Different products from the coconut tree are an important source of income for the developing countries.
Collection of pollen from a dwarf coconut tree at the Zamboanga Research Center, Mindanao, the Philippines.

SPECIAL REPORT

Agricultural raw materials under the UN Integrated Programme for Commodities

By Kabir-Ur-Rahman Khan

At the Fourth UNCTAD Conference in Nairobi in 1976 an Integrated Programme for Commodities (IPC) was adopted. It can be seen as a recognition of the need for an overall approach to commodity problems, in contrast with earlier fragmentary efforts, which had failed to yield any significant results.
Kabir-Ur-Rahman Khan gives a background to the adoption of the IPC, asses the results achieved so far, and the prospects and need for an improved negotiating machinery.

Kabir-Ur-Rahman Khan is a B A (Agra), LL B (Sind), LL M (London), Ph D (London), Barrister-at-Law (Gray's Inn, London), Senior Lecturer in Public International Law, Faculty of Law, University of Edinburgh, Old College, South Bridge, Edinburgh, Scotland, UK.

INTRODUCTION

General principles of international commodity law and the principles of international commodity policy are discussed elsewhere.[1] Here, it is sufficient to add a brief account of the framework of the *Integrated Programme for Commodities (IPC)* under which the negotiations on agricultural raw materials have taken, and are taking, place.[2] The substantive discussion is divided into (a) International Commodity Agreement which hitherto has emerged only for natural rubber, and (b) international arrangements on other commodities. The agricultural raw materials dealt with, under the Integrated Programme, are: natural rubber; cotton and cotton yarns, hard fibres and hard fibre products, and jute and jute products, and tropical timber.

The Integrated Programme for Commodities[3]

International policy on primary commodities as evolved through the United Nations system, has, among others, three elements:

- Firstly, it affirms the positive purposes that international commodity regulation should achieve;
- Secondly, it recognises certain international measures which are considered appropriate for achieving those purposes, without, however, determining specific measures for particular commodities;
- Thirdly, the Integrated Programme furnishes a framework for international negotiations on the chosen commodities and reiterates principles for such negotiations.

The negotiating machinery

Negotiation in the Integrated Programme has a broad connotation, with identifiable stages and elements. These are determination of facts, consideration of possible measures on primary commodities and out of these considerations to determine the feasibility of specific measures; and finally the undertaking to institute international commodity agreements or other arrangements through diplomatic negotiations. The early stages are entrusted to the Perparatory Meetings, and the last stage to diplomatic conferences.

The Secretary-General of UNCTAD is authorised to convene, in consultation with the international organisation concerned, preparatory meetings "for international negotiations on individual products".[4] A plenipotentiary conference can only be convened "after the successful completion of a preparatory meeting".[5]

Unresolved problems

The initiative for, and the framework of international negotiations is now internationalized and thereby formal coordination for international action has been advanced; but the *substantive coordination among differing interests, which is the key to tangible action, lags behind.* Negotiations are still conducted on commodity-by-commodity basis, and as yet there is *no objective machinery for determination of facts, in particular for determining causes of specific problems* of a commodity, say persistent low prices. It is thus still open to a recalcitrant party to dispute a suggested cause of the problem of a commodity and deny the need for international action.

Apart from the lack of substantive coordination, the Integrated Programme suffers from other defect. Its whole negotiating machinery is open to *two conflicting assumptions:*

- One assumption, largely shared and espoused by the Third World countries, is that the problems of individual commodities are already known and recognised, and the inclusion of a commodity in the Integrated Programme is an evidence of it. According to this view the task of the preparatory meeting is simply to discuss and agree on specific measures and instruments and draft proposals incorporating suggested international actions.

• The alternative assumption which is adumbrated by several Developed Market Economy countries is that the inclusion of a commodity in the IPC does not by itself entail a recognition of its specific problems let alone their causes, and that the ailments of specific commodities and their causes have to be established and the issues need to be identified before any action is contemplated.

Factors affecting the possibility of international regulation

While each commodity has its peculiarities and features, certain characteristics of commodities and markets have significant bearing on international regulation. These characteristics relate to grade, mode of entry in international market, geographic distribution, marketing structure, and competition from substitutes.

The uniformity of *grade* of a commodity is an ideal positive factor in international regulation. Conversely, the hetrogeneity of grades or the absence of internationally recognised grades in a commodity constitutes a heavy negative factor. The *mode of entry* in international trade is another important point. A "self-assertive" commodity, that is one which enters in international trade with its own identity, is earier to regulate than that which is diffused in other products.

Geographical distribution of a commodity and *doctrinal perdilictions of the producing countries* is also a significant factor. A commodity whose production is concentrated in a few countries presents lesser conflicts, hence is easier to regulate than a commodity which is produced by seventy or more countries with diverse economic persuations. The problems of multiplicity of parties are aggravated if the producing countries include Developed Market Economy countries. For they, having industrialized economy, have a perspective which is notably different from that of the developing countries who heavily depend for their sustinance and national revenues on the earnings from one or two primary commodities. On the other scale, if a commodity is produced by too few countries, say two or three, then an approach alternative to international commodity agreement may be preferable. A good example of this is jute.[6]

Existence of well-established *market* for a commodity is a positive factor in its international regulation. Furthermore, greater the size of the established market in a commodity, the better it is for international regulation. It cannot be overemphasised that apart from these economic factors, political will of exporting and importing countries is crucial to an international agreement.

INTERNATIONAL COMMODITY AGREEMENTS

Natural rubber

Natural rubber is the first commodity for which an international commodity agreement has emerged from the IPC negotiations. Several historical, economic and political factors have contributed to this notable success:

• The international regulation of natural rubber is not a new phenomenon; an example of such regulation in the pre-1945 era exists.[7] This precedent would negate any contention as to the impracticability of rubber regulation.

Economic factors

The favourable economic factors are these:

• Production of rubber is concentrated in a few countries in the Far East. Indonesia, Malaysia, Sri Lanka, and Thailand among themselves account for 85 per cent of the world production.

• Natural rubber, though it faces competition from synthetics, has its own market and in certain uses can still hold its own.

• The high prices of petroleum in recent years has made the substitutes less economical. Natural rubber occupies 34 per cent of total rubber demand, and this share is expected to rise.[8]

The producing countries very wisely did not propose the regulation of related subsitutes as a pre-reguisite for the international regulation of natural rubber. It is significant that while the Integrated Programme refers to "rubber",[9] this has been reduced to "natural rubber" for the purpose of discussions in the UNCTAD Preparatory Meetings.

Political factors

The favourable responses from the importing countries, which is undoubtedly the key to the successful outcome, may be attributed to the following facts.

• The problems of natural rubber were presented in the context of expanding market.

• Natural rubber is still largely produced in smallholdings, and this fact provides a classical justification for international regulation, which is more easily acceptable in the consuming countries.

