrangements.1/ One way of dealing more directly with the problems of individual commodity sectors would be to offer the option of obtaining assistance in relation to shortfalls in their <u>commodity</u> export earnings, rather than in relation to shortfalls in their total <u>export earnings</u>, if the amount of assistance obtainable under the former option would be greater than under the latter.

1/ TD/B/C.1/166/Supp.4

65. Finally, whatever the particular objectives pursued and the particular techniques adopted for individual commodities or groups of commodities, and whether or not a multi-commodity system is followed or a multi-commodity agency is instituted, the integrated approach (even in the illustrations given above) should be as comprehensive or as multi-dimensional as possible. That is, it must attempt, at least in the long run, to encompass the totality of the commodity problem from production to consumption. Above all, it must be dynamic in concept so that it allows for efficient allocation of resources, and for the structural transformation of the economies of developing countries, especially through the processing of raw materials and foodstuffs in developing countries and the diversification of their exports.

Chapter IV

PROPOSALS FOR FURTHER ACTION

66. Paragraph 8 of resolution 124 (XIV) of the Trade and Development Board requests the Committee on Commodities to give priority consideration to the matters contained in the part of the resolution dealing with an over-all integrated programme for commodities, and to make recommendations, including a time-table of work, for appropriate action by the Board at its sixth special session.

67. In response to this request the Committee will wish to bear in mind that the integrated programme outlined in the preceding chapters proposes action on:

(a) International stocking arrangements for various commodities, to be brought into operation to counter rapid deterioration of prices or downturns in demand and, in some instances, to restore dangerously low levels of world stocks. Eighteen of the principal commodities (or commodity groups) in world trade, to which these measures could be applied, have been provisionally identified;

(b) Financial support for all stocking operations through a common fund, based on contributions shared by importing and exporting countries, assisted by the international financial institutions, and also open to international investment from other sources;

(c) Multilateral purchase and supply commitments by governments to give assurance of supply and outlets on at least the key commodities in trade for which such assurance is important. These measures should as far as possible be linked to international stocking arrangements. Supply commitments are also required when independent measures are taken by exporting countries;

(d) Improved compensatory arrangements, primarily through extension of the IMF compensatory financing facility;

(e) Expansion of trade in processed products through extension of the coverage of the GSP, the removal of non-tariff barriers and the provision of export incentives.

68. While the Secretary-General will proceed with further work in the light of the comments and decisions or recommendations of the Committee after consideration of the documentation before it, it is already possible to identify key questions that will require consultation with governments as well as with the international organizations concerned and the specialized commodity bodies. These issues include:

- specific stocking arrangements, and their techniques of operation - whether on a single-commodity or multi-commodity basis or both;

- refinement of estimates of the financial implications of international stocks, the size of the proposed fund, and the relation of its operational functions to sources of finance;

- proposals for multilateral contracts and compensation arrangements.

69. Besides the urgent need to endorse the general principles or key elements on the main lines of an integrated programme as outlined in the present report, so that further work on the programme can proceed without delay, the Committee could, in making its recommendations to the Board at its sixth special session give more concrete form and direction to the programme. In this regard the Committee might wish to recommend to the Board the setting up of suitable machinery and procedures to deal with specific issues such as those mentioned in paragraph 68 above.

70. The constitution and terms of reference of the machinery to be established in this respect should reflect the intention of bringing negotiated arrangements into force at the earliest possible time. It might take the form of a preparatory committee which would meet between the sixth special session and the fifteenth session of the Board to facilitate the taking of decisions on the programme at the latter session, decisions which would be aimed at negotiating without delay stocking arrangements, the establishment of a common fund and other aspects of the proposed programme. A preparatory committee that would be representative of the interests in the integrated programme could carry forward the elaboration of the proposals and allow the Board to give more adequate attention to the major policy decisions that would need to be taken. This might be the most practical procedure in view of the comprehensive character envisaged for the programme, particularly as the Board will have an unusually heavy agenda before it at its fifteenth session.

71. The Board at the first part of its fourteenth session expressed a sense of urgency in the matter of new approaches to commodity problems and policies and in particular, as already noted, regarding the elaboration of the proposed integrated programme. It may also be observed that the World Food Conference, addressing itself to these matters in the context of the inter-relationship between the world food problem and international trade, made recommendations calling upon governments to devise, in appropriate organizations, effective steps for dealing with the problems of world markets, and, in urging UNCTAD to intensify its efforts in considering new approaches to international commodity problems, reiterated the recommendation of the Board in this respect to the Committee on Commodities. The World Food Conference also urged countries concerned and international financial institutions to give favourable consideration to the provision of adequate assistance to developing countries in cases of balance-of-payments difficulties arising from fluctuations in export receipts or import costs, particularly with regard to food.

72. In the light of the sense of urgency that is being shown by the international community on these issues, and the expectation that UNCTAD and other international organizations will move forward with expedition in deciding on the lines of the intergovernmental action required, the Committee will wish to focus its efforts on the recommendations to be made in this regard, and in particular on a time-table and programme of activity.

73. It should be borne in mind that other on-going activities between governments will be related to an integrated programme along the lines envisaged in the present report. These will include the multilateral trade negotiations with GATT, which are expected to move soon into a further stage of active negotiations and may be concerned with initiatives dealing with trade in commodities that would bear on aspects of the proposals for the integrated programme.

74. Specific financial questions relevant to the integrated programme proposals may also be taken up in 1975 in the agenda of work of the recently inaugurated Development Committee of the Governors of the World Bank and the IMF, and also by the Executive Boards of these agencies. In addition, there will be the need for re-negotiation of

the international commodity agreements on tin and cocoa, as well as continuing efforts to re-establish economic provisions in other agreements or to negotiate new agreements. All of these activities will require close co-ordination with the over-all development of an integrated programme, in order that its basic principles and objectives, as well as the main emphasis to be given in the direction of its operation, should influence policy decisions elsewhere on aspects related to the programme and action on specific commodities.

75. Furthermore, it bears reiteration that the nature of the programme may well be imposed by world events. The gravity of the present international economic situation should persuade governments of the imperative need for early action on contingency policies, if the action eventually decided upon is not to be overtaken by more rapid change in the condition of the world economy, and of the developing countries in particular.

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An Integrated Programme for Commodities:

The role of international commodity stocks

Report by the Secretary-General of UNCTAD

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INTRODUCTION

1. Two of the principal objectives of the integrated programme set out in document TD/B/C.1/166 are stabilization of commodity prices at an adequate level and security of supplies in international trade. The argument of this paper is that a central role in achieving these objectives should be played by a system of international stocks for a wide range of commodities.

2. Chapter I focuses on recent developments in the international commodity situation and stresses the danger of heightened instability of commodity markets in the future unless effective international action is taken. Chapter II discusses the objectives of a system of internationally held and internationally managed stocks and reviews the possible interests of the exporting and the importing countries in such a system. Chapter III provides a first approximation of the range of commodities to be covered, discusses storage costs, and analyses inter-commodity linkages. Chapter IV focuses on operating problems of the stocking system, such as: the determination of purchase and selling prices; the adjustment mechanisms aimed at reducing the danger of surplus stock accumulation and at promoting diversification; the scope of intervention in commodity markets; the economic and financial criteria for judging the results of international stock operations; and the multi-commodity versus the single commodity stocking approach. Chapter V deals with capital requirements for stocking operations and provides a first illustration of the amounts which might be involved. A concluding chapter outlines suggestions for further work

Chapter I

NATURE OF THE PROBLEM

3. The relative attractiveness of a stocking system over other regulating mechanisms is that a commodity stock, with adequate resources of finance and of commodities, can achieve market objectives directly and with immediate effect. This consideration is particularly important for the low income producing countries, when purchases by an international stock may be decisive in preventing sharp price falls and depressed earnings. While the stock will need supporting mechanisms to prevent excessive accummulation of supplies, it should normally be able to function without undue restrictions on regular trade.

4. The stocking system has another advantage: the existence of stocks of foodstuffs and raw materials may serve to avoid famine and other major disturbances when a series of widespread crop failures occurs or when there is a sharp increase of demand for primary products. This second function of stocks has been highlighted by recent developments. For a number of key products national stocks have fallen to low levels; and if account is taken of the need for working ("pipeline") stocks, the remaining reserve margin has become thin (see table 1). These developments are particularly important for food-importing countries and for countries heavily dependent on imported raw materials for their industrial growth.

5. It is now reasonably certain that the 1973-1974 boom in commodity prices is over and that the spreading recession and the reversal of speculative expectations may lead to declines in primary product prices considerably greater than those which have already occurred. Such developments would discourage production and investment in a number of primary commodities, thus leading to a possibility of renewed shortage and an even sharper upward spiral in prices when the level of economic activity revives in the

industrialized countries. This danger was recognized by the OECD secretariat as commodity prices started falling in mid-1974. 1/ Furthermore, a deep and widespread fall in commodity prices would not only inflict hardships on the producers, most of whom are in poor regions, but by reducing their incomes and effective demand it would also deepen the recession in the world economy. These considerations call for a revival of international discussion of commodity stabilization on a broad basis and with a sense of urgency.

6. Reserve stocks which existed until several years ago were managed nationally. In particular, the United States held large stocks in relation to world consumption for a number of commodities - both those which it produces (foodstuffs, agricultural raw materials and some metals) and those which it imports (metals, some agricultural products). Other producers of both temperate zone and tropical products had also accumulated large stocks. National stocking policies, determined by various considerations, occasionally destabilized the market, but taking the period 1950-1970 as a whole, and considering the entire range of products stored by different national agencies, the stocks served as a major cushioning device, and at the same time provided the reserves needed for a smooth flow of world consumption and of world industrial production. In addition, there was spare production capacity in primary products, particularly in the United States, in the form of set-aside acreage. Since 1970, however, reserve stocks of both foodstuffs and key materials have been depleted at an accelerated rate, and the spare production capacity for primary products in the United States has virtually disappeared. Consequently, for the first time in the last two decades the world economy is being run virtually without reserve stocks of essential foodstuffs and several industrial materials.

7. The result is likely to be a greater instability of the world economy than has been experienced since the second world war. As trade in many commodities is only a fraction of world production and consumption of the commodities concerned, small changes in world demand and supply give rise to disproportionately large fluctuations in trade and prices, unless adequate stocks are available. Stocks will have to be rebuilt, although not necessarily to earlier levels. Governments of countries which were holding the largest stocks have now moved away from policies which had led them to such extensive accumulation, and it is unlikely that any country will attempt in the future to carry virtually alone the stocks required for the world economy. The choice, then, is whether there will be attempts by a number of countries to carry stocks individually for their own needs, or there will be an international system of stock accumulation, holding and disposal.

8. The functions of an international stock can be performed by national stocks in producing and consuming countries, provided they have sufficient finance and national stock policies are internationally agreed and synchronized. The first condition is met by some producing countries but not by the majority. The second condition has not been realized in practice, although it is feasible in principle; it would require institutional arrangements and a set of agreed rules concerning the range within which the participating governments would try to keep the world market price and the level of

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1/ "Aspects of World Inflation", OECD Economic Outlook, Paris, July 1974, page 37.

stocks to be released or accumulated by each government. Even if these conditions were met, the aggregate of national stocks, each based on individually perceived country needs, would be larger, both in volume and in terms of financial requirements, than an internationally managed stock, which could be deployed more efficiently to achieve the same objectives. 2/ In addition, there would be an element of uncertainty over access to supplies, since the stocks would be nationally owned and operated. Some of these problems could be partly resolved by the simultaneous existence of an internationally managed stock and of national stocks, all operating in a co-ordinated manner. Such co-ordination would require a sustained and complex effort in international co-operation.

9. International stocks exist for two commodities: tin and cocoa. The operating experience of the tin buffer stock covering the last 20 years has been favourable, while the mechanism for the cocoa buffer stock has only just been established; and no stocks have yet been generated. This limited use of international stocks in commodity trade stands in contrast to the wide application of national stocking arrangements, particularly for agricultural products, by most developed countries and by a number of developing countries.

2/ An international stock would need to be sufficient to cover the net deficit (or to absorb the net surplus) of world production in relation to consumption; the aggregate of national stocks would tend to be of a size to cover the gross deficit, i.e. the sum of deficits of individual countries, with no reduction for surpluses in other countries. See "The stabilization of markets for coarse grains; note by the UNCTAD secretariat" (TD/B/C.1/CONS.13/L.3).

