# PROCEEDINGS OF THE NUTRITION SOCIETY

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## THIRD BOYD ORR MEMORIAL LECTURE

## The quest for an international commodity policy

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I consider it a great privilege indeed to be invited to deliver the Boyd Orr Memorial Lecture this year. Lord Boyd Orr is to this day remembered with respect, admiration and affection throughout the entire family of the United Nations. We know him best as the first Director General of the Food and Agriculture Organization (FAO) of the United Nations, although his long career was studded with brilliant achievements in a variety of contexts. On reading about him again a short while ago, I was reminded of his absorbing preoccupation with the problem of food—food for man—first in the context of his own region and then in the broader setting of the world as a whole.

All of us in the international organizations do, I dare say, experience our share of impatience, even of frustration, in the endeavour to translate valid, and even universally accepted, goals and objectives into specific actions. In the mid-1940s, Lord Boyd Orr sensed the urgency and the massive dimensions of the long-term food problem and launched an imaginative proposal for international action to deal with it. What governments actually did at that time fell far short of what he wanted. Nevertheless, I think it would be right to say that there was, almost 25 years later, a climax to the process that he had set in motion. The World Food Conference in Rome in 1974 took decisions which have established at least some foundations for what could evolve into a global policy for food. New institutions have been set up—the World Food Council and an International Fund for Agricultural Development—which could give effect to such a policy. These are developments which, I venture to think, would have brought some satisfaction to Lord Boyd Orr. They are, in a sense, a result, though long delayed, of his pioneering efforts.

The concerns of FAO, even during those early years, were not, however, confined to food. They extended to the problem of raw materials in general. But the idea of international commodity agreements to strengthen and stabilize the

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market for raw materials, which acquired some prominence in the early days, seems subsequently to have lost momentum. Over the three decades that have elapsed since the concept was outlined at the conference at Hot Springs, we have had little but a history of failure and frustration; we have had a host of tortuous and seemingly endless negotiations but only a handful of actual commodity agreements. Today, however, there seems once again to be a new spirit in the air. The commodity question is once more at the centre of international discussion and debate. The United Nations Conference on Trade and Development (UNCTAD), as the heir to some of FAO's earlier responsibilities in the realm of commodities, has in recent times spearheaded the thrust for a fresh attack on the commodity problem. It has launched new proposals which, taken together, have been described as the Integrated Programme for Commodities.

We claimed in UNCTAD that this programme possessed new elements and new dimensions that were lacking in the earlier approaches, elements which we hoped would remedy the deficiencies of these past approaches and provide a greater prospect of success. But whilst this claim remains true in relation to what governments had actually tried to do in the past, it is not wholly true in the intellectual or conceptual sense. Indeed, when looking over the proposals which Lord Boyd Orr himself had made as the head of FAO way back in 1946 to deal with the world food problem, I was startled by the emphasis he placed, even at that time, on what are now some of the central elements of the new approach to commodity problems—elements of the Integrated Programme, in fact. In the context of food, Lord Boyd Orr had proposed ingredients of a global policy which comprised buffer stock schemes to stabilize prices, international reserves to meet shortages, special measures to deal with poorer consumers, a financing agency to provide resources for the over-all programme, and a co-ordinating mechanism to deal with individual commodity bodies. These very elements lie at the heart of the Integrated Programme for Commodities now under discussion. I think that there is no better tribute to the perception and prescience of Lord Boyd Orr than this very fact.

What I have just said provides, I believe, a fitting preface to my address to you today. My subject is the fashioning of a new international policy for commodities. I want to bring before you the experiences of UNCTAD in the quest for such a policy. But in doing so it is well that we should remember the earlier influences which have contributed in one way or another to the evolution of such a policy.