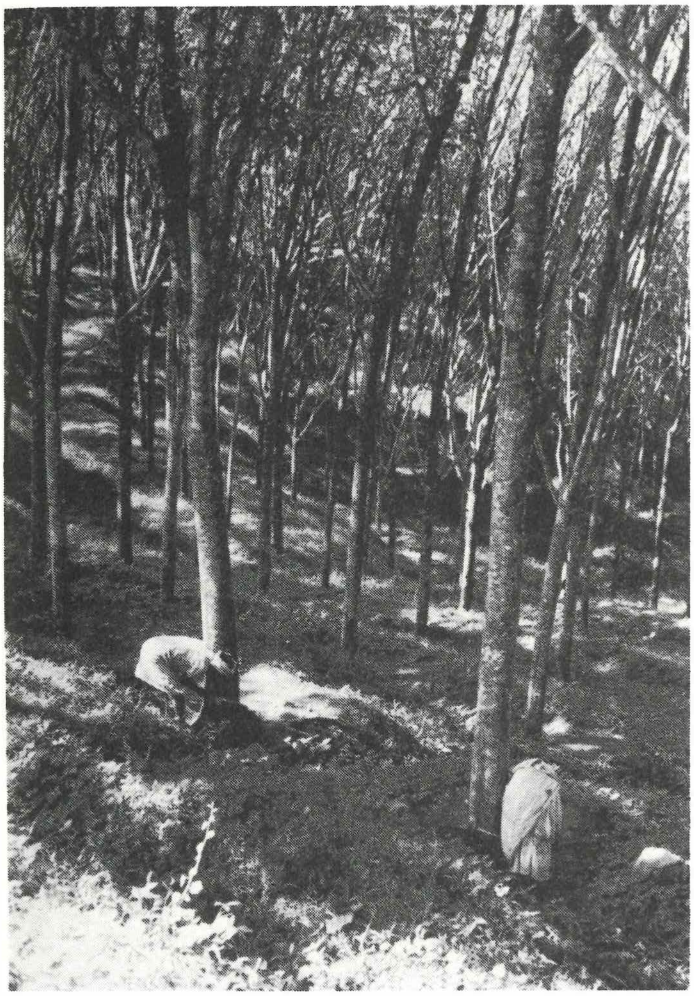
• As noted above, the proposal for international agreement did not entail any regulation of synthetics hence no obligation upon the importing countries producing synthetic rubber.

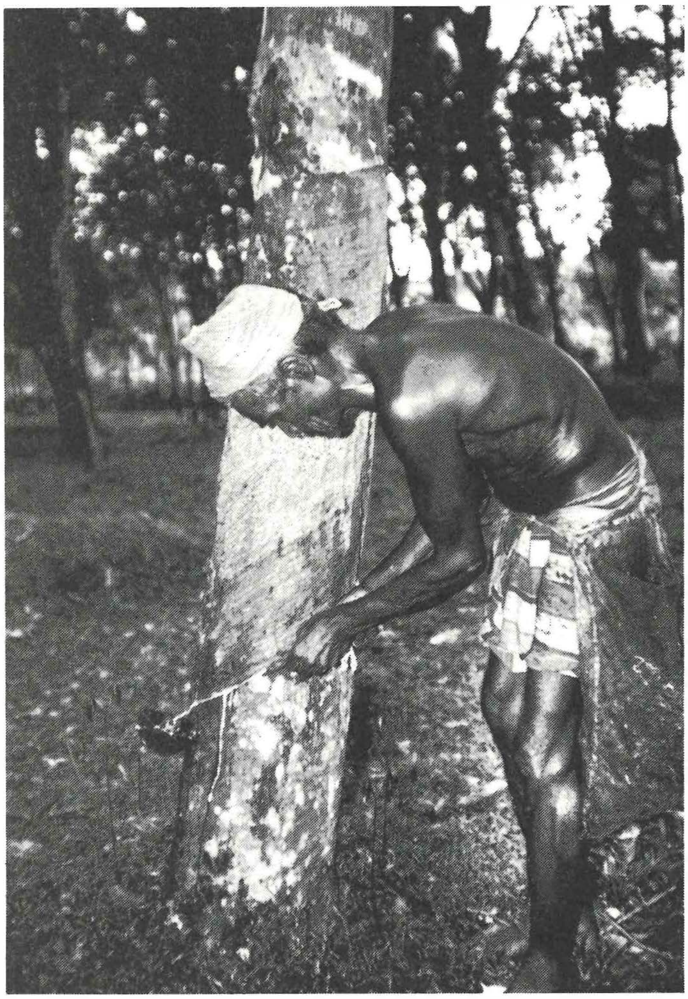
• The most important positive factor in the emergence of the rubber agreement was the political affinity that exists between most of the importing OECD countries and the producing countries. The Association of South East Asian Nations (ASEAN)[10] to which the rubber producing countries belong, has a favourable and flourishing relationship with the EEC.[11] In the East-West conflict, the producing countries effectively share the perspective of the West.

International Natural Rubber Agreement (INRA) 1979[12]

The International Natural Rubber Agreement 1979 contains only one regulatory instrument: international stock, but this has some interesting features.

Rubber plantation near Madampe, Sri Lanka. (Left).
Draining latex from rubber trees near Colombo, Sri Lanka.(Right).





The international stock in the INRA is of two types: normal stock and what may be termed as contingent stock. The normal stock is subscribed in stages. There is an element of gradualism in the normal stock. Not all the contributions are made at the outset. Instead contributions are made on the calls made by the Executive Director and on the verification, by the International Stock Manager, of the needs for further contributions.[13] The calls for further contributions may be challenged by any member. The United States which has over 25 per cent imports is competent to do so.

The contingent stock which comprises 150 Kt is raised only when prices are above or below the specified levels. The Executive Director, on the verification of a need for such stocks, makes calls for this stock.[14]

This innovation of dividing international stock into the normal and contingent stocks is a compromise between the divergent views of importing and exporting countries over the proposed size of the international stock.[15] Some importing countries, desirous of securing an effective instrument for stabilising prices at both ends of the price range, had wanted a much larger stock of up to 794 Kt. The producing countries on the other hand maintained that taking into account the past trends of price fluctuations, of –3 cents to +5 cents, a stock of 400 Kt would suffice, and a supplementary stock of up to 300 Kt could be secured through borrowings by the Rubber Council.[16] The figures contained in the INRA are close to the position taken by producing countries. The two-tier international stock *a priori* reduces the cost of international stock by obviating the necessity of maintaining an international stock at times when it is not required.

The international stocks are held both in the territories of exporting countries and importing countries.[17] This is a compromise solution. The consumers' interest is better protected, if the stocks are maintained within the proximity of international markets in importing countries; thereby the intervention of the International Stock Manager is made prompt and effective. This view is supported by reference to the principle of stabilization in international commodity regulation.