TABLE 1

World End-year Stocks as a Percentage of World
Annual Consumption, 1960-1973
(Including working stocks)

	1960-61 average	1965-66 average	1970-71 average	1973
Wheat[a]	26.2	14.8	17.8	8.5
Coarse Grains[a]	23.3	15.5	12.4	9.4
Sugar	34.6	33.7	30.5	26.2[b]
Copper[c]	36.7	20.0	16.4	10.1[d]
Lead	18.3	9.3	9.9	7.1
Zinc	12.0	9.1	10.0	5.5
Tin	38.5	32.2	24.5	21.1
Bauxite	18.2	10.6	7.3	7.0[e]
Coffee[a]	113.7	114.6	56.3	48.6
Cocoa[a]	46.1	53.7	35.2	20.4
Tea	8.9	9.1	8.7	5.8
Cotton[a]	50.8	67.2	44.8	45.1
Jute	10.0-24.3[f]	13.0-19.3[g]	16.0	15.2
Wool	29.0	22.0	29.0	25.0
Sisal[c]	35.8	34.5	26.3	...[b]
Rubber[c]	93.1	65.5	58.1	51.2

Sources: FAO, Commodity Review and Outlook
Gill and Duffus (London), Cocoa Market Report
International Cotton Advisory Committee, Cotton - World Statistics
International Rubber Study Group, Rubber Statistical Bulletin
International Sugar Organization, Statistical Bulletin
International Tea Committee, Annual Bulletin of Statistics
International Wheat Council, World Wheat Statistics
United States Department of Agriculture, Foreign Agricultural Circular, Grains
Commonwealth Secretariat, Wool Statistics and Industrial Fibres
International Tin Council, Statistical Bulletin
World Bureau of Metal Statistics, World Metal Statistics
Executive Office of the President (Washington D.C.), Stockpile Report to the Congress

a/ Crop years ending in the year shown.
b/ A sharp reduction in the stock ratio is likely in 1974.
c/ Including the stockpile of the United States General Services Administration.
d/ End-1973 commercial stocks and end-May 1974 GSA stocks.
e/ 1972
f/ 10.0% in 1960-61, 24.3% in 1962-63.
g/ 13.0% in 1965-66, 19.3% in 1967-68.

Note:- Unless otherwise stated below or in the foot-notes, consumption refers to actual world consumption and stocks refer to commercial stocks.

Wheat:	Stocks in seven exporting countries.
Coarse Grains:	World stocks, excluding socialist countries.
Sugar:	Stocks in principal exporting and consuming countries.
Copper:	Consumption of refined metal; known stocks in producing and consuming countries.
Lead) Zinc):	Consumption of refined metal; world producers' stocks and consumers' stocks in the United States, United Kingdom and Japan.
Tin:	Consumption of refined metal; known stocks in producing and consuming countries.
Bauxite:	Consumption of bauxite is taken as equal to production of alumina; stocks of bauxite in the United States.
Coffee:	Stocks in producing and importing countries.
Cocoa:	Grindings; stocks in producing and importing countries.
Tea:	Stocks in the United Kingdon (excluding primary wholesalers).
Jute:	Stocks in Bangladesh and India.
Wool:	Stocks in producing and consuming countries.
Sisal:	Stocks in Kenya, Tanzania and Brazil.
Rubber:	Stocks in producing and consuming countries, excluding stocks afloat.

Chapter II

OBJECTIVES

10. The objectives of a system of internationally held and internationally managed stocks would have to be sufficiently broad to encompass the interests of both the exporting and the importing countries.

A. Exporting countries

11. The exporting countries have several major interests in price stabilization through international stocks:

(i) In periods of excess supply or weak demand marked by falling prices, these countries are anxious to avoid selling on a declining market, since this would drive down prices and earnings even further. As most of them do not have the financial resources to enable them to keep supplies off the market, selling to an international stock at a reasonable price would provide the necessary support. Most of the specific requests for the establishment of international buffer stocks have been triggered off by the emergence of serious surplus situations and the associated rapid decline of prices. 3/ While other action will also be needed to achieve an adequate price level, this level could not be sustained without reducing the need for selling on a declining market.

(ii) Wide fluctuations in world commodity prices make it difficult for governments, farmers and other producers to take rational production and investment decisions, whether in terms of export plans or of the degree of self-sufficiency, since unstable prices give unclear signals concerning the long-run profitability of different lines of production. Stabilization of world market prices should promote a more efficient use of resources.

(iii) Price stability achieved by the operation of an international stock should lead to an improvement in the long-run position of primary products, particularly those which compete with synthetic substitutes. Higher costs of energy and feedstocks have increased production costs for synthetics; also their prices may be less stable in the future than in the past. This provides natural products with an opportunity to recover some of the market lost to an exceedingly strong competitor, provided their prices are reasonably stable.

(iv) Greater stability of prices should lead generally to greater stability of foreign exchange earnings. Where this is not so, and earnings are destabilized because of supply fluctuations, the effects can be

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3/ In these circumstances the movement of private stocks will normally be destabilizing. As prices fall, the holder of private stocks tends to sell, in the expectation of heavier losses on inventories, until such time as the price has fallen to a level at which the risk of further decline is negligible. At this bottom level, however, the effect on the incomes of the producers will frequently be disastrous.

countered by widening the price range and by measures which would help stabilize supplies, thus achieving greater stability in earnings as well as in prices. 4/

(v) Elimination of the need for selling on a weak market, an assurance of adequate prices, a better allocation of resources and a strengthening of the competitive position of natural products would lead to an increased flow of foreign exchange earnings. The resulting larger and more stable resource base would facilitate efforts to diversify and modernize the production and export structure of developing countries. Industrial investment, output, and employment would be better protected from external shocks and stimulated by higher domestic incomes.

B. Importing countries

12. The main interests of the importing countries are in the security of supplies over the short and long run, in equitable access to supplies in times of shortages, and reasonable stability of prices of both foodstuffs and industrial raw materials. Security of supplies and relative stable prices of industrial inputs would facilitate manufacturing operations and reduce their risks. Some of the ways in which an international stocking system might assist in reaching these objectives are set out below:

(i) By participating in financing the accumulation of stocks in times of surpluses, the importing countries would retain an appropriate share of control over the disposal of stocks and over both buying and selling prices.

(ii) A reasonable stability of floor prices of the international stock and its readiness to absorb output at these prices would help to assure adequacy of supplies for importing countries over the long run, since it would provide producers with the requisite degree of certainty for undertaking the investment needed in export production. 5/ Furthermore, the operation of the stocking system could be considered in a wider framework of measures needed to assure satisfactory supplies of scarce materials over the long run. Close co-operation with international development agencies and with public and private interests in the consuming and the producing countries could result in an integrated approach covering the whole chain from mineral exploration and land-use decisions to marketing, including the use of long-term contracts.

4/ This applies to some agricultural products where prices normally fluctuate in inverse proportion to quantities and demand is fairly responsive to price changes. For a more detailed analysis see "The development of an international commodity policy - Study by the UNCTAD secretariat" (TD/8/Supp.1) in Proceedings of the United Nations Conference on Trade and Development, Second Session, vol. II Commodity Problems and Policies, United Nations publication, Sales No. E.68.II.D.15. and The Problem of Stabilization of Prices of Primary Products, a joint study by IMF and IBRD (1969), especially chapter III.

5/ OECD, op. cit., p.37: "It appears highly unlikely that in an expanding world economy relative prices of primary commodities could return to the depressed level of the 1960s. Given the present capacity constraints in basic materials industries,

(iii) In times of scarcity, a plan for allocating supplies to the importing countries may be necessary in order to ensure minimum supplies to participants in the stocking system at reasonable prices and without discrimination.

(iv) The location of stocks should be widely distributed. Willingness of particular governments to share in or subsidize storage costs may be taken into account as an additional factor. Wide distribution of stocks would be an additional guarantee of equal access to primary products.

C. Ultimate beneficiaries

13. In its buying operations the international stock will probably deal with large organizations, such as government agencies, co-operatives or groups of co-operatives, and large private companies. Prices at the producers' level, particularly prices obtained by the small producers, may differ substantially from world prices supported by the international stock. However, a basic objective of the proposed system is to improve the conditions of life and work of small farmers, landless labourers, and mining workers. In establishing schemes for individual commodities, it may be desirable to pay particular attention to the extent to which these benefits, including benefits from diversification, will be broadly shared.

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which are highly capital intensive and have long gestation periods, a sustained and high level of investment is required. Moreover, there is a need to develop technology and investment in the conservation and recycling of depletable resources. Hence it would be against the interests of both producers and consumers to let prices drop below the long-term equilibrium level for a protracted period".

Chapter III

SCOPE

A. Commodity coverage and country effects: A first approximation

14. Table 2 lists 18 major commodities which are *prima facie* suitable for international stocking. The list is a tentative one, and further work is necessary on the feasibility of stocking of particular products. Special investigation is needed of a suitable stabilizing mechanism for oilseeds and vegetable oils produced in the tropical areas, which are interchangeable with other oils and fats in a varying number of uses and are therefore exposed to complex substitution effects. As regards tea, recent experience suggests that it may be storable under appropriate conditions for a longer period than earlier thought; the question here concerns the extent to which stocking could be used in conjunction with other measures to change the level of prices. For bauxite and iron ore, economic feasibility of stocking partly depends on their future price levels; also, further investigation is needed of the processing stage at which they could be stored most economically.

15. The commodities listed account for 55-60 per cent of total primary exports of developing countries, excluding petroleum, and their stabilization at an adequate level would have a significant favourable effect on these countries' foreign exchange earnings. Developing countries are also importers of primary products, however, and this would have an opposite foreign exchange effect. Since the proportion of primary products in total imports of developing countries is much smaller than the corresponding proportion in their exports, these countries, as a whole would be net gainers. The incidence on individual countries would vary, depending on the commodities subject to stabilization, the national structure of exports and imports, and the level at which prices of different commodities are stabilized. The possibility of adverse net effects would be greatly reduced if the product range subject to stabilization were wide, and it would be eliminated if the importing developing countries were able to obtain supplies at preferential prices.

16. A number of high-income countries are large exporters of primary products and would therefore directly benefit from stabilized export prices (see table 2). The main effect on the majority of these countries, however, would be with respect to their imports, as their import prices would be higher while international stocks were being built up than they would be otherwise. It is important to bear in mind the proportions involved, however. Imports by the high-income countries as a whole of the commodities listed in table 2 accounts for about 9 per cent of their total imports, and therefore the aggregate effects on account of price stabilization are likely to be relatively moderate. However, it must be recognized that these price effects are real and for some importing countries they may be important. On the other hand, to the extent that the build-up of stocks takes place in periods of falling prices, it would limit the decline rather than result in an actual rise in prices.

17. The analysis in paragraphs 15-16 above considers the short-run effects of price stabilization at an adequate level: when prices are supported exporters tend to gain, and importers pay more, although they benefit from improved security of supplies, and also from lower prices when stocks are released. Over the long run, it is both exporters and importers who gain. Importers will gain from rising

TABLE 2

Major stockable commodities: trade values, 1972

(Millions of dollars)

	Exports f.o.b.				Imports c.i.f.			
	World	Developed market economy countries	Socialist countries	Developing countries	World	Developed market economy countries	Socialist Countries	Developing countries
Wheat a/	4 366	3 818	388	160	4 609	1 540	1 291	1 778
Maize	2 298	1 914	53	331	2 444	1 905	324	215
Rice	1 120	537	143	440	1 232	175	82	974
Sugar	3 334	921	178	2 235	3 379	2 304	460	614
Coffee (raw)	3 049	-	-	3 049	3 368	3 101	126	141
Cocoa beans	723	-	-	723	729	572	131	26
Tea	745	79	57	609	784	470	72	242
Cotton	2 828	587	484	1 757	3 055	1 714	792	549
Jute and manufactures	(762)	71	(21)	670	(840)	(520)	(120)	(200)
Wool	1 346	1 143	42	161	1 722	1 361	257	105
Hard fibres	87	3	-	84 b/	106	92	7	7
Rubber	904	-	-	904	1 095	689	305	101
Copper	4 113	1 364	354	2 395	4 226	3 635	377	214
Lead	418	257	45	116	470	379	60	31
Zinc	862	558	110	194	938	736	77	125
Tin	730	70	28	632	758	613	53	92
Bauxite	305	82	5	218	363	325	36	2
Alumina	609	265	46	298	685	532	91	62
Iron ore	2 608	1 213	403	992	3 484	3 039	425	21
Total	31 207	12 882	2 357	15 968	34 287	23 702	5 086	5 499

Sources: FAO, Trade Yearbook 1972, and national statistics.

a/ Including flour

b/ In addition, developing countries exported $49 million of hard fibre manufactures.