Let me begin my comments on the fashioning of a new international commodity policy by drawing your attention to the reasons why such a policy is so urgent and so necessary in the present context. The problem of commodities has for long been seen as a problem of the malfunctioning of particular markets which calls for some kind of international action of a remedial nature, largely because the forces of the market themselves were not thought to be of a smoothly self-corrective character. But I think that what we need to appreciate today is that the problems with which we are concerned are not just those of particular products taken in isolation. They are rather problems that lie at the heart of the basic economic—I would even add social and political—difficulties of a very large number of countries which are heavily dependent on these products for their well-being. Whilst it is true that the developed countries still account for the greater part of the world trade of all commodities, including minerals and cereals, it is the developing countries which are acutely dependent on the production and trade of commodities for their livelihood. Even if oil is left out of the reckoning, over 60% of the developing countries' total trade and external earnings accrue from commodities. If oil is included the proportion rises to over 80%. For this very reason it should be abundantly clear that the very success of the development efforts of the great majority of these countries depends on the strength and prosperity of their commodity-producing sectors.

It is for this reason that I feel that the discussion of development strategies and development policies, particularly in their international context has hitherto been somewhat deficient in that relatively too little attention has been given to the cardinal importance of improving and strengthening these sectors as an essential prerequisite for the success of the over-all development effort. The aim of such an effort would not, of course, be to stratify the existing economic structures of developing countries with their heavy dependence on commodities by stabilizing, or even by increasing, the earnings of these sectors. The aim is rather to impart such strength and stability to the prevailing sectors as would help them serve as a springboard for the transformation of the economies of developing countries, a transformation which must generally tend in the direction of industrialization. This effort at transformation cannot but be frustrated by a weak and unstable resource base.

But if the commodity question is seen to be of such vital importance in the development context we have to ask what indeed could be done about it? The conventional answer to this has been the international commodity agreement. Since the commodity problem has been diagnosed as one involving a periodic imbalance between supply and demand the remedy has been seen to lie in the correction of the imbalance through international action that is aimed—at times of falling prices—at the direct, if temporary, curtailment of supply. Such a curtailment could, of course, be brought about by the producers acting unilaterally through agreements amongst themselves. The instruments contemplated were, after all, export quotas and production restraints which essentially involve action by producers. Nevertheless, the prospects for and the effectiveness of such unilateral action by producers were believed to be limited in situations where producers lacked organization and where the temptation to break away from the disciplines required for such action was too strong for individual exporting countries. For this reason the concept of consumer participation was also seen as an essential element of the approach. The consumers by being parties to commodity agreements would help, so to speak, to police these agreements by eliminating or reducing purchases from producers who were not members of the agreement or who violated them. The *quid pro quo* for consumer collaboration was, of course, agreement on the price question. Such collaboration was seen to be possible as long as commodity agreements were aimed essentially at stabilizing prices around some predetermined long-term market trend rather than at raising them above such a trend. Both producers and consumers were seen to have a stake in avoiding instability.

But despite the basis of common interest in commodity agreements that was believed to underlie this philosophy the task of securing actual commodity agreements proved to be elusive over the entire post-war period. In the case of the consumer countries, which were for the most part the major industrial Powers, we have to ask the question whether there really did exist a strong political will to achieve results. Although it was recognised that both consumers and producers had a common interest in the avoidance of excessive price fluctuations, the scales were not quite evenly balanced in respect of the degree of such interest. Commodity imports were a much smaller part of the total trade and national income of the consumer countries than commodity exports were in the corresponding aggregates of the developing producer countries. Fluctuations were an inconvenience to the consumer countries but their avoidance was not seen to warrant the payment of too high a cost in the way of remedial measures. The potential cost involved interference in markets with all the attendant fears allied to such a concept, the possible encouragement of producer pressures to raise prices rather than just to smooth out fluctuations, and indeed the proliferation of international organizations the ultimate limits of whose actions might not, too easily, be prescribed in advance.

The concept of commodity agreements also involved problems for the producers. There was a natural and understandable reluctance on their part to countenance restrictions which could affect employment and incomes in their territories. There were the difficulties intrinsic in reaching agreement amongst producer countries in respect of the distribution of quotas or the sharing of restrictions. There was also the fear of encouraging production in countries which might choose to remain outside the agreements. These difficulties are not insuperable. They have been overcome in the cases where there was a real will to reach agreement. But in the context of weak responses, if not antagonism, on the part of powerful consumer countries with so many trading and other links with the producer countries they did assume somewhat large proportions. I think that the whole concept of multilateral action to solve the problems of commodities does appear a somewhat formidable proposition to individual commodity-producing developing countries, particularly the smaller ones. The concepts underlying such action are perhaps more familiar to economists and planners than to the agencies concerned with the day-to-day problems of the products concerned. These factors do act as a constraint to the preparedness, expertise, and negotiating capability which these countries could bring to bear on any international solutions to their problems.