The exporting countries on the other hand maintained that the cost of maintaining stocks, warehousing, insurance and related matters, in London or New York was considerably higher than any places in the producing countries, and this would impose unnecessarily heavy burden on the operation of the international stock. They further argued that what mattered was the obligation to make prompt and effective releases from the international stock, and that in order to ensure security of supplies within the agreed price range, the location of the entire international stock in consuming countries was not necessary.[18] The INRA gives recognition to the producing countries' contention.

The fact that part of the international stocks may be located in some producing countries does not affect the nature of the stock. As long as they are in the custody of the International Stock Manager and are operated under his authority and in pursuance with the principles and rules enunciated under the INRA, these constitute International Stock. The International Stocks of the INRA are thus easily distinguishable, in legal terms, from the quasi-international stock which are held under the International Sugar Agreement.[19]

The international stock is composed of diverse grades of natural rubber. The International Stock Manager has a duty to ensure that the composition of the international stock reflects the trading patterns in natural rubber, while maintaining the effectiveness of the stock for achieving the objectives of the agreement. For this end, (a) the INR Council names the internationally recognised grades and standards which are to be included in the international stock, (b) specifies the minimum standards for such inclusion, (c) requires that within the designed grades and standards, all grades and standards representing at least 3 per cent of the previous calendar year's international trade are included in the international stock.[20]

A notable development in the international stock is the principle of joint responsibility governing its contribution. Exporting members and importing members of the INR Organization make equal contribution, as a group. Among each group, individual shares are assessed according to members' votes in the INR Council.[21] The Council's power is limited. It borrows on behalf of its members, not in its own name, and the liabilities of such borrowing rest with the members. This turns the INR Council into an agent of individual members. In the International Tin Agreement, the IT Council exercises this function in its own name and as a principal.[22] The International Cocoa Agreement goes a step further. The IC Council may authorise the International Stock Manager to borrow funds commercially from appropriate sources. Individual members are not responsible for the repayment of such loans, as they are repaid from the proceeds of the operations of the international stocks.[23]

Price mechanism

There are several interesting features in the price mechanism of the INRA. First, the agreement provides two reference currencies, Malaysian ringgit and Singapore dollar.[24] No other ICA has similar provisions. One explanation for this may be that the INRA recognises the Kula Lumper and Singapore markets[25] for the operation of the international stocks. A corollary of this may be the recognition of the currencies of these two countries as reference currencies in order to make the operation of the agreement more smooth. If the par values of the reference currencies are close or alligned to each other,[26] these provisions do not cause any problems. It does raise some problems if the values of the two reference currencies depart appreciably. In the event of significant changes in the reference currencies, the Council may take appropriate measures including, if necessary, to choose other reference currencies.[27]

The price range extends 150 Malaysian/Singapore cents (MS) per kilogram to 210 MS cents.[28] Unlike the International Tin Agreement,[29] but very much like the International Cocoa Agreement,[30] the range is divided into three unequal bands, the middle range in which the operation of the international stock remains dormant, in fact non-existent, is inordinately wide. This allows the market forces to operate unimpeded and to use the market forces as an uninstituted device in international regulation.

For the purpose of the operation of the international stock, international markets at London, New York, Kula Lumper and Singapore are recognised.[31] The price mechanism contains a refinement in that the agreement provides two lines of defence, which may be described as inner stabilisation band (ISB) and outer stabilisation band (OSB) at 168–178,5 MS cents and 150–168 MS cents respectively,[32] and at the other end at 241,5–552 and 252–270 MS cents respectively. The resources of normal stock are used for the defence of ISB, and that of contingent stock and any amount left from the normal stock for the OSB. The aim is to use the machinery in short and swift bursts. The quantities of release from the contingent stock are determined by the INR Council.[33]

Operation

The INRA 1979 came into force provisionally on 23 October 1980, and definitively, on 15 April 1982. During 1982, the rubber prices declined sharply, and the International Stock Manager had to intervene. This decline also necessitated, as provided in the agreement, an automatic reduction in the price range, by 1 per cent. The price objectives of the agreement, in the narrower sense, have been attained, but faced with the decline in demand the wider objectives of the agreement, increased export earnings or expansion of investment and productive capacity, awaits materialization.[34]

Cotton harvest in Nepal.

Cotton

Cotton has an important position in international trade, and among primary commodities, the volume of trade in cotton stands fifth, and if all the products of cotton are put together, it is second only to petroleum.[35]

Over eighty countries produce and export cotton and its products. United States and the USSR, between them, occupy over 42 per cent of world exports. The share of developing countries in the world trade is about 58 per cent, the major exporters of cotton being Egypt and Sudan.[36]

Major importers of cotton and products are the Developed Market Economy Countries: Western Europe including the EEC, and Japan. While raw cotton is generally allowed duty free, tariff and other barriers exist against yarns and other cotton products including textiles. The Multi-Fibre Arrangement which controls and legitimises textile imports is an obstacle to any progressive deversification of cotton by developing countries.[37] The agreement strictly speaking is a contravention of the GATT.[38]

Cotton steadily faces stiff competition from the man-made fibres which largely originate in developed industrialised nations. In 1977, the latter occupied about half of the world market. The high prices of petroleum which have prevailed during the past few years have abated the advancing challenges of petro-chemical products to cotton. This respite can only be shortlived.

The social case for international regulations of cotton is very strong. Over 170 million people in the developing countries derive their livelihood from the various facets of the cotton industry as a whole. At least for sixteen developing countries cotton provides ten per cent of their export earnings, and seven of these countries are among the least developed countries.[39]

A proposal for an international stock management has been continually discussed in the Preparatory Meetings,[40] with

little or no progress so far. The United States has resisted the proposal.

Her contentions are these. Price fluctuations in cotton are less accentuated than claimed. Adverse effects of these fluctuations are denied. Instead it is claimed that these fluctuations have helped to balance the market. The export earnings of developing countries have increased in recent years. Hence, there is no case for an international stock arrangement. In any case, the feasibility of instituting such an arrangement for cotton is challenged, particularly because there is multiplicity of qualities and grades of cotton entering international trade, and it is difficult to predict trends in cotton market. Furthermore, an international stock in itself would be inadequate for the stabilization of market in cotton and an additional instrument of international export regulation which would be needed to make an international regulation effective, would place a heavy burden upon producers.[41]

Most of the other participants at the Preparatory Meeting, however, took a different view. They accepted the need and a case for an international commodity agreement on cotton with the provision of the instruments of international stock and quasi-international stocks. Thereupon, the US delegation entrenched their earlier position and declared that they might not attend future meeting of the Preparatory Meeting if the proposal for an ICA on cotton was insisted upon.[42]

At the Sixth Preparatory Meeting in 1981, the Nordic countries submitted a compromise proposal, inter alia, for the stabilization of cotton. This provides for an ICA on cotton with a machinery for organization measures when necessary for the stabilization of cotton price and market. At certain situations, when prices have fallen below specified point, a mandatory consultation would be held to consider the situation. Any recommendation made to the Council would serve as a guideline for the members to take individual or joint action.[43] The proposal received favourable response generally. The representative of the United States, however, declared that "the United States was not prepared to enter into negotiations on a proposal which fundamentally included stabilization activity".[44] Instead he advocated and showed willingness for negotiation on an international co-operation agreement on cotton, that is containing non-regulatory measures to facilitate research and development.[45]