Note: The classification into country groupings is that of FAO used in the source. The figures are preliminary. For sugar, cocoa, and copper, import values appear understated in relation to exports. For metals and ores, trade among the mine countries members of EEC is excluded.

supplies and ultimately cheaper products due to a steady flow of investment and technical advance in export production facilitated by price stabilization, and exporters will gain from larger markets and higher factor incomes due to modernization of primary production and diversification.

B. Storage costs

18. Costs of storage - warehouse rent, insurance and other storage costs - are an important element in determining the length of the stocking cycle and the margin between the buying and selling prices. If annual storage costs amounted to 5 per cent of the purchase price and interest on the commodity in stock is 10 per cent, per annum, the selling price a year later should be 15 per cent above the buying price if the stock is to break even. Higher storage costs and longer periods of storage call for a proportionately higher margin.

19. The technical possibilities of storage vary. "Perishable commodities are not usually regarded as suitable for buffer stock schemes; yet there is no hard-and-fast criteria of perishability in this sense. While there are some products, such as bananas, for which buffer stocks are presently technically impossible, and others, such as tin, for which storage is relatively very cheap, there are a large number of 'grey area' commodities . . . Rapid development has occurred in national marketing systems for the distribution over time of seasonal gluts of perishable commodities. Similarly, some deterioration of commodities (as in cold-storage butter, in the free-fatty-acid content of vegetable oils and oilseeds, and in the quality of cocoa and coffee) has been found consistent with the profitability of carryovers in commercial storage".6/

20. The study by the UNCTAD secretariat referred to in paragraph 11 above 7/ classified commodities into three broad groups according to storage costs: negligible for a group of metals, low for a group of agricultural raw materials, and moderate for several foodstuffs. 8/ It has now been possible to make somewhat more detailed estimates (see table 3), which confirm this earlier classification.

21. The relevant relationship is storage cost as a percentage of the value (price) of the commodity. This percentage is quite low for most metals and for high-value agricultural commodities. Further work is needed to establish the availability of storage space in the producing and consuming countries and its rental and construction cost, the probable operating costs, and the time needed for completion of additional warehouse capacity. This work is related to the issue of the geographical distribution of stocks, discussed in chapter II.

6/ IMF/IBRD, op. cit., p. 71.

7/ See foot-note 4 above.

8/ Op. cit., paras. 149-153.

TABLE 3

Estimated storage costs of selected commodities, 1974

	$ per metric ton per year a/	Per cent of price b/
Copper	11 - 19	0.5 - 0.8
Tin	11 - 22	0.2 - 0.3
Zinc	11 - 19	0.8 - 1.4
Lead	11 - 19	1.8 - 3.1
Bauxite	1.50 c/	6.8 - 13.1 d/
Iron ore	1.50 c/	8.1 - 12.0 d/
Wheat	11 - 15 e/	6.7 - 8.4
Maize	11 - 15 e/	6.5 - 8.1
Rice	12 - 15	2.1 - 2.6
Sugar	15 - 30 f/	2.8 - 5.6
Cotton	12 - 18	0.8 - 1.1
Wool	12 - 18	0.2 - 0.3
Rubber	12 - 15	1.5 - 1.8
Coffee	12 - 15 g/	0.8 - 1.0
Cocoa	12 - 15 h/	0.6 - 0.7
Tea	18 - 24	1.3 - 1.7

Source: UNCTAD secretariat calculations.

a/ Estimated rates for warehouse storage in 1974 in London or Rotterdam ports. Rates for moving into/out of storage, frequently estimated at $10 per ton, are not included. Storage and handling costs in developing countries are likely to be lower. Storage costs are also likely to be lower outside port areas.

b/ Annual storage costs per ton as a percentage of average price per ton in the first nine months of 1974, unless otherwise indicated.

c/ Based on open air bulk storage for iron ore, port of Rotterdam, for periods of 12 or more months. Rates for moving into/out of storage: 85 cents per ton.

d/ The range reflects different prices for different periods and grades. For bauxite, the upper limit of 13.1 per cent reflects the world export unit value of $11.40 per ton in 1973; prices are now moving upwards, and the lower limit of 6.8 per cent is based on the price reported for July-September 1974 of $22 per ton.

e/ Silo storage costs in the port of Rotterdam are currently $10.90 per ton per year. In-and-out (cycling) costs are estimated at $2.30 per ton. The reported equivalent rates for grains storage and cycling costs in the United States are respectively $11.40 and $3.20.

f/ Refined sugar in the United Kingdom. Upper limit refers to refined sugar in 50 kg. bags in the London area. Handling charges into and out of storage: $7 per ton.

g/ An alternative estimate suggests $33 per ton, including overhead and operation costs of the stock.

h/ An alternative estimate suggests $22 per ton, including turnover costs.

C. Commodity linkages

22. A major problem in attempting to stabilize the price of a single product is the undesirable substitution effects. 9/ A product whose price is stabilized in the face of falling prices of competing products will tend to lose its market, and at the same time to attract a disproportionate share of productive resources. This danger is reduced when stabilization policy extends over a broader product range. Moreover, such comprehensive stabilization policy could be used for inducing the shifts that are needed. Changes in relative support prices have been used successfully in influencing the composition of output of annual crops in a number of countries - e.g., the United States, United Kingdom, EEC, Argentina, and Egypt. A major shift in resource use was achieved in Brazil in the mid-1960s, away from coffee into other activities, essentially by changing sharply the relationship between the support prices of different crops. Colombia has been applying over a long period a consistent coffee price-support policy which has prevented over-production and at the same time promoted other activities in the coffee-producing areas.

23. Shifts of resources within countries may have international repercussions and may call for international co-ordination. For any one country, moving resources from a product which is in surplus to another which is not constitutes diversification. However, if many producing countries diversify into the same product at the same time, new surpluses will be generated, with adverse effects on most producers. An international multi-commodity stock would be able to discourage such developments by appropriate changes in relative prices of different products.

9/ For example, on the supply side it might be difficult to stabilize the price of rice while jute prices continue to fluctuate widely, since both compete for the same factors of production. The situation is similar in the case of grains and cotton, or rubber and oil palm. On the demand side, stabilization of the price of copper is made easier by the *de facto* stabilized price of aluminium, which is its major substitute, and the competitive position of copper, which has shown wide price fluctuations, should therefore improve with stabilization.

Chapter IV

OPERATIONS 10/

A. Prices

24. Initial determination of the stock's buying and selling prices is a major operational issue. Views differ as to what represents a fair price, and also as to what would be the long-run equilibrium price for a particular community. Past prices in real terms (i.e. allowing for inflation) are frequently taken as a starting point for discussion; but then the question arises as to which period in the past should be selected as best reflecting long-run costs. Furthermore, as recent experience has shown, past prices may have been accompanied by under-investment, resulting in subsequent sharp price increases. Conversely, in industries with declining costs, maintenance of past prices may lead to over-production. In many primary products, particularly agricultural ones, past prices have reflected a wage level which is now widely considered intolerably low, and this factor would have to be taken into account in deciding what is an adequate price in the future.

25. A pragmatic solution would have to be worked out, perhaps by paying special attention to the effects the price is likely to have on the quantity offered to the international stock. A factor of significance is whether the producers are likely to have an effective machinery for conrolling supply. If they do, the stock would not be over-burdened even though the price may be higher than costs.

26. Since costs of imported inputs are likely to increase and the import purchasing power of export income is likely to fall over time as long as international inflation continues, the initially determined price level will have to be adjusted to take account of these changes.

27. Experience with national and regional commodity stabilization schemes suggests that it is almost impossible to avoid errors in price determination. A corrective mechanism would be a provision for re-examination of prices in the light of experience at intervals agreed upon in advance, initially probably once a year. 11/

10/ For a more extensive discussion see UNCTAD, op.cit. and IBRD/IMF, op.cit. Considerable literature has resulted from the operations of the International Tin Agreement (see in particular William Fox, Tin: The Working of a Commodity Agreement (London), 1974) and from the discussions concerning the International Cocoa Agreement. A thorough treatment of the operations of a stabilization system is contained in a series of writings by L. St. Claire Grondona, of which the latest is a A Built-In Basic Economy Stabilizer, the Economic Research Council, (London), 1972.

11/ An alternative to changing the price for all purchases is for the stocking system to pay reduced prices for each quantity beyond an initially agreed limit (Grondona, op.cit., p. xvi). Another intervention rule which has been suggested is for the stock to vary the quantities it accepts depending on the volume it already holds. (The rule is defined in terms of the "desired" level of stocks, expressed, for example, as a percentage of world production or trade). Further analysis is needed of appropriate intervention rules and their likely effects.

B. Adjustment mechanisms

1. Supply controls

28. In serious and persistent surplus situations there may be no feasible reduction in price capable of arresting the excessive flow of sales to the stock, and export quotas may have to be introduced, thus shifting the burden of adjustment back to the producing countries. A permanent system of quotas has proven difficult and time-consuming to negotiate. An alternative would be an agreement in principle amongst producing countries to reduce exports proportionately to current output (or output in the previous year) in an agreed aggregate amount whenever the international stock reaches the limit of its purchases. Such reductions would be applied automatically and would obviate the need for advance discussions on quotas. They would also avoid another major disadvantage of export quotas, namely, their tendency to freeze the geographical pattern of production and to slow down the expansion of output by relatively low-cost producers. Postwar experience in this respect has been more favourable than earlier. The International Tin Agreement, which relies on export quotas to support the buffer stock, provides for continuing re-allocation of quotas in the light of countries' current production. These provisions have been applied, and there has been a shift in the international location of production. The International Cocoa Agreement, where the main mechanism consists of export quotas complemented by a buffer stock, provides for the automatic adjustment of quotas during the three-year life of the Agreement in accordance with a formula that allows for any significant changes in national production levels.

2. Diversification

29. Export quotas are an effective stand-by device for emergencies, but they cannot solve the problem of persistent over-production, any more than can an international stock. In such cases, structural adjustments are needed. These call for finance, for fixed investment and for re-training of labour, which is additional to that required for international stocks. Assistance for diversification is available from international lending agencies, but the sums required are considerable. One possible source of finance is income generated in commodity production and trade, especially in periods of high prices. Close observers of the experience of both the tin and the coffee agreements have come to the same conclusion:

> "The members of the (Tin) Agreement, whether consuming or producing, were committed from the beginning to the doctrine that the only solution to long-term supplies in the tin industry was through use of export limitation ... Any other basic approach was never seriously examined ... (such as) one which would have taken into account ... the differences between the wealth of individual producing countries ... and that there is a case for self-help between the producers. (There could be) a plan for governments creaming off profits by increasing their duty or levy - when the tin price was above the ceiling in the agreement - into an excess profits pool. This pool ... would be the basis of a fund to buy up and hold, or perhaps sterilize, unwanted production and to provide compensation for mines killed off. The fund would also help to diversify employment in areas where mining proved surplus. (There were raised very practical objections - the objection of governments to local levies being used for action elsewhere, the difficulties, especially in Bolivia, of finding anything in the mining areas into which to diversify redundant labour, the problem of deciding when capacity would be sterilized - but (it is regrettable) that this suggestion ... has not gone further". 12/

12/ Fox, op.cit., pp. 266-7.