These are some of the elements which lay behind past failures to bring about international commodity agreements. I believe one could also add that, although the principle of such agreements was endorsed in international forums, the setting up of actual arrangements to stabilize and improve commodity markets was seen by the major consuming countries as constituting the exception rather than the norm—a process to which recourse should be had only in special cases. This is perhaps a factor that underlies the emphasis placed by consumers on the so-called case-by-case approach. The developing countries, on the other hand, have, particularly since the inception of UNCTAD, endeavoured to bring about a change in this attitude and to win recognition of a need for a more generalized attack on the commodity problem. At the third session of UNCTAD in Santiago in 1972, they did succeed in winning authority for the convening of what was called 'intensive consultations' on about fourteen products. But though these consultations did take place they were conducted on a fragmented piecemeal basis and did not lead to any conclusive results.

I believe, however, that the more recent period has seen a marked change in the international climate, a change that has perhaps influenced the political will to act. The crisis in the international economy that was beginning to unfold over the 1970s drew renewed attention to the disruptive consequences of volatile commodity markets. But one of the major catalytic factors was the action of the OPEC countries to raise the price of oil towards the end of 1973. Inevitably questions were asked about the relevance of such action for other commodities. The consumer countries themselves showed a greater sensitivity to basic problems in this field. The need to assure security of supplies and a smooth flow of investments in the future assumed a new importance. The environmental debate, with its warnings of future shortage of mineral resources, heightened these concerns. At the same time, there was a new awareness of the link between commodity cycles and the inflationary processes that were taking place within the industrialized countries themselves, a link which has been recently pointed to by Lord Kaldor in his address to the Royal Economic Society. Simultaneously, there was a greater self-assertiveness on the part of producers. The changed financial position of the oil-producing developing countries gave rise to the possibility of financial support by them for efforts to deal with the problems of other commodities. The developing countries were beginning to have, for probably the first time, some leverage.

This then was the setting when, in April 1974, the sixth special session of the General Assembly proclaimed the concept of a new international economic order through the adoption of a Declaration and Programme of Action. The concepts of structural change and developing country self-reliance were the dominant themes of the statement on the new international economic order. It was that statement which, for the first time, called for an integrated programme to deal with the commodity problem. It must be remembered that the special session was devoted to the subject of raw materials and development.

In August 1974, the UNCTAD secretariat responded to the call of the General Assembly by presenting its proposals for an integrated programme for commodities. The main need was to avoid the deficiences of past approaches and to provide new elements which held forth a geater prospect of success. The Integrated Programme sought to avoid the fragmented and piecemeal approaches

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of the past which had treated individual commodities in isolation and which had failed for that reason to treat the commodity problem as one that was of relevance to a major sector of the economies of the developing countries. It attempted, in other words, to depict the commodity problem as a whole, as one that required remedial action pertinent to a number of individual products of interest to the developing countries. The individual commodity negotiations of the past had not quite succeeded in reflecting these wider dimensions. More often than not, the more narrowly commercial aspects of commodity problems had overshadowed the broader political dimensions. The past approaches, by concentrating on a few products, had also had an unsatisfactory incidence. Many developing countries found that some of the products they imported were regulated by commodity agreements, but they were not protected by similar arrangements in respect of the products they exported. It was felt that a more comprehensive attack on the problem embracing a wide range of commodities would overcome some of these difficulties. It would help, above all, to mobilize the political will to act by presenting the commodity issue as an essential part of the development problem, as indeed an essential element in the relations between the developed and the developing countries.

The Integrated Programme for Commodities, as presented by UNCTAD, sought to bring within its compass the major commodities of interest to developing countries other than petroleum and cereals, products whose problems were being dealt with in other contexts. The Programme, contrary to some popular misconceptions, did seek to find solutions for commodities on an individual or case-by-case basis since it was apparent that solutions had to be tailored to particular needs. But at the same time the Programme endeavoured to bring this quest for solutions for individual producers within a wider framework of accepted objectives, principles and even mechanisms. In addition, the search for solutions was conceived as constituting part of a single exercise whose progress would be monitored by special intergovernmental machinery to be established within UNCTAD itself.