At the subsequent informal consultations, nothing tangible has emerged, as the United States, the largest exporter of cotton, reiterated its earlier position. The Izmir Group, which comprises developing producing countries, have shown willingness to make the Nordic proposal as a basis of future negotiations.[46]

It is interesting to recall and compare the US attitude taken in the recent negotiations with her position and proposal in the Anglo-American negotiations in 1945. At the Washington Conference then, the United States had insisted for the instituting of an international commodity agreement on cotton with regulatory mechanism, preferably the international quota system. The United Kingdom rejected the proposal then for two reasons. As a consuming country, she was more concerned with securing cheaper supplies and an international regulation in its view did not achieve that end; and secondly, the British Government did not wish to be encumbered with the policing functions which as a consuming country the UK would inevitably be asked to undertake. The British delegation was instructed to:

> "maintain discussions as far as possible on the factual and statistical level, to resist any recommendations for restriction arrangements on the ground that these must require the assent of consuming as well as producing interests and to discourage the idea of holding an international conference until the factual position is cleared".[47]

Not surprisingly, out of those discussions nothing tangible emerged, and the International Cotton Advisory Committee, established in 1939, was affirmed.

Negotiations under the Integrated Programme have made som progress towards what the United States delegation calls "international co-operation agreement" on cotton. A co-ordinative body, the *Cotton Development International (CDI)* has been formulated. This would aim at improving competitiveness of cotton against man-made fibres, facilitate agricultural and industrial research and establish research and development institution in developing countries.[48] The next step would be to convene negotiating conference at which firm commitments could be made. An immediate working partnership with the International Institute for Cotton is envisaged. Meanwhile, the functions of the ICAC have been extended at its Manila Meeting in 1980, as to make this advisory committee eligible for the financial resources from the Common Fund on Commodities.[49]

Hard fibres

Hard fibres comprise at least four distinct commodities: *sisal, henequen, abaca and coir,* each commodity having its own special economic peculiarities, but sharing certain common features as well.

Sisal is produced mainly in Tanzania, Kenya, Brazil, and Mexico,[50] and henequen, which is very much like sisal, is mostly produced in Mexico. The main producers of abaca are the Philippines and Ecuador,[51] and that of coir, India and Sri Lanka.[52]

Most of these products find markets in developed importing countries, where they face stiff competition from synthetics. The changes in farming methods in Western Europe and North America have reduced the demand for sisal and henequen used for agricultural twine. Polylefin fibres are replacing abaca. Its use is now confined to speciality ropes, which represents about a quarter of total consumption.[53]

The steady dimunition of demand for abaca in the developed importing countries is to some extent palliated by the increase in its demand in the Philippines and an alternative use found in the pulp industry.[54]

The small number of producing countries and a fixed pattern of marketing have led to regionalised trade in hard fibres. For example, 90 per cent of abaca from Ecuador goes to the United States, under long-term contracts.[55] The EEC imports a large amount of coir from India. An Indo-EEC agreement aims to secure some stability for this commodity.[56] Freight, which constitutes 50 per cent of coir cif price is a drain on the export earnings of the producing countries. The question of freight is, however, outside the usual scope of international commodity regulation. UNCTAD Shipping Division, it has been suggested by India, should explore the possibility in consultation with appropriate Liners' Conferences, the feasibility of reducing freight rates.[57]

The negotiations under the Integrated Programme have regressed towards non-ICA measures. Unlike natural rubber, the demand for hard fibres cannot be isolated from that of synthetics, and the importing countries have no inclination to accept any international constraints on the production and export of their synthetics, not even on matters of research and development. Their argument for opposing such intervention is that in free market economy countries government had little or no influence on the investment decisions of private enterprises.[58] As to secured access to their markets, they have pointed out that such measures can only be negotiated within the Multilateral Trade Negotiations framework of the GATT.[59]

From the discussions of the Preparatory Meetings two proposals have emerged. Informal arrangements which have been used under the FAO Inter-Governmental Groups on Hard Fibres, it has been suggested, should be strengthened. Informal arrangement, formulated and agreed in the Inter-Governmental Group on which both consuming and producing countries are represented, provide a price range, and quota system as a supplementary mechanism for the stabilization of prices of sisal and abaca.[60] The Preparatory Meeting has recommended to reactivate and improve these informal arrangements.[61]

A co-ordinative body, Coir International, has also been suggested.[62] The Preparatory Meeting has also recognised the need for the lessening of the burden of freights from hard fibres, and for this purpose recommended consideration in appropriate fora.[63] Unless legal significance is given to this recommendation, it is but a balming inanity: UNDP would examine the request for financing a study on "Market development and ocean freight rate study for coir products" submitted by the Asian and Pacific Coconut Community.[64]

An improvement in the informal arrangement suggested at the Preparatory Meeting relates to the criteria for determining the indicative price and a form for monitoring prices is also suggested. The indicator price could be changed in the light of review and in the event of price fall, an automatic consultation among the producing and consuming countries would also be provided.[65] The Philippines would be encouraged to take, and technical assistance would be provided for, the stabilization measures which she proposed to take relating to abaca.[66] Thereby domestic measures taken by a producing country can usefully be transformed into a quasi-international measures.