"To provide an incentive for the adoption of a rational policy in relation to both production and stocks, a more flexible use might be made of coffee export stamps. The pro rata element of an export quota might be issued free of charge, but any additional export entitlements ... could be the subject of a charge sufficiently large to be an incentive to avoid unwanted production and needless holdings of stocks. The money so obtained could be devoted within the country which has paid for the stamps to programmes or projects seeking to diversify the economy of that country and to reduce its dependence on coffee". 13/

30. The use for diversification projects of part of the proceeds from exports when world prices are high would achieve the objective of structural adjustment in yet another way, since by taxing away part of the export income it would reduce the incentive to over-invest which is present in all commodity booms. This is of particular importance for products marked by long cycles in production and prices, e.g. coffee and cocoa, which result from lags between investment and output and from a weak or lagged response of demand to price changes. Superimposed on the long cycles are sharp short-term fluctuations in output and private stocks, and these can be offset by international stocking operations. The solution to the long cycle has to be sought in policies stabilizing the rate of investment and promoting a shift of resources into other activities including processing; a progressive export tax applied when prices are high would dampen the cycle and raise aggregate earnings over the cycle as a whole, because it would reduce aggregate investment, and the average amount of surplus capacity, and therefore avoid prolonged periods of depressed prices and earnings. If tax proceeds are used for financing diversification, there will be additional income generated by the factors of production released. The incentives provided by the operations of an international stock can be used to stimulate such desirable shifts in resources and to promote the internal mobilization of resources in the producing countries.

31. The first instance of international financing of diversification within the framework of a commodity agreement was the Coffee Diversification Fund. Although the volume of its operations was small, valuable lessons can be learned from the experience of the Fund's operation.

C. Contractual arrangements

32. In view of the difficult food situation and uncertain agricultural prospects in many developing countries, it may be useful to consider at some point the feasibility of extending international stock operations through the provision of longer-term guarantees of both prices and quantities to the developing countries exporting essential foodstuffs, in order to help then overcome structural rigidities. The resulting expansion of output and exports could help in meeting food import requirements of other developing countries. Matters for study in this connexion include the financial effects on the stock if its normal buying price at the time of delivery to the stock is below the guarantee price; caution would have to be exercised in undertaking commitments which might jeopardize the financial soundness of the system. To the extent that long-term contracts could be concluded with the food-importing countries, however, the risk would be reduced. Financial assistance by high income countries would also be most helpful. Such operations would contribute to economic co-operation among the developing countries.

13/ International Coffee Organization, Working Group on the Negotiation of a New Agreement, Issues Paper, EB 1265/74, 30 January 1974 (London), para. 28.

33. Contractual trading arrangements among the consuming and producing countries generally could exercise a considerable stabilizing effect on quantities traded and thus help relieve the pressures to which the producing countries and the international stock may be exposed. In turn, extensive forward contracting is unlikely to be feasible without stocks, since it could lead to increased market instability for those countries which did not have contracts; also, given the unpredictability of the weather, supplies may turn out to have been over- or under-committed through forward contracts, with the risk of greater domestic price instability in the exporting countries or even insufficient supplies to meet the contract. The existence of adequate stocks would resolve these potential difficulties and enable contractual arrangements to function smoothly. Moreover, contractual arrangements could be made within a comprehensive system of multilateral commitments which would also be linked to the operations of international stocks. 14/ The mutually reinforcing action of these two instruments could be expected to lead to a faster expansion of trade and an alleviation of the foreign exchange constraint for all participants.

D. Extent of intervention

34. A stabilization system can operate on either of two broad principles:

the system buys commodities offered to it at the floor price and sells when the market price has reached the ceiling. It does not intervene as long as the price fluctuates within the set range; or

the system intervenes actively in the market in order to keep the price within the set range. Management is given freedom of action in its trading operations.

35. The International Cocoa Agreement is based on the first principle: the buffer stock buys cocoa only from producing countries and at the floor price, 15/ and it does not trade in the market. The International Tin Agreement is based on the second principle, with an important reservation: the buffer stock manager trades in the market on a day-to-day basis, but when the price is in a fairly narrow belt around the mid-point of the floor and ceiling prices (about 7 per cent), he must normally suspend operations. In effect, this is a combination of the two principles.

36. There are many technical issues concerning the application of either principle, but the main issue is one of policy. National stabilization programmes normally operate on the first principle, i.e., price support with ample funds to defend the floor price and ample scope for the commercial sector to operate above the floor. An active trading role for the public stocking system, i.e., application of the second principle, may achieve economy in resource use for a given stabilization objective, but involves more decisions and therefore more risks accompanying these decisions.

37. The interaction of a public stocking system and privately held stocks has not yet been fully explored. 16/ A distinction should be made between working stocks, commercial reserve stocks, and speculative stocks. The existence of public stocks

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14/ See the Study by the UNCTAD secretariat, "The multilateral role of commitments in commodity trade" (TD/B/C.1/166/Supp.3).

15/ However, when the buffer stock has reached the permitted maximum (250,000 tons), further purchases take place at a price below the floor, and the excess is diverted to non-traditional uses.

16/ The experience of the tin buffer stock contains important lessons, but one of the problems here was that the buffer stock was too small. (Fox, op.cit. pp. 270-271).

will not reduce the need for industry and trade to hold working stocks, i.e. those at the production end needed to maintain a regular flow of shipments, those in shipment, and those at the users' end needed to maintain the smooth flow of processing and distribution. A public stocking system may be expected to bring about a reduction of the average holdings of commercial reserve stocks, and of the highly volatile purely speculative stocks, now mostly held in the importing countries. To that extent the economic cost of accumulating an international stock would be partly offset by the release of resources now used to carry reserve and speculative stocks. There is a growing dissatisfaction in the importing countries with the behaviour of speculative commodity markets and the role they may have played in recent violent swings in prices. 17/ For a public stocking system to be able to alleviate the situation, however, it would have to be endowed with resources sufficient to meet a possible unloading of private speculative stocks, concentrated in a short period, and to discourage speculative buying on the upturn.

38. The operations of a public stock could increase market instability. If the stock is too small, it may stimulate speculative raids. If it attempts to maintain prices at a level which would result in a permanent surplus or shortage, the resources of the stock, either in funds or in the commodity, will inevitably be exhausted. The resulting market disruption, in addition to its inherent serious consequences, may constitute the initial impetus for fluctuations of larger amplitude than those which would have occurred if a public stock had never been in operation. Market instability might also be worsened if the public stock is managed in a way which does not take fully into account the particular characteristics of the commodity market concerned. In this respect, special caution has to be exercised when both cyclical fluctuations and random factors, such as weather conditions, work together in generating market instability. More generally, the operations of a public stock, like the application of any stabilization policy, may defeat the intended purpose. Such possible aggravation of market instability, however, would not be the result of the operation of the public stock *per se*, but rather of an improper management of the stock.

E. Performance criteria

39. The financial results of stocking operations will depend on the amount of carrying charges (as determined by costs and duration of storage), interest costs and trading profits and losses, the last being determined by the margin between the buying and selling prices. 18/ A relatively wide margin will tend to increase trading profits, but means that either the support price is too low or the ceiling prices is too high, and therefore the stabilizing effect is weakened. This potential conflict between financial and economic considerations is not an imaginary one: it was encountered in the operations of the tin agreement. 19/ In the event, the tin buffer stock has been a financial success, partly because of a rising price trend and partly because of skilful management. Price trends cannot be

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17/ OECD, *op.cit.*, p.29. The major speculative element is in futures contracts ("paper stocks"). See also W.C. Labys, "Speculation and price instability on international commodity futures markets" (TD/B/C.1/171).

18/ In the International Cocoa Agreement the margin (range) is 16 per cent on either side of the mid-point, and in the International Tin Agreement 10.5 per cent.

19/ When prices rise the buffer stock manager will induce greater stability of the market by selling *pari passu* with the price rise but his trading profit will be greater if he refrains from intervening until the price has risen sharply and then sells. (Fox, *op.cit.*)

expected to be always upwards, however, and even if the general price level continues to rise, the price of a particular commodity may be falling. Under these circumstances, trading losses on a particular commodity in a particular period may be hard to avoid unless control of the supply is practicable and can be instituted.

40. A stocking system which includes a number of commodities should aim at a financial profit in the operations of the majority of commodities concerned and thus for the operation as a whole. Since the primary objective of the system is an economic one - price stabilization - its profit target cannot be too ambitious, but the system has to be financially self-sustaining if it is to be able to discharge its economic functions in a sustained manner. Since world economic conditions can be such in any particular period that market losses cannot be avoided, the stocking system should have a fund to cover such contingencies. It is therefore suggested that, when initiating such a system, a modest export levy be introduced on all commodities included in the system, the proceeds of which would go to a contingency fund. A less satisfactory alternative would be to introduce the export levy only if and when net losses occur, and to impose it either on all the commodities or only on those accounting for the losses.

F. Multi-commodity versus single commodity stocks

41. Management of an international stock can be organized entirely on a commodity-by-commodity basis, as at present for tin and cocoa, or it can be entrusted, in some degree, to a multi-commodity organization. The Keynes-United Kingdom Government proposals of 1942-1943 envisaged the establishment of a separate international organization which all members of the United Nations would be invited to join. Provision was made for a Council of Commodity Control, which would exist alongside councils for each commodity, would have supervisory functions in price and output policies, and in the size and management of stocks, and perhaps also be responsible for the provision of finance. 20/

42. Under present circumstances, in view of the likely need for urgent stocking action in a number of commodity markets, such action may in fact result in the establishment of a multi-commodity stock under joint overall management. Appropriate machinery for most individual commodities is not in existence. Such a multi-commodity system would also have a number of long-term advantages, some of which have already been alluded to:

(a) In approving recommendations for individual commodities concerning support and ceiling prices, a multi-commodity organization would be responsible for, and capable of, taking into account the effects on other commodities; individual councils could not be expected to perform this function as efficiently;

(b) An individual commodity organization whose objectives include diversification would find it difficult to pursue policies in this direction in the absence of some general guidance as to the lines of production into which it is socially profitable to diversify. A multi-commodity organization could provide such guidance and assistance in the broad context of international commodity policy;

20/ J.M. Keynes, "The international control of raw materials," a memorandum to the Treasury of 14 April 1942, published in Journal of International Economics, 4 (1974), pp. 301-305, and unpublished subsequent documents.

(c) In the case of tree crops with long gestation periods, the existing system of individual agreements for five years or less does not provide the long-term perspective, particularly concerning prices, which is needed to influence investment decisions designed to achieve stabilization. 21/ An overall commodity organization of long life expectancy, responsible for price policy guidelines, would be better able to provide more certainty;

(d) A multi-commodity approach could make a significant contribution to the control of the business cycle, By a deliberate policy of releasing commodities from stock in periods of upswing and inflationary pressure, it would tend to moderate excessive booms, and by purchasing commodities in the downswing it would support effective demand and protect employment; 22/

(e) If a multi-commodity stock had trading functions, it would be able to offset, wholly or partly, trading losses on one commodity against profits on other commodities. Also, it would be able to offset purchases of some commodities against sales of others, thus reducing its net borrowing requirement (see chapter V below);

(f) Prospects for reaching agreed solutions in intergovernmental negotiations would be enhanced by a multi-commodity approach, since the scope for mutual concessions and reciprocity would be much greater than in dealing with single-product schemes.

43. Views will probably differ on the weight to be attached to the above points, and some may argue that the commodity-by-commodity approach, while slow and piecemeal, promises a more sustained advance. Further exploration is needed of the issues involved in the choice between single-commodity and multi-commodity stocks and their possible variants.

21/ See International Coffee Organization, op.cit.

22/ This possible function of a multi-commodity approach was emphasized by Keynes, It has been developed further by Lord Kaldor, who suggests the use of international stocks of primary products as a major element in reconstructing the international monetary system. (See Keynes, op.cit. and N. Kaldor, "International monetary reform"; the need for a new approach, Banca d'Italia December 1973, and "World Inflation and the Collapse of the International Monetary System" (Williamsburg, Virginia), June 1974).