There were several elements basic to the Integrated Programme. But prominent amongst these was the proposal for the establishment of internationally-owned stocks of a wide range of commodities of interest to developing countries. The rationale behind this proposal was essentially a simple one; it was that the periodic collapse of commodity prices should henceforth be prevented by international action to intervene in markets. The corollary to this was international intervention in markets to prevent the excessive peaks in prices that also occur from time to time. Such action would involve the acquisition and disposal of stocks; an activity that would therefore play a prominent part in the régime of arrangements envisaged by the Programme.

The role of stocking as a mechanism to regulate commodity markets has for long been recognized in analytical writings on the commodity problems. But in practice this device was not utilized to any significant extent in the commodity arrangements that were established in the past. It was only the Tin Agreement in fact which provided for the setting up of a buffer stock as a regulatory mechanism. Although there was some provision for internationally-owned stocks in the Cocoa Agreement, these were not conceived of as being primarily an instrument of market regulation. The reason for the failure in the past to utilize the potential of stocks as a regulatory device was not due so much to the physical problem of the storage of particular products. With a few exceptions, most products can be stored, although at varying costs. An impressive volume of stocks of a wide range of products is, in fact, held by governments and by the private trade. One of the real difficulties underlying the failure to utilize the instrument of stocking is related to the problem of the financing of stocks. The principle of sharing of the burden of stocks between both producers and consumers has not hitherto been accepted by consumer countries—at least until very recently and subsequent to the presentation of the Integrated Programme. Hence, the principle of shared financing is not reflected in the Tin Agreement, which provides for compulsory contributions by producers but only voluntary contributions by consumers. In the case of cocoa, although there has been much argument about the incidence of the levies raised to finance stocks, the levies themselves are imposed entirely by the producer countries.

In presenting its proposals, the secretariat of UNCTAD felt that if stocks were in fact to play a greater role in future commodity arrangements, a solution would need to be found for the crucial problem of finance. It was in this context that the proposal was made for a common financing fund. There has been so much controversy and misunderstanding about the Common Fund that its rationale merits brief explanation. The essential logic behind the concept of the Common Fund was that the acquisition and disposal of stocks was potentially a self-financing operation. Stocks would be purchased when prices were low and sold when prices were high. The resulting margin could conceivably bear not only the costs of stocking but also any charges on the use of funds. This fact suggested that the basic problem of finance could be met in large part at least by borrowing rather than by governmental contributions alone. It was felt that in the current context investment resources for the financing of stocks could be acquired from a variety of sources including capital markets, financial institutions, and governments with external financial surpluses. It was felt in particular that the financing of stocks could constitute a means by which the member countries of OPEC could assist in the search for solutions to the commodity problem in general and in a manner which would satisfy their own needs for security and for adequate returns on their investments. It was felt, moreover, that a common financing fund could have several advantages over a multitude of individual commodity funds set up on a case-by-case basis. These included the likelihood that a single fund supported by all producer and consumer countries would have more success in borrowing than would individual funds, since the former could provide better security as well as have a greater political appeal. Besides this, it was also felt that a common fund would be financially more economical. Since all commodities are not likely to be in need of financing at the same time, a common fund could manage with resources whose total volume would be less than that which would be needed for individual funds taken together.

The UNCTAD secretariat has estimated that the total financing requirements of the commodities included in the integrated programme would amount to some six billion dollars. In the secretariat's proposals two-thirds of this amount, or four billion dollars, would be acquired through borrowings, and two billion dollars through governmental contributions distributed more or less equally between producers and consumers, including the developed market-economy countries and the socialist countries. If the resources for stocking are to be mobilized through individual commodity funds which are unable to have effective recourse to borrowing, the burden on producer and consumer governments would be infinitely greater. In this situation, the whole of the stocking needs, that is six billion dollars, would need to be found by governmental contributions which would impose formidable burdens on developing countries, even if total contributions are to be shared equally between producer and consumer countries.