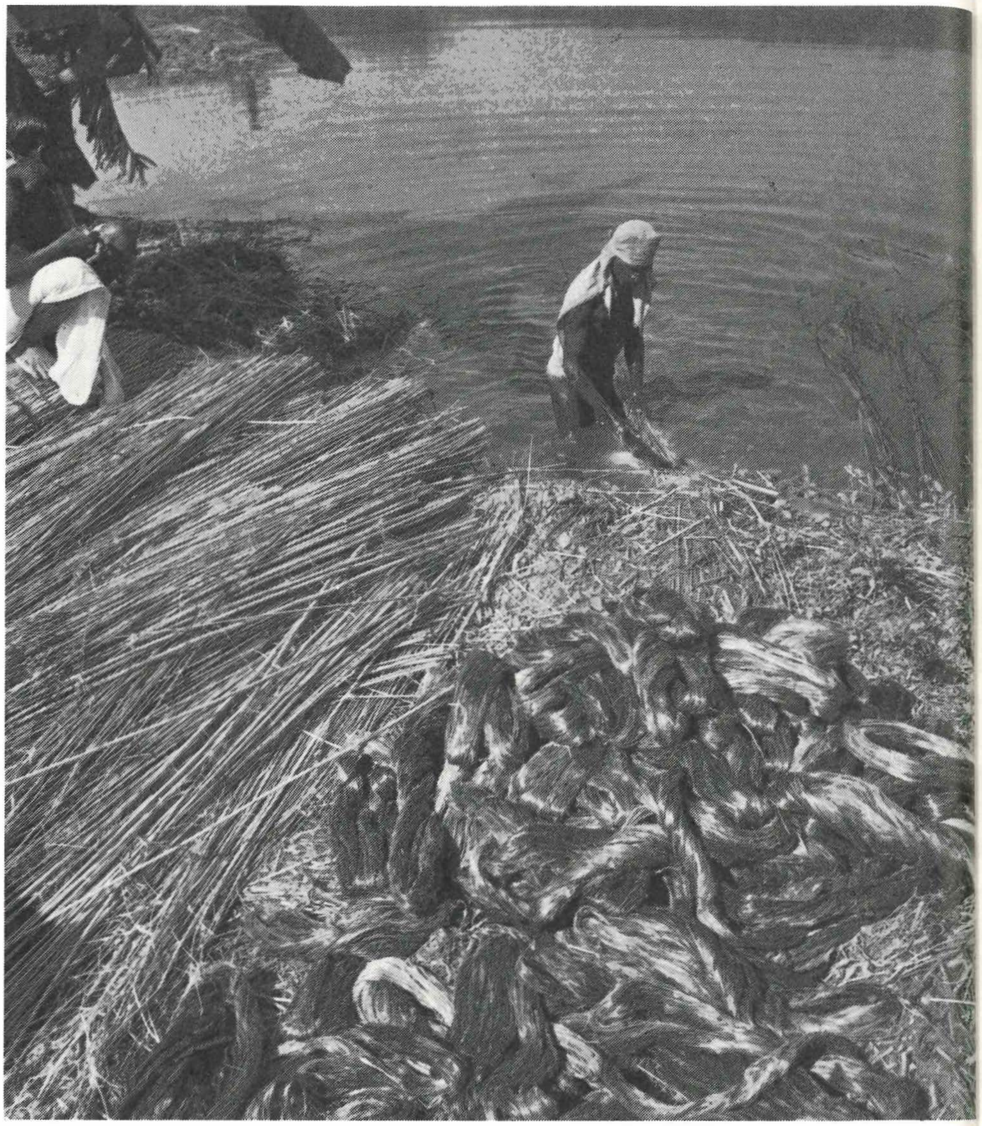
At the Fifth Preparatory Meeting, producing countries proposed an International Hard Fibres Organization, as a central body with power to determine the contents and scope of the commodity development measures including research and development, productivity improvements, marketing and measures designed to assist progressive diversification for the three fibres. It was envisaged that the projects would be financed by the Common Fund in accordance with its constitution and in line with UNCTAD Resolution 93 (IV). The proposal recognised a need for stabilization measures, but without suggesting any practical measures.[67]

Nothing tangible from these discussions has emerged. The earlier acrimony between developing countries and importing countries, in particular the United States, erupted again. The US delegation contended that the proposal made by developing countries contained much duplication, and that the main problem of hard fibres could be resolved by adopting certain technical improvement programmes.[68]

That there was no agreement on stabilization machinery was only to be expected. Apart from the proposal for stabilization measures, two other areas of bitter desagreement were capital investment project and financing of projects. Consuming countries were not willing to allow capital investment projects in the technical investment programme, nor would they allow an International Hard Fibres Organization the power to raise funds from appropriate sources for the development projects. The producing countries saw this as a question of principle that the negotiations of the Preparatory Meeting should be with a view to attaining the recognised objectives of UNCTAD Resolution 93 (IV). For consuming countries, of for influential countries and entities among them, the maintenance of the freedom of market forces and the autonomy of the existing international organization, or the avoidance of alleged duplication of functions between those organizations and the proposed International Hard Fibres Organization became almost sacrosant.[69]

Sweden, speaking on behalf of the Nordic countries, emphasised the importance of hard fibres for a number of poor developing countries; and urged that in considering international measures on

Indian cleaning jute at the river.



hard fibres, this fact should be borne in mind. He reminded that UNCTAD Resolution 93 (IV) stated that governments were convinced of the need for an over-all approach and an Integrated Programme for Commodities while respecting the characteristics of individual commodities. These principles, he reiterated, should guide the negotiations. The Nordic countries, he declared, regretted the failure of the negotiations.[70]

As a result of the failure the Secretary-General of UNCTAD was requested to hold informal consultations.[71] These consultations have not produced any tangible results as yet.[72]

Jute and jute products

Only three countries, India, Bangladesh and Thailand, are the main producers and exporters of jute and jute products.[73] But there is a divergence of interests and orientation even among them, particularly among the first two. A substantial sector of the Bangladesh's export comprises raw jute; in the case of India the predominance is of jute products.[74] Interest in, and economic dependence upon, an international stock for jute of the two countries are divergent.

A suggestion for an international stock for jute was discarded in the early discussion of the Preratory Meeting, as unnecessary and unfeasible. Some developed countries maintain the real problems of jute are fundamentally rooted in the declining markets and stagnation in production, rather than instability in its prices.[75]

Like hard fibres, jute has been stabilised through informal arrangements under the FAO Inter-Governmental Group.[76] This device has been a pivot for the discussion in the Preparatory Meeting. It has been suggested that the informal arrangements should be strengthened and improved as to provide more stability and objectivity hence predictability.[77] At the Fourth Preparatory Meeting, the EEC put forward a proposal which would provide

Table 1

FAO inter-governmental groups Informal arrangements

1. Hard fibres

Abaca

1977 Mar	547–740	Trigger mechanism for consultation
1979 Apr		Suspended
Dec		Restored

Sisal

1976 Feb	425	Quota: 504 kt
Jun	450–525	
1977 Mar	450–550	Quota suspended
1979 Apr	525–625	
1980 Feb	650–750	
1981 Mar	650–750	
1982 Jun	650–750	

Jute

1972	264.9	
1973	278.9	
1974	No arrangement	
1975	290.7	
1976	314.0	Inoperative for 15 months
1977	335.0	
1978		
1979		
1980		
1981		

Note:
Prices are in USD per metric ton. For jute reference currency was changed in 1976 from sterling to USD.