Chapter V

CAPITAL REQUIREMENTS

A. Relevant considerations[23/]

44. The main determinants of the amount of resources needed to establish a system of international stocks are:

(i) the commodity coverage;

(ii) buying (support) prices;

(iii) the sensitivity of production and consumption to random factors, such as the weather, and to fluctuations in economic activity; the magnitude and the frequency of such occurrences and the amplitude of the fluctuations they generate in the markets of the commodities concerned;

(iv) the degree to which surpluses or shortages are bunched in adjacent years (the greater the bunching, the greater the resources required);

(v) the margin between flow and ceiling prices;

(vi) the magnitude of demand and supply responses to changes in prices;

(vii) the degree to which export quotas and other measures of supply management are expected to be used; extensive reliance on export quotas would reduce the need for international stocks in periods of surpluses, but would aggravate the shortage in periods of deficits;

(viii) the likely magnitude of absorptions into the international stock of private speculative and other stocks;

(ix) the level of existing national stocks; the lower this level in relation to consumption and the higher the perceived need for reserve stocks, the greater the required resources for the system of international stocks.

45. Some of these factors are of a technical nature. The key considerations are matters of policy. Answers to questions such as: how big a reserve of grains should the international community carry in order to avoid famine in periods of poor crops, how large a stock of metals should be available to meet contingencies, and at what level should the price of a particular product be supported and for how long, depend on technical and economic considerations, but they will reflect policy judgements regarding the appropriate use of public funds.

B. An illustrative estimate

46. Considerably more work, including consultations with experts, is needed to arrive at quantitative estimates of the resources required for international stocks on different policy assumptions. In the meantime, the UNCTAD secretariat has compiled an illustrative estimate, based on suggested relationships between the volume of world trade and the size of international stocks, on existing studies, and on prevailing expert opinion.

23/ See UNCTAD, op.cit., paras. 204-208.

47. Keynes had prepared the first estimate for a group of commodities to be included in an international stock scheme, based on the view that the minimum stock level should correspond to three months of the annual value of world trade in these commodities. 24/ Any stock/trade ratio selected would be influenced by past experience of surpluses and shortages. In a recent discussion, a reduced minimum of one and a half months' trade has been mentioned; the tin buffer stock reflects this stock/trade ratio, and for cocoa the stock level is between these two figures 25/. These ratios - one and a half and three months' exports - have been used in annex I, which also shows all other available volume estimates of stock requirements, with comments on the basis of estimation 26/.

48. Table 4 shows the estimated dollar cost of purchases on the assumption that the quantities indicated would have been bought at average prices prevailing in the five-year period 1970-1974. The aggregate amount for the 18 commodities is $10.7 billion, of which $4.7 billion is accounted for by grains (wheat, coarse grains, and rice). The next largest amounts are for sugar, coffee and copper, totalling $3.2 billion. The estimate for grains assumes a stock of 45 million tons (4 per cent of world consumption), based on a recent FAO analysis 27/; international stocking requirements would be lower if they were designed primarily to assure supplies for the low income countries mostly in South Asia and Africa) and for other grain-importing developing countries (e.g. some petroleum producers).

49. The following qualifications should be noted:

(a) The estimated volume requirements have been shown as a specific figure rather than as a range, in order to simplify the presentation. Ranges are given in annex I (TD/B/C.1/166/Supp.1/Add.1). In table 4, the lower end of the range has been chosen for commodities where price fluctuations in the past have not been very large or where adjustments in utilization of capacity can be made more easily (e.g., most metals). Particularly for rubber and copper the estimates may be on the low side. Larger stocks may also be necessary for lead and zinc if existing national stocks are as low as the available statistics indicate. Conversely, the estimates for sugar and wool may be on the high side.

(b) Past prices have been used for estimating the purchase cost because any price projection would have been controversial. Periods other than 1970-1974 could have been used, but any period earlier than 1970 would not have been useful in view of the distorting effects on all nominal values of international

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24/ Op cit., p. 310. In later documentation it was emphasized that three months' stock would probably be too low and six months' would be preferable.

25/ A. Maizels "A New International Strategy for Primary Commodities", a lecture given to the Dag Hammarskjöld Foundation, Uppsala. (to be published).

26/ In the case of sugar it was also possible to make a preliminary assessment of what would have been the capital needs of a buffer stock if it had been in existence over the last 20 years, on the basis of a rough simulation of its operations. (See annex II).

27/ FAO, World Food Security: "Draft Evaluation of World Cereals Stock Situation" (CCP: GR74/11), July 1974, p. 14; "The World Food Problem. Proposals for National and International Action" E/CONF.65/4 (document of the World Food Conference) p. 173.

TABLE 4

International stocks; estimated purchase cost

Commodity	Stock required (Thousands of tons)	Purchased at Average prices in: 1970-1974 a/	1972-1974 a/	Purchase cost, at average prices in: 1970-1974	1972-1974
				($ million)	
Grains	45 000	$105 m.t. b/	$132 m.t. b/	4,725	5,940
Sugar	5 500	9.9 cts/lb	13.75 cts/lb	1,200	1,665
Coffee	15 000 c/	55.4 cts/lb	60.6 cts/lb	1,097	1,200
Cocoa	300	51 cts/lb	64.7 cts/lb	337	428
Tea	90	51.1 cts/lb	52.6 cts/lb	101	104
Rubber	375	23.4 cts/lb	27.7 cts/lb	193	229
Cotton	535	47.3 cts/lb	56.6 cts/lb	557	668
Jute and manufactures	..	29.8 cts/lb	30.5 cts/lb	98 d/	100 d/
Sisal e/	114	19.4 cts/lb	27.5 cts/lb	32 f/	46 f/
Wool	228	$2 215 m.t.	$2 898 m.t.	505	661
Copper	557	69.3 cts/lb	77.7 cts/lb	854	955
Tin	40	219.8 cts/lb	257.8 cts/lb	194	227
Lead	240	17.2 cts/lb	20.3 cts/lb	91	107
Zinc	425	29.2 cts/lb	39.5 cts/lb	273	370
Bauxite (Al. content) g/	825	$56.5 m.t.	$63.2 m.t.	47	52
Alumina (Al. content)	562	$148.0 m.t.	$150.0 m.t.	83	85
Iron ore g/	26 000 h/	$11.0 m.t.	$12.0 m.t.	286	312
Total				10,673	13,149

Sources: Annex I for volume requirements. Prices: Wheat: US, No.2 Hard Red Winter; Maize: Argentina cif United Kingdom; Sugar: New York, contract No.11; Coffee: All coffee ICO; Cocoa: Ghana, spot New York; Tea: all teas, London; Rubber: Singapore, No.1 RSS; Cotton: Mexican, S.M.1-1/16"; Jute: Pakistan; Sisal: East African U.G., Wool: United Kingdom Dominion clean 50 S; Copper, Tin, Lead, Zinc: London Metal Exchange; Bauxite and Alumina: unit value of world exports; Iron Ore: average of Liberia, North Sea ports and unit value of exports from developing countries.

a/ For 1974, January-September average. Prices are given in US cents per pound or dollars per metric ton.

b/ Averages of wheat and maize prices, which were almost identical in the periods considered. The price of rice was more than double but the share of rice in the aggregate grain stock is likely to be small.

c/ Thousands of bags of 60 kg (132 lb).

d/ Based on stock/export value ratio of 0.125 in 1972 adjusted for price changes.

e/ See annex I for comments on stock requirements for hard fibres. Other hard fibres and probably manufactures should also be included.

f/ The computer value has been adjusted to take account of the 33 per cent difference between market prices and export unit values recorded in 1970-1972.

g/ Estimates subject to further investigation (see chapter III).

h/ Actual quantity may be smaller, depending on the stage of processing.

inflation. If it is assumed that the commodities would have been bought at average prices of the three-year period 1972-1974, the aggregate cost would have been one-fourth higher ($13.1 million) whereas at 1970-1972 prices it would probably have been one-fourth lower. To facilitate judgement concerning prices used, annex III contains price series for each commodity, both in current terms (actual prices) and in constant 1973 terms. 28/ In the case of sugar and zinc, the 1970-1974 average prices used in table 4 are clearly above the historical level in real terms, and this is more frequently the case if 1972-1974 prices are used. For some other commodities, (tea, coffee and jute), both the 1972-1974 and the 1970-1974 average prices are clearly below the past level in real terms.

(c) For some commodities it is known that the prices used understate the likely purchase cost. For tea, where prices can be expected to respond significantly to changes in volume, it is likely that each successive purchase would take place at higher prices than the recent depressed level. For bauxite, prices are now increasing substantially above the past level, and this would affect the value of the purchases. On the other hand, the cost to the stock may be overstated to the extent that market quotations (which are the basis of most prices used in table 4) are higher than prices actually obtained for all qualities on the average. This difference may be important for coffee, and also in some other cases 29/.

(d) The total purchase cost for all commodities is a gross figure, for three reasons:

(i) Conceptually, the estimates for each commodity represent the maximum stock which may be accumulated; in practice, stocks will vary between zero and the maximum;

(ii) If a multi-commodity stock is in operation, purchases of some commodities will be offset by sales of others in particular periods. The extent of the offset will be determined by the amplitude of the international business cycle: the stronger the cyclical movements, the more likely that most commodity prices will move together, with consequently little offset. During 1963-1972, commodity prices were moving in opposite directions in most years (usually between one-third and two-fifths in one direction and the rest in the other), but in 1973 they all moved together. If cyclical movements in the world economy prove in the future to be stronger than in the past two decades, the offsetting action will be weaker. The policy implication seems to be that the access to resources should be as large as possible, although the actual call on funds in particular periods may be substantially below the gross commitment needs;

(iii) If the stocking system is successful in reducing the amplitude of price fluctuations it is likely to result in a gradual dampening of output fluctuations as well. This should work in the direction of reducing capital requirements. At the same time, however, the volume of output, consumption and trade will be expanding in absolute terms, which would necessitate carrying a growing volume of stocks. Only the future can tell what would be the net effect on stocking needs of reduced percentage variations around a rising trend.

28/ Current prices were deflated by the United Nations index of prices of exported manufactured goods from industrialized countries.

29/ For a group of 14 commodities, market quotations were on average 8 per cent above export unit values during 1967-1972. The margin reflects other factors besides quality differentials.

Chapter VI

SUGGESTIONS FOR FURTHER WORK

50. Four areas of future work are suggested:

(a) Selection of commodities, size of stocks and price ranges;

(b) Storage costs and location of stocks;

(c) Operating principles and rules of intervention; and

(d) Institutional questions.

51. It is proposed that further work on the selection of commodities, the volume of stocks, price ranges, and length of the period during which the stock would be committed to a given price range, could proceed in two directions simultaneously. First, an investigation could be made by the UNCTAD secretariat of the factors influencing, for each commodity, the stocking needs, and the feasibility of stocking operations in complex cases (e.g., oilseeds and vegetable oils); the work would be done in co-operation with other international bodies. Secondly, the secretariat proposes to consult with governments in order to obtain their reactions to the suggested scope of operations of an international stocking system, including the questions of commodity composition and price ranges.

52. Work on storage costs and the location of stocks could perhaps be undertaken best in two phases. The first phase would consist of fact-finding (see chapter III above), and the second would be concerned with the appropriate location of stocks. Since national administrations, including marketing, port and railway authorities, are in the best position to compile and review the relevant information, consideration could be given to appointing a group of governmental experts to carry out the first phase of work. The secretariat would co-ordinate this work and expand it as necessary by direct contact with trade and industry. The second phase could be organized at a later date.

53. Work on operating principles and rules of intervention of the stocking system could focus on two fields. First, the secretariat could review the existing theoretical work and empirical studies in order to derive any possible guidance for future operations. Secondly, and assisted by consultants as necessary, it could analyse the experience of national and regional price stabilization systems in selected industrialized and primary-producing countries having long experience of such systems. The analysis would focus on the objectives of intervention, the techniques applied, auxiliary mechanisms and their effectiveness, with a view to deriving necessary guidance for the operations of an international system. The co-operation of governments in providing the secretariat with all possible assistance would be necessary.

54. Institutional questions on which further work is needed are of three kinds: the relationship between the international stock and national policies, particularly national stocking policies; the merits of a multi-commodity stocking system as against those of individual commodity schemes; and the financing of schemes. All three groups of issues call for consultation with governments.