In the proposals made it is not, of course, envisaged that the Common Fund should start with capital resources of six billion dollars. It has been suggested that half this amount, three billion dollars, would suffice to get the Fund started at the present time—a sum that could itself be distributed on a one-third: two-third ratio between contributions and borrowings. The advantages of the Common Fund are not, however, confined to its financial merits. It is felt that the very existence of a Common Fund would serve as a catalyst in helping to bring about individual commodity agreements. It is not, of course, proposed that individual commodity bodies have compulsory recourse to the Common Fund; they would be free to secure their financing needs in any manner they consider appropriate. But it is felt that when negotiations are launched and arrangements are being contemplated for individual products, the negotiators should at least have an option of having recourse to a Common Fund. It is felt that the existence of this option—the prospect of available financing in other words—would help facilitate negotiations that have conventionally proved to be so difficult by enabling them to concentrate at an early stage on such issues as minimun and maximum prices, the size of stocks and so on, on the assumption that financing is potentially available. It is for this reason that the concept of the Common Fund as proposed by UNCTAD lays great stress on the need not so much to set up the Common Fund in advance of all commodity agreements. It is not, of course, proposed that individual commodity with the negotiations on individual products. In this way, there would be a constructive inter-action between the negotiations on the Common Fund and those on individual products. If on the other hand, the negotiations on the Common Fund are to take place at the end of the process of individual commodity negotiations—as has sometimes been suggested—it is difficult to see how its facilities could be taken into the reckoning in the arrangements made for individual products. This sort of sequence could only risk generating a kind of vicious circle of failure and frustration: no Common Fund because no commodity agreements

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have been concluded, and no commodity agreements because no Common Fund has been established.

The proposal for stocking and for the establishment of a Common Fund are not, however, the only elements of the Integrated Programme. The Programme also provides for such other devices as medium to long-term commitments between buyers and sellers, compensatory financing to support earnings and new endeavours to increase the degree of processing of commodities in the producer developing countries themselves. In the case of compensatory financing, the integrated programme sees it as being essentially a supportive measure rather than a substitute for direct action to improve the workings of commodity markets themselves.

The fourth session of UNCTAD that was held in Nairobi in May 1976 accepted, by consensus, a resolution that endorsed the concept of the Integrated Programme for Commodities in terms of its objectives, principles and mechanisms. Some of the major developed countries made some reservations but these pertained to the Common Fund rather than to the Integrated Programme as a concept. On the procedural side, the Nairobi resolution set up an extensive framework of negotiations that has been unparalleled in the past. The resolution provides, on the one hand, for a series of preparatory meetings and negotiating conferences on as many as possible of a list of eighteen individual products of interest to developing countries. It also provides for parallel preparatory meetings and a negotiating conference on the Common Fund. These meetings were to form part of a single exercise and to be brought to a conclusion by the end of 1978.

The negotiating process launched at Nairobi is now under way. We have already had preparatory meetings on copper, jute, hard fibres and rubber. A negotiating conference on sugar is presently in session in Geneva. Meetings on other products are scheduled for the weeks and months to come. Subsequently preparatory meetings have also been held in UNCTAD on tropical timber, manganese, cotton, vegetable oils and oilseeds, and tungsten. At the same time, we have had already three preparatory meetings and a negotiating conference on the Common Fund itself. Since the negotiating process has still to be concluded, it is perhaps premature to arrive at definitive conclusions. But there are already some lessons which could be drawn. In the case of individual commodity meetings, the experience has hitherto been somewhat varied; discussions on some products seem to progress more purposefully than discussions on others. If there is now a universal will or commitment on the part of major consuming countries to stabilize or regulate the markets for a large number of commodities, this has still in my view to be given clear and unambiguous expression in the individual commodity negotiations. It is not yet clear in all cases that the discussion has now moved clearly from the question of whether or not arrangements are desirable to the more specific issue of what kinds of arrangement are in fact desirable or feasible. The producer countries too have not in all cases forged common positions and proposed preferred solutions to meet the problems of particular products. The discussions may of course take a more positive form in the months to come. But clearly there has to be progress in more concrete terms if a number of arrangements for individual products are in fact to materialize in the context of the Integrated Programme. I believe that an early decision on the Common Fund would help the negotiations.