Source:
TD/B/IPC/JUTE/11, 1978-07-11, and TD/B/C.1/240, 1983-01-20.

for the yearly fixing of an indicative price, and to make the system of informal arrangement more flexible, twice yearly review of demand and supply, automatic consultation whenever prices reached two extremities.[78] The United Kingdom looked to national measures as a solution to the jute problem. A loan to Bangladesh was suggested to enable her to implement stabilization measures. The loan, according to the British proposal, would come from a fund jointly financed by producing and consuming countries, and the operation of domestic stabilization scheme would be in accordance with internationally recognised rules, and with an accountability to international body.[79]

Jute, like hard fibres, faces severe competition from synthetics, and entails heavy transport and insurance costs. And as with hard fibres, the inadequacy of the Integrated Programme machinery for international negotiations has been demonstrated. To be precise, it has been demonstrated that certain consuming countries are not prepared to extend the IPC negotiations to these substantive matters.[80]

An agreement to establish an *International Jute Organization (IJO)* has been reached in October 1982.[81] The objectives of the IJO are impressive, and comprise:

- to improve structural conditions in jute market;
- to enhance the competitiveness of jute and jute products;
- to maintain and enlarge existing markets as well as to develop new markets for jute and jute products;
- to develop production of jute and jute products with a view to improving inter alia, their quality for the benefit of importing and exporting members;
- to develop production, exports and imports of jute and jute products as required quantity so as to meet the requirements of world demand and supply.[82]

It will be noted the objectives do not include objective to secure fair and equitable price of, or stabilization of market in, jute and jute products. The agreement does not provide any instrument for supply management. To remove any false hope, the agreement clearly states that the objectives will be achieved by reference to research and development, cooperation. The stabilization of measures, at best, is left for future consultation and agreement.[83]

Projects on research and development will be approved by the International Jute Council; priority being given to projects which are prepared by international agencies such as FAO or interestingly enough by the Preparatory Meeting on Jute and Jute Products.[84] Criteria for approval of a project include wider benefit to members or to jute economy and the expansion of international trade in Jute and jute products, favourable economic returns, and improvement of jute competitiveness.[85]

The International Jute Council is constituted in accordance with the Havana Principle:[86] the parity of votes among exporting and importing countries and the principle of distributive majority in the decision-making process.[87]

Members contribute, towards administrative expenditure, in proportion to their voting rights in the Organization.[88] Finance for the project is expected to be received from the Common Fund for Commodities (second account), World Bank, the Asian Development Bank, the Inter-American Development Bank, the African Development Bank, the UNDP, and voluntary contributions.[89]

The agreement, in order to come into effect, requires signature and acceptance of at least three governments of producing countries having at least 85 per cent of net exports and 20 governments of consuming countries having at least 65 per cent of net imports.[90]

Tropical timber

Tropical timber is hetrogeneous in the extreme. Thousands of species of trees occupy tropical forests, several hundreds of these enter into international timber trade, though the bulk of international trade is confined to some fifty to sixty species. Tropical timber enters international trade in numerous forms and grades. Because of these hetrogeneous features, it is more appropriate to consider tropical timber as a sector rather than a single commodity.[91]

Prospect of storing timber is low, and its vulnerability fo fungal and insect attack makes it even more hazardous. The storing in the form of retaining trees is feasible, but this too has its limitations. Because of long distances between producing countries and the markets in consuming countries, this method does not respond effectively and promptly to market changes. Curtailed production, in any case, means unemployment in the timber industry in producing countries.

Transport costs of tropical timber as with hard fibres and jute, are high. Processing of timber in the present state of economies of producing countries is uneconomic and in any case cannot profitably be taken up without, active co-ordination with the consumers' interests; as the demand for timber and its specifications are too diverse.[92]

Most of the vital information originates and remains with consumers. Producers have thus little influence in shaping consumers' demand.[93] This dearth of information places producing countries in severely disadvantageous position. There is no global market in timber. The three regions of producing countries in South-East Asia, West Africa, and Latin America, generally speaking, are paired with Western Europe and North America. This pattern of regional trade makes it difficult to adopt global measures and perhaps points a way, for international measures, towards a regional approach.

The problems of market access increase with the degree of processing. Logs are usually free from duty. The EEC charges 13 per cent tariffs on imports from South-East Asia and has a fixed quota of rather limited size in terms of

export potentials of developing exporting countries. The United States excludes from its GSP the most important species of South East Asia, the *depterocaroacae* family, and there is total exclusion of timber from Japan's GSP.[94]

Tropical timber provides a substantial source of export earnings to several developing countries, which include Malaysia, Indonesia, the Philippines, Ivory Coast, Korea, Singapore, Brazil, Gabon, Burma and Cameroon. Their respective earnings in 1981 are shown in Table 2.[95]

Producing countries hav formed several co-ordinative bodies. *African Timber Organization (ATO),* established in May 1975, aims to protect the forest economy of the member countries.[96] Its objectives are to ensure a continuing exchange of information on its policies regarding exploitation of forests, marketing and industrialization; to harmonise member countries' trade policies; to establish a uniform nomenclature and classification of timber products; to ensure standardization, preparation and quality control of the products and introduce taxes thereon; to study freight rates and transport methods and to promote co-operation among member countries; to study and start an African timber market on rational basis; and in general, to promote co-operation among all member states in all areas relating to forestry.[97]

Organization of African Producers and *Exporters of Woods (OAPEW),* among its objectives, has "to ensure the study and negotiation of the freight rates for the African wood products".[98]

Council of South-East Asia Lumber Producers' Association (SEALPA) is an association of private producers. Its objective includes one to co-ordinate action of its members and to ensure consultations.[99]

The negotiations in the Preparatory Meeting on Tropical Timber have turned on similar route.[100] The idea of having some stabilization measures was not seriously entertained and soon jettisoned. The need for reliable information was recognised.[101] Producing countries suggested a Tropical Reforestation Fund.[102] Other areas recognised for international measures were: improvement of market, improvement in international standardization of nomenclature of timber species, and improved market intelligence.[103]

Some positive steps were already taken. An International Tropical Timber Bureau was formulated by an inter-governmental consultative meeting of producing countries. The objectives of the Bureau include, to foster co-operation among member countries in order to develop markets for tropical timber, to increase the number of species traded internationally, to increase the exports of processed timber products, to harmonise commercial practices and to provide market intelligence and information services relating to trade in tropical timber.[104] One of its objectives is to facilitate co-ordinative efforts in "seeking ways of reducing transport costs".[105]

At the Sixth Preparatory Meeting considerable progress was recorded. Four areas for international measures were recognized. These were research and development and market intelligence. Experts identified projects suitable for international support. Final selection of the projects would be made by a producers/consumers body. Other areas are reforestation and forest management; processing of timber products. The latter would require co-operation between producing and consuming countries and may be in the form of transfer of technology, training, product nomenclature and specification, and encouragement of investment and joint ventures. In the field of reforestation, the Meeting recognised the problem of rapid depletion of the resources of industrial tropical timber and its implications for international trade for both producing and consuming countries.[106]

With these discussions the preparatory stage of negotiations on tropical timber were satisfactorily concluded, and in February/March 1983, a United Nations Conference on Tropical Timber was convened at which a draft article on an International Agreement on Tropical Timber were discussed.[107]

Newly felled trees beeing cut into logs at Vanimo, New Guinea.