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An integrated programme for commodities:

The role of international commodity stocks

Report by the Secretary-General of UNCTAD

ANNEXES

CONTENTS

GE.74-52138

Annex 1

INTERNATIONAL COMMODITY STOCKS: ESTIMATED VOLUME REQUIREMENTS

Commodity	Volume of world exports 1972-1973 a/ (annual average)	Stock requirement a/ with a stock/trade ratio of: 0.125 b/	0.25 c/	Other estimates and comments
Grains (wheat, rice and coarse grains)	144 000 d/	18 000	36 000	45 - 50 millions tons estimated by the FAO Secretariat as the needed reserve stock ("World Food Security: Draft Evaluation of World Cereals Stock Situation," CCP: GR 74/11, July 1974, p.14 and "The World Food Problem Proposals for National and International Action," August 1974 p.173).(E/CONF.65/4). A smaller international stock would be needed if it was designed primarily to assure supplies for the low-income countries (particularly in South Asia and Africa) suffering from crop fluctuations and for other food-importing developing countries (e.g. some petroleum-producing countries). Close co-operation would be needed between such an international stock and national grains stocks
Sugar	22 200	2 775	5 550	The 1968 International Sugar Agreement required the exporting countries to maintain stocks at a level of 10-15 per cent of exports. This would be now considered inadequate in the light of production fluctuations in recent years and the changing position of some major producers. Preliminary results of a quantitative analysis suggest that at a stock level of 6.1 million tons the supply-demand gap could be kept within 2 per cent of the trend (1.6 million tons), while at a level of 2.4 million tons the gap would widen to 5 per cent of the trend (4 million tons). See Annex II below.

Coffee	59 000 a/	7 500 a/	15 000 a/	18 producing countries, accounting for 80 per cent of world exports, are reported to have agreed that a buffer stock scheme of 16 million bags (18 million if all exporters were included) would be necessary in 1974-1975. (George Gordon Paton, Complete Coffee Coverage, 27 September, 1974). In large part, the buffer stock would absorb existing national reserve stocks in the producing countries.
Cocoa	1 190	150	300	The International Cocoa Agreement provides for a buffer stock of 250,000 tons. It envisages the possibility that surpluses may exceed this amount in particular years, and there is a provision for sales for non-traditional uses of quantities in excess of the stock.
Tea	711	89	178	A reported possible action by producers to strengthen the market seems to contemplate a relatively small reduction of supply. The estimated values of the price elasticity of demand are low, ranging from -0.05 to -0.39, indicating that considerable price effects could be achieved, at least initially, by a moderate withholding action. (See "Survey of Commodity Demand and Supply Elasticities," UNCTAD Secretariat Research memorandum No. 98, March 1974.
Rubber	2 994	375	750	Commercial stocks at the end of 1973 (1.4 million tons) were equivalent to 46 per cent of consumption. Aggregate stocks i.e. including the stocks of the US General Services Administration, have declined steadily, from 118 per cent of consumption in 1953 to 51 per cent in 1973.

Cotton	4 279	535	1 070	Commercial stocks at the end of 1973 (4.8 million tons) were equivalent to 45 per cent of world consumption, but requirements of the textile industry for working stocks are reported to be considerable, implying that the reserve stocks are low. The issue of a cotton buffer stock was last raised at the 1972 meeting of the International Cotton Advisory Committee. (See Edouard Senn, "Note on the Stabilization of Cotton Prices" September 1972, Managua, Nicaragua.)
Jute and manufactures	$762 million a/	$95 million a/	$190 million a/	During intergovernmental discussions in the late 1960s within the Consultative Committee on Jute, Kenaf and Allied Fibres, FAO estimated stockholding requirements for stabilization purposes at 1,850,000 bales (333,000 tons), valued at $74 million. (See FAO "Issues Relating to an International Buffer Stock Policy for Raw Jute," CCP: JU/CC 68/7, June 6, 1968.) At 1970-1974 world prices this would be equivalent to $91 million, allowing for lower valuation of the kenaf part of the stock.
Sisal	443	57	114	Other hard fibres, and probably also manufactures, should also be included. See, however, FAO, "Information Paper on a Possible Formal International Agreement for Sisal and Henequen," CCP: HF 73/23, July, 1973 stating that "the exporting countries (have) specifically excluded the possibility of setting up a single international buffer stock" para. 23.

Wool	913	114	228	Two major exporting countries (Australia and New Zealand) have frequently held large stocks. Close co-ordination between national stocks and an international stock appears necessary.
Copper	4 460	557	1 115	An expert estimate of the requisite size of a buffer stock, if established, is 500,000 tons. A draft simulation, prepared in 1969, indicated a range of between 465,000 tons and 1,100,000 tons, depending on the width of the price range and on price elasticity of demand.
Tin	209	26	52	The International Tin Agreement provides for contributions by producing countries to finance a buffer stock of 20,000 tons. In addition, there are voluntary contributions by importing countries amounting to £1.9 million, and the buffer stock can borrow £8 million, equivalent to 4,000 tons at September 1974 prices. It is generally considered that the present buffer stock is too small. A figure of 40 - 45,000 tons has been suggested. (cited by Fox, op. cit. p.274).
Bauxite (Al. content)	6 576	825	1 650	Estimate subject to further investigation. The United States alone held more than 4 million tons (close to 17 million tons gross weight) during the late 1960s.
Alumina (Al. content)	4 502	562	1 125	
Iron ore	206 000	26 000	51 000	Estimate subject to further investigation.

Lead	1 914	240	480	Reported existing national stocks appear to be very low.
Zinc	3 404	425	850	Reported existing national stocks appear to be very low..

Sources: See table 1.

a/ Thousands of tons, except for coffee (thousands of bags of 60 kg) and jute and manufactures ($ million).

b/ i.e. stocks equivalent to one and a half months of the average annual world trade in 1972-1973.

c/ i.e. stocks equivalent to three months of the average annual value of world trade in 1972-1973.

d/ Average for crop years 1972/73 and 1973/74 (preliminary data).

e/ Estimate for 1972.

Annex II

Preliminary assessment of capital requirements for a buffer stock for sugar over the period 1953-1973

1. The purpose of this annex is to determine a broad order of magnitude of the capital which would have been needed for operating a buffer stock for sugar over the period 1953-1973, had one been in existence, by making a rough simulation of the hypothetical operations of such a buffer stock.

2. At this stage, and in the time available, it seemed neither advisable nor possible to take into consideration the sophisticated mechanism of price formation in the sugar market. Together with a number of other simplifying assumptions, this limitation restricts the significance of the estimates (see further below).

3. Simplicity has also been an important consideration in defining the "management rules" of the buffer stock, the main objective of which is assumed to be maintaining the gap between "apparent availability" (production plus releases from, or minus additions, to the buffer stock) and consumption within limits expressed as a percentage of the trend value of production/consumption.

Production and consumption trends

4. World production and consumption of sugar, excluding China, are shown in Table I. Linear trends have been fitted to each of these two series. The two trends are almost parallel, but for any given year the trend figure of production is about 1,300 thousand metric tons higher than the trend figure for consumption.

5. Since there has not been continuous stock accumulation over the whole period, it is likely that this persistent difference is attributable to some systematic bias (on account of, for example, losses in transportation and in processing not reported and time-lags between production and consumption). In order to obtain a set of consistent figures, an "adjusted" series for actual consumption has been computed by adding 1,327 thousand tons to the recorded consumption for each year, thus making the trends for (adjusted) consumption and for production identical.

The acceptable gap between apparent availability and consumption and the desired level of intervention of the buffer stock

6. Column 5 of table I shows the gap between production and adjusted consumption for each year. As stated above, it is assumed that the buffer stock wishes to maintain the gap between "apparent availability" (production plus releases from, or minus additions to, the buffer stock) and consumption within a specified percentage of the trend value of production/consumption.

7. This "acceptable gap" is shown in column 1 of table II on the basis of a 5 per cent relationship to the trend value (i.e. for each year, the figure in column 1 equals 5 per cent of the trend value of production shown in column 2 of table I).

8. An important assumption is that the operations of the buffer stock do not have any impact on production and consumption levels. In other words, production and consumption do not change as a result of the activities of the buffer stock. Clearly, such a simplifying assumption limits the scope of the present exercise, as is discussed in more detail below. It implies that:

TABLE I

World[a] production and consumption of sugar 1953-1973

(Thousands of tons)

Year	Production		Consumption		Gap between actual production and adjusted consumption	Gap as a percentage of trend figure
	Actual (1)	Trend[b]	Actual (3)	Adjusted[c] (4)=(3)+1 327	(5)=(1)-(4)	(6)=(5)÷(2)
1953	36 292	35 287	35 000	36 327	- 35	0.10
1954	36 680	37 282	36 885	38 212	-1 532	4.11
1955	38 208	39 277	37 861	39 188	- 980	2.50
1956	39 410	41 271	40 881	42 208	-2 798	6.78
1957	43 128	43 265	41 531	42 858	+ 270	0.62
1958	46 310	45 259	44 050	45 377	+ 933	2.06
1959	48 531	47 254	45 628	46 955	+1 576	3.34
1960	51 039	49 248	47 593	48 920	+2 119	4.30
1961	53 514	51 242	51 249	52 576	+ 938	1.83
1962	50 180	53 237	51 676	53 003	-2 823	5.30
1963	50 784	55 231	52 979	54 306	-3 522	6.38
1964	58 213	57 225	53 586	54 913	+3 300	5.77
1965	62 663	59 220	57 280	58 607	+4 056	6.85
1966	61 644	61 214	59 150	60 477	+1 167	1.91
1967	63 805	63 208	60 938	62 265	+1 540	2.44
1968	64 144	65 203	64 124	65 451	-1 307	2.00
1969	66 987	67 197	66 301	67 628	- 641	0.95
1970	69 979	69 191	69 112	70 439	- 460	0.66
1971	70 924	71 185	70 801	72 128	-1 204	1.69
1972	72 613	73 180	72 462	73 789	-1 176	1.61
1973	74 795	75 174	72 898	74 225	+ 570	0.76

a/ Excluding China

b/ Linear trend

c/ For justification and methods of adjustment, see the text of this annex, paras. 4 and 5.

Source: International Sugar Organization, Statistical Bulletin

- the buffer stock manager wishes to intervene on the market only when the gap between production and adjusted consumption (as shown in table I, column 5) is larger in absolute terms than the acceptable gap (table II, column 1, on the 5 per cent assumption, and column 6, on the 2 per cent assumption).

- when the buffer stock manager intervenes, he does so only to the extent necessary to ensure that the gap between apparent availability and adjusted consumption is reduced to the "acceptable level".

9. Given these assumptions, it is possible to compute the desired mimimum level of intervention of the buffer stock, although the actual level of intervention may differ, since he will also take into account the existing stock. On the alternative of an acceptable gap equal to 5 per cent of the trend, the gap between production and adjusted consumption (table I, column 5) for 1953, 1954 and 1955 is smaller than the acceptable gap for each of these three years. Consequently, the minimum level of intervention for these three years (table II, column 2) is zero. In 1956, the gap between production and consumption is -2,798 thousand tons, while the maximum acceptable gap between apparent availability and consumption is 2,064 thousand tons. Consequently, the stock manager would release 734 thousand tons (2,798-2,064) in order to reduce the gap between apparent availability (39,410 + 734 = 40,144) and adjusted consumption (42,208) to the acceptable level.

10. He would operate in a similar manner in all subsequent years.

<u>The desirable initial stock level and the stock range</u>

11. In this exercise, it has been postulated that the stock manager, irrespective of his current interventions on the market, wishes to maintain stocks within a certain range in order to be able to fulfil his obligations in times of excess demand. This range is assumed to be between 80 per cent and 100 per cent of the maximum balance of commitments to release stock (i.e. of the algebraic cumulation of deliveries and purchases) over any continuous sub-period of the period under review. For practical purposes, only continuous sub-periods during which market conditions would lead the stock manager either to release sugar or not to intervene, but not to purchase sugar, have been considered.

12. Considering once more the alternative of an acceptable gap equal to 5 per cent of the trend value, the minimum level of intervention is zero in 1953, 1954 and 1955, while 734 thousand tons should be released in 1956 (table II, column 2) and no intervention is required from 1957 to 1961. In 1962 161 thousand tons should be released and in the next year 760 thousand tons. In 1964 market conditions would require the buffer stock to purchase sugar. Consequently, in order to meet its obligations in times of excess demand, the management of the buffer stock would need to have available 734 + 161 + 760 = 1,655 thousand tons at the beginning of the sub-period 1956-1963 (table II, column 3). On this basis, it is assumed that the desired range of the stock level is from 1,324 to 1,655 thousand tons (1,655 being 100 per cent of commitments and 1,324 being 80 per cent of commitments).