In the case of the Common Fund, however, the negotiating conference that was held in March 1977 failed to reach any kind of conclusive result. It did not prove possible on that occasion to obtain a decision in principle regarding the establishment of a Common Fund. This was clearly not a satisfactory result; but it is important at the same time to avoid wrong conclusions. The negotiating process on the Common Fund is not over. The conference adjourned with a decision that it should reconvene later in 1977. A date for the reconvened conference has in fact been now set for the first part of November, 1977. There have been indications of progress since the Nairobi Conference on the part of some of the major developed countries. The United States at the March 1977 meeting expressed its willingness to negotiate a Common Fund with an open and positive attitude, although it was not willing to make a prior commitment of principle to the Fund. The Governments of the European Economic Community have already agreed that there should be a Common Fund as an instrument of the Integrated Programme. In May 1977, the summit meeting of the industrialized countries made reference to the Common Fund in the annex to their communiqué in the following words: 'We shall work ... to secure productive results from negotiations about the stabilization of commodity prices and the creation of a common fund for individual buffer stock agreements, and to consider problems of the stabilization of export earnings of developing countries'. It is also anticipated that the Paris conference on international economic co-operation will, at the end of May 1977, also endorse the need for action to deal with the commodity problem as part of any package of measures to deal with the North-South relations.

The Paris conference finally adopted the following agreed conclusions on the Common Fund: 'The Conference on International Economic Co-operation, in concluding its work for action in the field of Raw Materials intended *inter alia* to improve structures of international commodity markets, calls for speedy and effective progress in implementing the Integrated Programme for Commodities, including the negotiation of a Common Fund pursuant to UNCTAD Resolution 93 (IV).

'The participating countries in the CIEC agree that a Common Fund should be established as a new entity to serve as a key instrument in attaining the agreed objectives of the Integrated Programme for Commodities as embodied in UNCTAD Resolution 93 (IV). They also agreed that the specific purposes and objectives of a Common Fund, as well as its other constituent elements, will continue to be negotiated in UNCTAD. The participating countries in the CIEC pledge themselves to secure a successful conclusion at the forthcoming resumed session of the United Nations Negotiating Conference on a Common Fund scheduled for November 1977 at plenipotentiary level.

'The participating countries in CIEC reaffirm their commitment to adopt appropriate measures and procedures for attaining the agreed objectives of the

Integrated Programme for Commodities in the context of the on-going negotiations within UNCTAD on individual commodities.

'They declare their willingness to make all efforts for the success of the negotiations being undertaken in UNCTAD within the timetable agreed to in Resolution 93 (IV).'

Nonetheless, a great deal remains to be done if these positive developments are to be translated into concrete results when the negotiating conference on the Common Fund reconvenes later this year. The issue is not merely whether or not there should be a Common Fund, but also what kind of a Common Fund should be established. The UNCTAD proposals, and those put forward by the group of developing countries, envisage a Common Fund possessed of its own resources which could serve as a central source of finance to individual commodity bodies. It also sees the Fund established as a new institution in which the developing countries will have at least an equal voice. There is a spectrum of views amongst the developed countries. Some of them, and I refer particularly to the group of like-minded countries: the Nordic countries, the Netherlands and others, have indicated support for the concept of the Fund as proposed by the developing countries. Other developed countries have not formulated clear alternatives although references have been made to the possibility of alternative devices such as pooling arrangements and clearing mechanisms. But one of the essential points about the Fund is that it should serve as an instrument to help bring about commodity agreements. It would seem, therefore, that proposals which envisage the Common Fund as a type of residual mechanism to be brought into being after the conclusion of individual agreements miss the essential logic of the proposal. If, in fact, a large number of individual commodity agreements supported by their own financing mechanisms come to be successfully concluded, it is difficult to see that there is any overriding need for a type of fund that can hardly play anything more than a marginal or peripheral role.

