INTERNATIONAL COMMODITY PROBLEMS

I have been thinking over the possible courses of action for dealing with the strong demands from the primary producers for international action to deal with their international trading problems. In order to meet the undoubtedly real concerns of the primary producers, it seems to me necessary that there should be clear evidence of a willingness to deal with these problems internationally on a practical basis. On the other hand, it would not seem to be in the interest of anybody, and least of all of the primary producers, if ill-considered and ill-founded arrangements were embarked upon merely on account of the pressures arising out of a particular set of circumstances at one point of time.

I have tried to analyse in simple terms the principal elements of the problem. It seems to me that primary commodities fall into two broad categories. The first includes commodities where price fluctuations arise mainly from factors on the supply side; that is, they arise out of fluctuations in production due to natural causes, e.g. climatic conditions, plant diseases, pests, etc. For these commodities, characteristically, demand is not subject to large fluctuations. Into this category fall most agricultural and food products, beverages, etc. The second broad category includes the industrial raw materials, and the fluctuations in the fortunes of these products is to a great extent tied to changes in the business cycle. In general terms, therefore, stability for producers of these products is part of the problem of economic stabilization generally. In other words, if a high level of economic activity, and therefore of external demand, is maintained in the principal industrial areas, the position of primary producers of this group of commodities will, over the long-run be favourable. On the other hand, within this group there are particular commodities which are especially sensitive to relatively minor changes in demand, and it would seem to follow logically that these commodities are particularly suitable for buffer stock schemes since, ex-hypothesi, a relatively small buffer stock would contribute substantially towards counteracting excessive short-term price fluctuations.

In all cases there would seem to be a good case for increased information, both about past experience and future supply and demand prospects.

Taking the foregoing as a basis I would have in mind the following international action which, without committing governments to any particular course to take for any particular commodity or group of commodities, would nevertheless give an assurance to primary producers that their problems were being seriously and practically considered on an overall basis.

1. There should be established for the whole range of the more important commodities entering international trade, international commodity committees including representatives of producers and consumers.
2. The role of these committees would be to collect and disseminate information relating to the past history of trade, including prices, in the products in question, the forecasting of future supply and demand prospects over a period of time, and the exchange of views as to the most appropriate policies for ensuring an adequate supply of the commodity at relatively stable prices.

3. It would also be the duty of a Commodity Committee to make recommendations to governments regarding any international agreement or arrangement which might appear to it to be appropriate, having regard to the information collected and examined in the course of the Committee's work. It seems to me that there would probably be scope for various kinds of action, ranging from the full-blown commodity control agreement through buffer stock arrangements, action to prevent uneconomic expansion of production to meet temporary situations, excessive protectionist policies, etc.

4. It would of course be unnecessary to establish an International Commodity Committee for a product which was already the subject of an international commodity agreement, or an international study group, although there might be some advantage in converting the present study groups into international commodity committees.

5. It would appear desirable to ensure a measure of co-ordination of the work of the international commodity committees, and this might best be achieved by setting them up under the aegis of a commodity commission. This commodity commission might take the form of a combination of the present Commission on International Commodity Trade, and the Interim Committee for International Commodity Arrangements.