The draft agreement modeled on the International Jute Organization[108] envisages an International Tropical Timber Organization, which is based on the principle of bi-partite participation and representation of, and parity of votes among, producing and consuming countries. Finance for development projects would come from the Common Fund for Commodities, regional Development Banks, global organizations, such as the World Bank Group, UNDP and UNIDO, and from voluntary contributions. It is significant that the *International Tropical Timber Council (ITTC)* would have no responsibility for the loans incurred in the financing of the projects. It would simply sponsor appropriate projects for loans. As with the International Jute Organization, the agreement would provide for criteria for the approval of projects for financing. A project should be related to the production and utilization of industrial tropical timber, it should benefit tropical timber economy, it should lead to the maintenance and expansion of the tropical timber trade; it should be cost effective; it should make maximum use of existing research institutions, and to the greatest extent possible avoid duplication of efforts.[109]

Table 2

Export earnings from timber for ten major developing countries in 1981

1.	Malaysia	1662.88
2.	Indonesia	930.95
3.	Philippines	412.57
4.	Ivory Coast	299.60
5.	Korea	394.93
6.	Singapore	390.59
7.	Brazil	233.59
8.	Gabon	178.40
9.	Burma	111.04
10.	Cameroon	100.27

(in millions of USD)

Source:
TD/B/IPC/STAT/1 (Vol I), Table 12 b.

EVALUATION

An evaluation of the developments relating to the agricultural raw materials is made at three levels. First, the specific agreements containing international measures are assessed. Second the provisions of these agreements are noted in the context of recognised needs of individual commodities. Thirdly, those factors are noted which tend to limit the progress and scope of international measures under the IPC. And lastly, on the basis of the patterns of IPC negotiations in particular agricultural raw materials, a suggestion for improving the regulation and organization of primary commodities is offered.

Specific agreements

Only natural rubber has emerged with a traditional international commodity agreement. This is largely due to certain economic and political propitious factors which do not obtain in relation to other agricultural raw materials. Even the INRA has been reduced to a single instrument of international stock. Its effectiveness depends on the moderate market oscillations as assumed by the parties, that is –3 per cent to +5 per cent; and secondly on the capability of the producing countries to organize and implement production management, severally or through their producers' association, so as to provide an additional regulatory instrument. Two additional factors, pre-requisites to the success of the INRA, are that the demand for natural rubber in importing countries continues to expand and that the competition from synthetics does not appreciably go beyond the manageable level.

Cotton and hard fibres share the failure to have any agreement through the IPC. This is largely due to ever-increasing competition from the developed countries, the decline in textile industries of certain OECD countries, and due to the fact that these primary commodities and the synthetics and substitutes are inextricably inter-twined so that the regulation of the one cannot be effectively carried out without regulating the other.

Jute and tropical timber, it appears, will have international co-operation agreements. These agreements are international commodity agreements in form and composition, but co-operative in substance.

One positive point may be noted. The Common Fund, it is evident, will be inadequate to meet the needs of various commodities, either for international stocks or for research and development projects which are to be financed from the Second Account. The agreement on jute and tropical timber aim to circumvent this difficulty by enlisting finances from regional and global organs of the UN system. A compromise has been devised which maintains the autonomy of these organs and at the same time gives co-ordination and coherence to the projects and development of these two commodities. Formally, the decision to finance specific projects rests with the organs of the UN system, but the projects which are sponsored by the International Jute Organization or International Tropical Timber Council stands a good chance of securing the required loans or finances.

Agreements and the needs

Agreements reached so far and the international measures envisaged or contained in them clearly fall short of the actual needs of specific commodities. These needs can be met by dynamic development of respective economy of these commodities including improved marketing, processing and reduction in transport costs which reduce the export earnings of producing countries. They, in common with other commodities, require assured and easy access to the markets of importing countries. A traditional ICA does not provide for these measures. This has proved to be one of its drawbacks. There is however no reason that its scope cannot be expanded. The wider objectives of UNCTAD Resolution 93 (IV), including increased export earnings, remain on the distant horizon.

Prospect and need for an improved machinery

The nogotiations under the Integrated Programme have amply demonstrated that supply management which at one time was thought to be panecea is in many cases impracticable or because of the obduracy of certain influential consuming countries is inaccessable. The so-called international co-operation agreements, as International Jute Organization, meet only a part of the need of pre-regulation stage.

It has been further demonstrated that a multi-strand approach and wide measures are necessary to improve the economy of these commodities. The much insulated multilateral trade negotiations (MTN) of the GATT and the truncated operations of other related activities such as maritime transport, alternative systems of trading, absence of recognised market, and autonomous operation of regional and global economic and financial organs, all these are obstacles to the achievement of the IPC objectives.

The cohesion which is shown in the concept of development of primary commodities needs to be matched by at least much-improved co-ordination of measures and instruments. Some legal links need to be stablished among the decisions reached and recommendations made in the Integrated Programme and related commercial sectors, say Liners' Conference. Secondly, a new framework of negotiations is perhaps needed to secure access to the markets of importing countries.

At an earlier session of the UNCTAD a proposal was made for a General Agreement on International Commodity Arrangements (GACA). Such an organization can make the following contributions.

- It would provide co-ordination among existing international commodity organizations.
- It would provide a machinery for negotiation so that producers of different commodities may exchange mutually advantageous concessions on principle of reciprocity.
- It would provide security and permanence of structure. At present if the negotiations on a renewal of an agreement on a commodity fails, its existing sturcture is placed in jeopardy. International commodity agreements are now recognised as positive instruments of expansion of international trade and development. As a corollary to this, they can legitimately be given a permanent structure, though their regulatory machinery will appropriately be subject to regular negotiations.
- It would provide a forum for co-operation of, and among other, organizations, governmental and non-governmental if desired.

In short the cohesion of concept in development necessitates a permanent and co-ordinated machinery for international measures.

Notes:

1 See Khan, Kabir-Ur-Rahman, "International Commodity Agreements on Food Commodities: Recent Trends", this Journal.

2 For a detailed discussion of the various legal and institutional aspects of the Integrated Programme for Commodities and the negotiations, held under the IPC, see the Author's *The Law and Organization of International Commodity Agreements* (The Hague: Martinus Nijhoff 1982), esp Chaps 6 and 7.

3 For the text, see UNCTAD Res 93(IV), 1976-05-30.

4 *Ibid.*

5 Res 93(IV), Section IV, para 5.

6 For a detailed discussion, see Khan, *supra,* n 2, Chap 7, Sect 7.1.3.2.4.

7 *The Rubber Regulation Scheme* 1922–1928; International Rubber Agreement 1934, 1938, Agreement on Establishing an International Rubber Study Group 1944, Khan, *supra,* n 2, Chap 2 Sect 2.1.1.

8 For factual details of rubber industry, see TD/B/IPC/RUBBER/L 3 and 4, and TD/B/IPC/RUBBER/3.

9 UNCTAD Res 93(IV).

10 For a brief account of the ASEAN, see TD/B/609, Vol II, pp 136–140.

11 See EDC, *ASEAN and European Community,* Dec 27/79. The producing countries have also formed a producers' association, the Association of Natural Rubber Producing Countries, see Martner, G *Producers-Exporters Associations,* 75–80.

12 Text of the agreement, TD/RUBBER/15, 17 October 1979.

13 INRA 1979, Art 27.

14 *Ibid,* Art 29.