TABLE II

Sugar buffer stock operations on alternative assumptions concerning the acceptable gap between supply and demand[a/]

(thousands of tons)

Year	Acceptable gap equals 5 per cent of the trend figure					Acceptable gap equals 2 per cent of the trend figure				
—	Size of acceptable gap	Minimum level of intervention b/	Cumulative minimum intervention in periods of continuous releases	Stock interventions b/ c/	End-year stock level	Size of acceptable gap	Minimum level of intervention b/	Cumulative minimum intervention in periods of continuous releases	Stock interventions b/ d/	End-year stock level
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1953	1 764	0		0	1 490	706	0			3 596
1954	1 864	0		0	1 490	746	- 786	786	- 786	2 810
1955	1 964	0		0	1 490	786	- 194	980	- 194	2 616
1956	2 064	- 734	734	- 734	756	825	- 1 973	2 953	- 1 973	643
1957	2 163	0	734	+ 568	1 324	865	0		+ 1 135	1 778
1958	2 263	0	734	0	1 324	905	+ 28		+ 1 418	3 196
1959	2 363	0	734	0	1 324	945	+ 631		+ 631	3 827
1960	2 462	0	734	0	1 324	985	+ 1 134		+ 1 134	4 961
1961	2 562	0	734	0	1 324	1 025	0		- 87	4 874
1962	2 662	- 161	895	- 161	1 163	1 065	- 1 578	1 578	- 1 578	3 296
1963	2 762	- 760	1 655	- 760	403	1 105	- 2 417	3 995	- 2 417	879
1964	2 861	+ 439		+ 921	1 324	1 145	+ 2 155		+ 2 155	3 034
1965	2 961	+ 1 095		+ 1 095	2 419	1 184	+ 2 872		+ 2 872	5 906
1966	3 061	0		- 764	1 655	1 224	0		- 57	5 849
1967	3 160	0		0	1 655	1 264	+ 276		+ 276	6 125
1968	3 260	0		0	1 655	1 304	- 3	3	- 2 130	3 995
1969	3 360	0		0	1 655	1 344	0		0	3 995
1970	3 460	0		0	1 655	1 384	0		0	3 995
1971	3 560	0		0	1 655	1 424	0		0	3 995
1972	3 659	0		0	1 655	1 464	0		0	3 995
1973	3 759	0		0	1 655	1 503	0		0	3 995

(a) i.e., between apparent availability and adjusted consumption (see text, para. 6).

(b) + equals purchases; - equals sales. See paragraph 8 for the concept of minimum intervention.

(c) Desired range of stocks: 1 324 - 1 655.

(d) Desired range of stocks: 3 196 - 3 995.

13. On the alternative of an acceptable gap between apparent availability and consumption of 2 per cent of the trend value, three sub-periods can be observed during which market conditions would require the stock to purchase sugar: 1954-1956 (inclusive), 1962-1963 and 1968. The cumulated amounts of deliveries (table II, column 8) are respectively 2,953, 3,995 and 3 thousand tons. The largest of these three figures being 3,995, it is assumed that the desired range of stock level is from 3,196 to 3,995 thousand tons (3,995 being 100 per cent of commitments and 3,196 being 80 per cent of commitments).

14. Since the purpose of this exercise is to determine the capital requirements of a buffer stock that is currently functioning, it has been assumed that the initial level of the stock is the arithmetic mean of the two extremes of the desired range: $\frac{1,324 + 1,655}{2} = 1,490$ thousand tons, when the acceptable gap between apparent availability and consumption is equal to 5 per cent of the trend value, and $\frac{3,196 + 3,995}{2} = 3,596$ thousand tons, when the acceptable level of this gap is equal to 2 per cent of the trend value.

Actual stock interventions and stock level

15. So far, only desired stocks and "minimum" levels of intervention have been considered. The next step is, on the basis of these desired levels, of market conditions and of the quantity of sugar available in the stock, to determine the actual operations of the stock.

16. To this end, it is assumed that the management rules of the stock are as follows:

- When the level of the stock is within the desired range, the actual level of intervention is equal to the desired level, unless the buffer stock manager is prevented from releasing the whole of the desired quantity because of exhaustion of the stock.

- When the level of the stock is outside the desired range, the management of the buffer stock operates in order:

(a) first, to maintain the gap between apparent availability and consumption within the acceptable limits, as far as possible; and

(b) second, within these limits, to increase or decrease, as the case may be, the level of stocks up to the point where it is brought back within the desired range.

17. Taking an acceptable gap between supply and demand equal to 2 per cent of the trend value of production/consumption as an example:

(a) In 1953, the stock level is assumed to be 3,596 thousand tons (the middle of the desired range) and the minimum level of intervention is zero. The buffer stock neither purchases nor sells, so that the level of the stock at the beginning of 1954 remains unchanged. In 1954, market imbalance necessitates a release from stock of at least 786 thousand tons (table II, column 7). Consequently, at the end of 1954/beginning of 1955, the stock level is equal to 2,810 thousand tons (3,596 - 786). Thus it falls below the desired range, but market conditions, far from permitting a replenishment of the stock, call for a new release of 194 thousand tons, reducing the stock to a level of 2,616 thousand tons at the beginning of 1956. During 1956, market conditions call for a new release of 1,973 thousand tons, following which the stock falls to a level of 643 thousand tons.

(b) In 1957, market conditions do not require intervention by the buffer stock. However, the level of stocks being far below the desired range, the stock's management purchases 1,135 thousand tons, i.e. the maximum possible within the acceptable limits.[a/] However, after this purchase, the stock level is only 1,778 thousand tons, and consequently remains outside the desired range. In 1958, market conditions require a purchase of 28 thousand tons only. However, in order to increase the stock up to the desired level, the management purchases 1,418 thousand tons, which it can do without the gap between apparent availability and consumption becoming larger than acceptable.[b/] Following this purchase, the stock reaches a level of 3,196 thousand tons, and is once again within the desired range.

(c) A period of excess supply follows (1959-1960) during which the stock manager has to purchase sugar in order to maintain the gap between apparent availability and consumption within acceptable limits. Through these purchases, the stock increases to 4,874 thousand tons by the end of 1960, which is above the desired range. In 1961, the management releases 87 thousand tons, although market conditions do not impose such a release, in order to lower the stock level.

(d) Actual stock interventions and the stock level are determined year by year until 1973 on the same principle.

Capital needs and current expenses of the buffer stock

18. Price series are necessary in order to derive the capital needs of the buffer stock from the figures shown in table II. As mentioned above, the interventions of the buffer stock would in fact have modified the prices which actually prevailed over the period, but in the time available it has not been possible to take into account the sophisticated mechanism of price formation in the sugar market.

19. However, a rough assessment of the order of magnitude of the capital required to operate such a buffer stock can be derived from the stock figures in table II on the basis of prices which were actually observed during the period under review. Two such assessments are shown in table III below. They have been obtained by valuing the maximum level of stock by the average price for sugar observed during the period 1970-1974 on the one hand and during the period 1972-1974 on the other hand. In addition, the range of capital required corresponding to the desired range of stock is also shown, since it is desirable to distinguish between two concepts of the capital required:

- the average capital requirement for the desired level (range) of stock. Most of this capital would normally be tied up in the stock of sugar, and hence some long-term financing (shares, capital endowment, long-term loans) would be required; and

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a/ Apparent availability: 43,128 - 1,135 = 41,993
Consumption (adjusted): 42,858. Hence gap = 865.
Acceptable gap (table II, column 6) = 865. (All figures in thousand tons).

b/ Apparent availability: 46,310 - 1,418 = 44,892.
Consumption (adjusted): 45,377. Hence gap = 485.
Acceptable gap (table II, column 6) = 905 (All figures in thousand tons).

TABLE III

Capital requirements for a sugar stock under various assumptions

	Acceptable gap = 5% of trend values	Acceptable gap = 2% of trend values
Maximum level of stock (Thousand tons)	2 419	6 125
Corresponding financial requirement - mln. US$		
- at 9.9 cts/lb[a]	528	1 336
- at 13.75 cts/lb[b]	733	1 857
Desired range of stock (Thousand tons)	1 324-1 655	3 196-3 995
Corresponding financial requirement - mln. US$		
- at 9.9 cts/lb[a]	289-361	698-872
- at 13.75 cts/lb[b]	401-502	969-1 211

a/ Average price over the period 1970-1974.

b/ Average price over the period 1972-1974.

- the maximum capital requirement, corresponding to the maximum level of the stock during the period under review. The management of the stock would need to have this amount of sugar available only in exceptional circumstances, and the corresponding additional capital could be raised on a short-term basis (credit line).

Limitations of the exercise and scope for further studies

20. As already indicated, price effects have not been analysed in this exercise. The problem here is not to determine long-run equilibrium prices (which can be done by using long-term price elasticities and by assuming that prices clear the market) but rather to estimate price movements from one period to another. An additional difficulty is likely to be that behavioural relationships of price formation in the short run often include the level of accumulated stock as a major explanatory variable. Will the psychological impact of a certain amount of the commodity held in stock be the same if stocks are private, national, or international? This is a question which is difficult to answer on the basis of historical experience, although some indication can be obtained from an analysis of the functioning of the International Tin Agreement.

21. The analysis made above has considered the hypothetical impact of a stock assumed to have existed in the past. In order to be able to assess the effects of a possible stock operating in the future, much further work will be required. In particular, it will be necessary to investigate how far market fluctuations are due to lags in supply/demand responses to prices on the one hand and random factors on the other hand. Further work also appears necessary for establishing the stochastic characteristics of these random factors. In addition, research is required in order to derive the optimal operating principles and rules of management of the buffer stock, starting from the objectives of the stock and from the economic and technical constraints under which it will have to operate.

Annex III

COMMODITY PRICES 1953-1974 IN CURRENT TERMS AND IN CONSTANT 1973 DOLLARS

Notes to the tables

1. The attached tables show monthly average dollar prices of wheat, maize, rice, sugar, coffee, cocoa, tea, cotton, jute, wool, sisal, rubber, copper, lead, zinc, groundnuts, copra, palm oil, and coconut oil for each of the years 1953-1974. (For 1974, January-September). Prices are taken from UNCTAD, Monthly Commodity Price Bulletin. A description of each series is given in the appendix to this annex.

2. Table A shows actual market prices. In table B these prices are deflated by the United Nations index of prices of exported manufactured goods from 11 developed market economy countries, rebased on 1973, in order to obtain prices in terms of constant 1973 dollars. a/

a/ The original base of the index is 1963. (See, for example, the September 1974 issue of the source of the indices - United Nations, Monthly Bulletin of Statistics, special table B). The index for 1974 (14 per cent increase over 1973) is a projection taken from IBRD, "Price Forecasts for Major Primary Commodities", 19 June 1974 page 27 (index of international prices). For the full run of the series used, on both the 1963 and the 1973 base, see the appendix to this annex.