All this indicates that there are still several issues that need to be resolved and major tasks to be accomplished if ultimate success is to be achieved. There are many misconceptions about the Integrated Programme and the Common Fund which still persist despite all these months of intense discussion and debate. It is often asked, for example, whether the programme is intended to stabilize prices or to raise them over a long-term trend. The first thing that needs to be said is that neither the Common Fund as an institution nor the Integrated Programme would determine prices for individual products. This has to be left to the process of negotiation between producers and consumers on a case-by-case basis, as has indeed been done in the past. I should like to say in passing, however, that I find it difficult to give definition to the concept of a long-term trend in an '*ex ante*' sense. Can we speak of a long-term trend which is quite independent of the way in which markets are organized and of the institutional settings which govern the purchase and sale of individual products? I cannot help feeling that the long-term trend of prices would be different depending on how buyers and sellers are organized and what their relative strengths are. An international commodity policy may not be able to deal with all these issues in their full complexity but they cannot be wholly oblivious of them by prescribing some mechanistic principle as a basis for agreements on prices. In practice, the parties to commodity negotiations take a pragmatic view on what minimum and maximum prices should be, a view based on the realities of actual experience and I believe that this is how the price question will in fact be handled in the time to come.

There are other misunderstandings that need clarification. The Integrated Programme is not, for example, indiscriminate in its benefits. It will not primarily benefit the developed countries producing commodities, as has sometimes been alleged, for the simple reason that the Programme has been selective in the choice of its products. Again, the Common Fund will not lead to the indefinite accumulation of surpluses as is sometimes feared since it is not a price support scheme of the type introduced in the Common Agricultural Policy of the European Economic Community. The resources of the Fund would in any case be limited and stocking would be but a first line of defence of commodity prices. In the relevant cases, stocking would need to be supported by such other measures as export restraints. To remove another misunderstanding, the Common Fund will not be an institution that will deal directly in commodity markets; it would lend resources to individual commodity bodies set up through agreement between producers and consumers. Some anxieties have been expressed about too wide a range of functions for the Common Fund. It has been contemplated that the Common Fund might finance activities other than stocking within the confines of commodity agreements, but these would be separately accounted through a 'second window' which would receive voluntary contributions by donors and would not for that reason affect the self-financing character of the stocking operation.

I venture to say that the Integrated Programme for commodities is perhaps the major issue under negotiation today by the international community which calls for structural changes. It is for this reason very much a concept that forms part of the new international economic order, but it is at the same time one which conceives of a co-operative endeavour between developed and developing countries, an endeavour which could bring benefits to all. But success in the negotiations ahead calls for a major mobilization of the negotiating capacity of member governments. What is aimed at is not a resolution or a declaration or even a programme of action. It is the restructuring of a series of individual commodity markets and the establishment of a new institution through agreements of a legally binding character. All this does not call only for a response from the developed countries. The developing countries have themselves to mobilize for this task. If they are to succeed, they have to forge a common position, reconcile whatever differences might arise amongst themselves, and find ways of satisfying the genuine concerns of individual countries. This is an enormous task that remains to be accomplished in the months ahead. The reconvened meeting on the Common Fund cannot be successful unless the ground is prepared well in advance. This is the task to which the governments must turn their attention in the weeks and months to come.

The Integrated Programme will not solve all problems in the field of commodities. There are other aspects of the commodity problem to which the developing countries must also give attention. The question of the prevailing modes of marketing and distribution and their share in them is one of these. So too is the question of co-operation and collaboration amongst producers to strengthen their bargaining power and their role in markets. But the Integrated Programme does seek to provide a sounder basis for the functioning of commodity markets and for co-operation between producers and consumers. If the current negotiations are brought to a fruitful conclusion the international community would have taken a major step forward in the field of global economic policy. It would have succeeded for the first time in underpinning the markets for a range of commodities of vital interest to the developing countries. In this way it would have helped in overcoming one of the basic problems that have afflicted these countries for so long. I do not have to underline the political importance of success—or the political cost of failure. The developing countries are not involving themselves in the commodity issue as supplicants. They have expressed their willingness and capacity to contribute to the achievement of their goals through the commitment and mobilization of their own resources. The pledging of monies towards the Common Fund was one of the dramatic features of the Nairobi Conference. The Group of Non-Aligned countries are committed to the establishment of a unilateral fund for dealing with commodity problems should the attempt to reach an international consensus fail. This is clearly not their preferred option and some may cast doubts as to their prospects for success. But whatever the results, such alternatives—if pursued for want of better choices—cannot but affect the climate of international relations and the prospect for co-operative solutions to the problem of development. I am hopeful, however, of a constructive response from the international community on the commodity issue. After all, without it we would have but little to show in the way of positive achievements in the entire realm of development issues.

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