15 TD/IPC/RUBBER/3, 5 and 7.

16 See Khan, *supra,* n 2, p 307.

17 INRA, 1979, Art 35.

18 TD/B/RUBBER/3 and 5.

19 ISA 1977, Art 46.

20 INRA 1979, Art 34.

21 *Ibid,* Art 28. The votes are assessed on the basis of shares in world exports and imports.

22 ITA 1980, Art 24, TD/TIN-6/14.

23 ICCA 1980, Art 31, TD/COCOA-6/7.

24 INRA 1979, Art 30.

25 *Ibid,* Art 33.

26 On 12 September 1983, the par values of Malaysian ringgit and Singapore dollar was, in terms of SDR, 2.46 and 2.24 respectively. *IMF Survey,* 19 September 1983, p 288.

27 INRA 1979, Art 40.

28 *Ibid,* Art 30.

29 ITA 1980, Art 27.

[30] ICCA 1980, Art 27.

[31] INRA 1979, Art 33.

[32] *Ibid,* Arts 30 and 32.

[33] *Ibid.*

[34] TD/B/C.1/240, p 4.

[35] TD/B/IPC/COTTON/2, 1 June 1977.

[36] *Ibid.*

[37] ACP–EEC Convention.

[38] GATT, Arts I and II.

[39] TD/B/COTTON/2.

[40] For the Reports of Preparatory Meeting on Cotton, see TD/B/IPC/COTTON/3, 9, 12, 15.

[41] TD/B/COTTON/3, pp 4, 8–9.

[42] TD/B/COTTON/12, p 7. TD/B/IPC/COTTON/15.

[43] TD/B/COTTON/21, Annex.

[44] *Ibid,* p 6.

[45] TD/B/IPC/COTTON/15.

[46] TD/B/C.1/240, p 8.

[47] Foreign Office, File UE.1883/67/53 (1945).

[48] TD/B/COTTON/8. UNDP, *Proposal for the Establishment of Cotton Development International* (New York: UNDP, Rockefeller Foundation and World Bank, July 1977), UNDP, *A Brief Description of Cotton Development International* (New York: UNDP) May 1979, Revised August 1979, prepared by D W Gottlieb and Associates.

[49] TD/B/C.1/240, p 10.

[50] Other producers are Angola, Ethiopia, Madagascar, Mosambique, South Africa, Dominican Republic, Haiti and Venezuela. FAO, CCP.79/5 Annex 1.

[51] TD/B/IPC/HARD FIBRES/4, Add 1.

[52] *Ibid,* Add 2.

[53] TD/B/IPC/HARD FIBRES/3.

[54] FAO, CCP.79/12, p 9.

[55] *Ibid,* para 34.

[56] The agreement allows preferential treatment under the Generalized Scheme of Preferences (GSP) of the EEC; and establishes a Joint Co-operation Committee to facilitate promotion of coir products and exchange of information on market trends. FAO, CCP.79/5.

[57] *Ibid,* paras 28–33.

[58] TD/B/IPC/HARD FIBRES/1, paras 23, 24, 26 and 30.

[59] *Ibid,* paras 28, 29 and 35.

[60] See Table 1.

[61] FAO, CCP.79/5, pp 4–6. TD/B/IPC/HARD FIBRES/9.

[62] *Ibid,* para 17. See also DP/380, Sect III, Meeting NIEO Objectives.

[63] TD/B/IPC/HARD FIBRES/6.

[64] TD/B/HARD FIBRES/9.

[65] *Ibid.*

[66] *Ibid* and TD/B/IPC/HARD FIBRES/11, 12 and 13.

[67] TD/B/HARD FIBRES/24.

[68] *Ibid.*

[69] *Ibid.*

[70] *Ibid.*

[71] *Ibid.*

[72] TD/B/C.1/241, 5 January 1983, p 9.

[73] In 1981, the exports of jute and jute products from India, Bangladesh and Thailand were 509,000, 910,000 and 132,400 tons respectively. Of the total world exports of 1,966,500, their share was 1,551,500 tons. TD/B/IPC/STAT/1 (Vol II) Table 5 b.

[74] FAO, CCP.JU 76/8, see also TD/B/IPC/JUTE/1.

[75] TD/B/IPC/JUTE/16, para 9. TD/B/IPC/JUTE/5, para 9.

[76] See Table 1 above.

[77] TD/B/IPC/JUTE/5, pp 10–12.

[78] TD/B/IPC/JUTE/7, para 11. See also TD/B/IPC/JUTE/11 and 12.

[79] TD/B/IPC/JUTE/18 *passim.*

[80] TD/B/IPC/JUTE/14 and other reports of PM on Jute.

[81] *International Agreement on Jute and Jute Products 1982,* TD/JUTE/11.

[82] *Ibid,* Art 1.

[83] *Ibid.*

[84] *Ibid,* Art 23.

[85] *Ibid,* Art 27.

[86] For a detailed discussion of these principles, see Khan, *supra,* n 2, Chap 1 and 2, *passim.*

[87] IJA 1982, Annexes A and B and Arts 10 and 12.

[88] *Ibid,* Art 19.

[89] *Ibid,* Art 22.

[90] *Ibid,* Art 40.

[91] TD/B/IPC/TIMBER/2, paras 8 and 9.

[92] *Ibid,* para 27.

[93] *Ibid,* paras 34 and 35.

[94] *Ibid,* para 95.

[95] TD/B/IPC/STAT/1 (Vol II) (1982) Table 12 a.

[96] The members of the Organization are Cameroon, the Central African Empire, the Congo, the Ivory Coast, Gabon, Ghana, Equatorial Guinea, Liberia, Madagascar, Nigeria, Tanzania and Zaire. See Martner, Gonzalo, *Producers-Exporters Associations of Developing Countries: An instrument for the establishment of a new international economic order* (Geneva, 1979), p 85.

[97] Martner, *supra,* p 85.

[98] Khan, *supra,* n 2, p 319. The OAPEW was set up in 1976 and has about 20 members. TD/B/IPC/TIMBER/2, pp 23–24.

[99] Martner, *supra,* n 96, pp 85–86.

[100] TD/B/IPC/TIMBER/3, 5, 11, 23, 26 and 39.

[101] TD/B/IPC/TIMBER/3.

[102] TD/B/IPC/TIMBER/23, Annex 1.

[103] *Ibid, passim.*

[104] The meeting was convened and facilitated by UNCTAD/GATT International Trade Centre. TD/B/IPC/TIMBER/13, see ITC, TT/CONF 2 (Geneva 1978).

[105] *Agreement on International Timber Bureau,* Art 2, ITC, TT/CONF 2.

[106] TD/B/IPC/TIMBER/39, *passim.*

[107] TD/TIMBER/1.

[108] See discussion on Jute above and TD/JUTE/11.

[109] TD/B/IPC/TIMBER/38 and Add 1.■