Table A

Commodity Prices 1953-1974 in Current Terms

	WHEAT $/60 lbs	MAIZE cts/lb	RICE cts/lb	SUGAR cts/lb	COFFEE cts/lb	COCOA cts/lb	TEA cts/lb
1953	2.11	(3.15)	(8.50)	3.41	56.90	37.10	51.27
1954	1.91	3.22	7.76	3.26	71.55	57.80	73.94
1955	1.82	3.67	6.40	3.24	56.36	37.50	71.22
1956	1.70	3.67	6.26	3.48	54.33	27.30	67.60
1957	1.70	3.36	6.31	5.25	54.02	30.60	62.10
1958	1.70	2.63	6.71	3.50	48.17	44.30	64.40
1959	1.68	2.63	6.03	2.97	38.40	36.60	63.50
1960	1.67	2.70	5.81	3.14	33.80	28.40	64.93
1961	1.69	2.67	6.20	2.91	31.87	22.60	61.61
1962	1.72	2.60	6.93	2.98	31.09	21.00	62.31
1963	1.76	2.96	6.48	8.50	33.22	25.33	58.73
1964	1.84	2.98	6.24	5.87	43.51	23.43	59.53
1965	1.62	3.18	6.19	2.13	41.02	17.28	58.02
1966	1.71	3.21	7.48	1.86	39.61	24.43	56.70
1967	1.79	2.96	8.61	1.99	37.22	29.07	57.15
1968	1.71	2.77	9.11	1.98	37.36	34.40	47.24
1969	1.59	2.99	8.40	3.37	38.71	45.68	44.27
1970	1.49	3.31	6.49	3.74	50.52	34.17	49.57
1971	1.68	3.23	5.91	4.52	44.66	26.77	47.82
1972	1.90	3.54	6.80	7.43	50.34	32.27	47.69
1973	3.75	6.48	14.25	9.60	62.16	64.35	48.02
1974 a/	4.84	8.38	26.07	24.23	69.14	97.52	62.23
1970-74 average	2.73	4.99	11.90	9.90	55.36	51.02	51.07
1972-74 average	3.50	6.13	15.71	13.75	60.55	64.71	52.65

a/ January-September average

Table A (continued)

Commodity Prices 1953-1974 in Current Terms

	COTTON cts/lb	JUTE cts/Kg	WOOL cts/lb	SISAL cts/lb	RUBBER cts/lb	COPPER cts/lb	LEAD cts/lb
1953	39.10	20.50	87.10	10.51	22.00	31.78	11.43
1954	38.89	24.20	89.81	9.65	22.00	31.07	12.04
1955	37.16	19.70	87.54	9.20	37.29	43.93	13.24
1956	33.65	24.20	87.10	8.95	31.62	41.12	14.54
1957	33.58	23.20	96.62	8.13	28.99	27.44	12.08
1958	32.13	21.30	68.49	8.21	26.22	24.67	9.10
1959	28.36	25.30	73.93	10.18	33.07	29.72	8.85
1960	29.69	43.90	82.10	11.58	35.39	30.74	9.02
1961	30.49	31.90	80.74	10.16	27.27	28.69	8.03
1962	29.45	29.10	76.66	11.35	25.56	29.23	7.04
1963	29.29	27.20	92.99	17.36	23.65	29.27	7.93
1964	29.50	32.70	97.07	16.73	22.25	43.90	12.63
1965	28.84	32.00	82.56	10.07	22.91	58.50	14.39
1966	28.20	34.70	83.46	9.50	21.41	69.35	11.90
1967	30.69	29.60	67.59	8.07	17.70	51.14	10.29
1968	31.05	31.30	56.25	7.31	17.33	56.31	10.91
1969	28.51	29.60	58.20	7.80	22.79	66.52	13.15
1970	30.65	28.70	54.45	6.89	18.50	64.19	13.80
1971	35.79	28.90	54.97	7.71	15.35	49.06	11.48
1972	37.12	29.00	94.80	10.87	15.04	48.56	13.69
1973	61.69	30.00	165.45	23.90	31.10	80.78	19.46
1974 a/	71.07	32.40	139.68	47.67	36.97	103.80	27.75
1970-74 average	47.26	29.80	101.87	19.41	23.39	69.28	17.24
1972-74 average	56.63	30.47	133.31	27.48	27.70	77.71	20.30

a/ January-September average

Table A (continued)

Commodity Prices 1953-1974 in Current Terms

	ZINC cts/lb	GROUNDNUTS cts/lb	COPRA cts/lb	PALM OIL cts/lb	COCONUT OIL cts/lb
1953	9.39	7.73	10.01	7.76	15.67
1954	9.78	7.30	8.89	8.62	13.76
1955	11.34	8.57	8.18	10.25	11.62
1956	12.22	9.70	8.04	11.61	12.01
1957	10.20	9.20	7.82	11.52	12.41
1958	8.24	7.47	9.20	10.34	14.33
1959	10.27	8.26	11.40	10.80	17.39
1960	11.72	8.95	9.15	10.18	14.17
1961	9.72	8.87	7.47	10.36	11.49
1962	8.43	7.75	7.43	9.53	11.30
1963	9.59	7.82	8.33	9.90	12.85
1964	14.74	8.48	8.82	10.61	13.45
1965	14.12	9.37	10.27	12.30	16.33
1966	12.75	8.48	8.41	10.59	14.15
1967	12.35	8.08	9.17	10.08	14.45
1968	11.91	7.53	10.60	7.64	17.52
1969	12.99	9.36	9.16	8.46	15.74
1970	13.43	10.34	10.10	11.77	17.19
1971	14.04	11.53	8.62	11.89	15.99
1972	17.14	11.75	6.51	9.86	11.23
1973	38.36	18.13	15.58	17.05	22.67
1974 a/	62.94	(26.41)	32.52	29.05	47.37
1970-74 average	29.18	15.63	14.67	15.92	22.89
1972-74 average	39.48	18.76	18.20	18.65	27.09

a/ January-September average

Table B

Commodity Prices 1953-1974 in Constant 1973 Dollars

	WHEAT $/60 lbs	MAIZE cts/lb	RICE cts/lb	SUGAR cts/lb	COFFEE cts/lb	COCOA cts/lb	TEA cts/lb	COTTON cts/lb
1953	3.58	5.34	14.41	5.78	96.48	62.19	86.94	66.30
1954	3.27	5.52	13.30	5.59	122.66	99.09	126.75	66.67
1955	3.09	6.22	10.85	5.49	95.57	63.59	120.76	63.01
1956	2.79	6.03	10.28	5.71	89.22	44.83	111.01	55.26
1957	2.71	5.35	10.04	8.36	85.99	48.71	98.85	53.45
1958	2.73	4.23	10.79	5.63	77.47	71.25	103.57	51.67
1959	2.70	4.23	9.70	4.78	61.76	58.86	102.12	45.61
1960	2.66	4.30	9.25	5.00	53.80	45.21	103.36	47.26
1961	2.61	4.12	9.58	4.49	49.22	34.91	95.16	47.09
1962	2.71	4.10	10.92	4.70	48.99	33.09	98.19	46.41
1963	2.75	4.62	10.11	13.26	51.82	39.51	91.62	45.69
1964	2.84	4.60	9.64	9.07	67.20	36.19	91.95	45.56
1965	2.45	4.82	9.38	3.23	62.13	26.17	87.87	43.68
1966	2.52	4.72	11.01	2.74	58.29	35.95	83.45	41.50
1967	2.61	4.32	12.55	2.90	54.26	42.38	83.32	44.74
1968	2.49	4.04	13.28	2.89	54.47	50.15	68.87	45.27
1969	2.25	4.24	11.91	4.78	54.90	64.78	62.78	40.43
1970	1.99	4.41	8.65	4.99	67.36	45.56	66.09	40.87
1971	2.11	4.06	7.44	5.69	56.19	33.68	60.16	45.03
1972	2.21	4.12	7.92	8.65	58.60	37.57	55.52	43.21
1973	3.75	6.48	14.25	9.60	62.16	64.35	48.02	61.69
1974[a/]	4.24	7.34	22.85	21.24	60.59	85.47	54.54	62.29

a/ January-September average

Table B (continued)

Commodity Prices 1953-1974 in Constant 1973 Dollars

	JUTE cts/lb	WOOL cts/lb	SISAL cts/lb	RUBBER cts/lb	COPPER cts/lb	LEAD cts/lb	ZINC cts/lb
1953	34.76	147.70	17.82	37.30	53.89	19.38	15.92
1954	41.49	153.97	16.54	37.71	53.26	20.64	16.77
1955	33.40	148.45	15.60	63.23	74.49	22.45	19.23
1956	39.74	143.02	14.70	51.92	67.52	23.88	20.07
1957	36.93	153.80	12.94	46.15	43.68	19.23	16.24
1958	34.26	110.15	13.20	42.17	39.68	14.64	13.25
1959	40.69	126.94	16.37	53.18	47.80	14.23	16.52
1960	69.88	130.69	18.43	56.34	48.93	14.36	18.66
1961	49.27	124.71	15.69	42.12	44.31	12.40	15.01
1962	45.85	120.80	17.88	40.28	46.06	11.09	13.28
1963	42.43	145.07	27.08	36.89	45.66	12.37	14.96
1964	50.51	149.94	25.84	34.37	67.81	19.51	22.77
1965	48.47	125.05	15.25	34.70	88.60	21.79	21.39
1966	51.07	122.83	13.98	31.51	102.06	17.51	18.76
1967	43.16	98.54	11.77	25.81	74.56	15.00	18.01
1968	45.63	82.01	10.66	25.27	82.10	15.91	17.36
1969	41.98	82.53	11.06	32.32	94.34	18.65	18.42
1970	38.27	72.60	9.19	24.67	85.59	18.40	17.91
1971	36.36	69.15	9.70	19.31	61.72	14.44	17.66
1972	33.76	110.36	12.65	17.51	56.53	15.94	19.95
1973	30.00	165.45	23.90	31.10	80.78	19.46	38.36
1974[a]	28.40	122.42	41.78	32.40	90.97	24.32	55.16

[a] January-September average

Table B (continued)

Commodity Prices 1953-1974 in Constant 1973 Dollars

	GROUNDNUTS cts/lb	COPRA cts/lb	PALM OIL cts/lb	COCONUT OIL cts/lb
1953	13.11	16.97	13.16	26.57
1954	12.51	15.24	14.78	23.59
1955	14.53	13.87	17.38	19.70
1956	15.93	13.20	19.06	19.72
1957	14.64	12.45	18.34	19.75
1958	12.01	14.80	16.63	23.05
1959	13.28	18.33	17.37	27.97
1960	14.25	14.57	16.20	22.56
1961	13.70	11.54	16.00	17.75
1962	12.21	11.71	15.02	17.81
1963	12.20	12.99	15.44	20.05
1964	13.10	13.62	16.39	20.77
1965	14.19	15.55	18.63	24.73
1966	12.48	12.38	15.59	20.82
1967	11.78	13.37	14.70	21.07
1968	10.98	15.45	11.14	25.54
1969	13.27	12.99	12.00	22.32
1970	13.79	13.47	15.69	22.92
1971	14.51	10.84	14.96	20.12
1972	13.68	7.58	11.48	13.07
1973	18.13	15.58	17.05	22.67
1974 [a]	23.15	28.50	25.46	41.52

a/ January-September average

Appendix

A. Commodity Description

WHEAT	US, No. 2, Hard Red Winter (ordinary) f.o.b. Gulf
MAIZE	Argentina, c.i.f. UK
RICE	Thailand: White, 5% broken, end of month price. f.o.b. Bangkok, including export duty
SUGAR	New York (No. 11 contract); before 19 November 1970, contract No. 8, f.o.b. Caribbean ports, bulk basis
COFFEE	Ex-dock, New York (indicator prices as defined in the International Coffee Agreement). All coffee.
COCOA BEANS	US: spot New York (Ghana)
TEA	London, auction prices (all tea)
COTTON	Mexican S.M. 1-1/16" (medium/long staple)
JUTE	Bangladesh, export prices, raw baled, f.o.b. Chittagong
WOOL	UK Dominion clean: (50's dry-combed basis)
SISAL	East African, UG, c.i.f. UK
RUBBER	Singapore: f.o.b. in bales, No. 1 RSS
COPPER	London Metal Exchange, electrolytic wire bars, cash
LEAD	London Metal Exchange, settlement and cash sellers' price in warehouse excluding duty, range main United Kingdom ports. Purity 99.97% pb
ZINC	London Metal Exchange, settlement and cash sellers' price in warehouse excluding duty, range main United Kingdom ports. Virgin zinc, 98% minimum
GROUNDNUTS	Nigerian, shelled, c.i.f. European ports
COPRA	Philippine, bulk, c.i.f. European ports
PALM OIL	Malayan, 5%, c.i.f. European ports
COCONUT OIL	Ceylon 1%, bulk, c.i.f. European ports

B. United Nations index of prices of exported manufactured goods

	1963 = 100	1973 = 100
1953	92	59
1954	91	58
1955	92	59
1956	95	61
1957	98	63
1958	97	62
1959	97	62
1960	98	63
1961	99	63
1962	99	63
1963	100	64
1964	101	65
1965	103	66
1966	106	68
1967	107	69
1968	107	69
1969	110	71
1970	117	75
1971	124	79
1972	134	86
1973	156	100
1974	178	114