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Economic Intelligence Report

SOVIET PARTICIPATION
IN INTERNATIONAL COMMODITY
PRICE STABILIZATION AGREEMENTS



April 1964

CENTRAL INTELLIGENCE AGENCY
Office of Research and Reports

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SOVIET PARTICIPATION
IN INTERNATIONAL COMMODITY PRICE STABILIZATION AGREEMENTS*

Summary and Conclusions

The USSR has participated in a number of international commodity agreements and other international arrangements that have attempted, with only limited success, to assist countries exporting primary products in stabilizing and even increasing their earnings from commodity exports. Soviet participation has been carefully delimited and, like that of other participating countries, has been guided essentially by national considerations.

International commodity agreements exist for tin, wheat, sugar, olive oil, and coffee. Stabilization methods include production and export controls, buffer stock arrangements, and the establishment of maximum and minimum price levels. The USSR is a signer (with major reservations) of the wheat, sugar, and coffee agreements and maintains membership in several international commodity study groups sponsored by the UN. Primary products composed roughly one-half of total exports of the USSR in 1962. Of the commodities under UN-sponsored agreements or study groups, the USSR exports to the Free World chromite; lead; zinc; lumber; sugar; and, until 1963, wheat.

The USSR as an exporter has never accepted production controls and is unlikely to do so in the future. Production controls imposed by a commodity agreement would be considered by the USSR as an intolerable infringement on its national sovereignty and as incompatible with the desired rapid growth of production embodied in its economic plans. Even when the USSR accepts the obligation of export controls under an agreement, it has insisted on quotas well above current or anticipated export levels in order to preserve as much freedom as possible in export policies. The Soviet system of economic planning with its inherent short-run inflexibility has not proved to be any guarantee against the occurrence of unplanned commodity shortages or even "surpluses" (above-plan supplies from production and imports). In the former case, export controls are irrelevant. In the latter, exports in excess of plan are expedient in order to earn foreign exchange. As an exporting member of a commodity agreement with quota provisions, the USSR could find its exports restricted in such circumstances. In addition, the USSR has generally limited its participation in commodity agreements by excluding from consideration its trade with other Communist countries. Thus the scope of the international commodity agreements to which the USSR is a signatory is essentially only the trade flowing within the Free World and between the USSR and the Free World.

* The estimates and conclusions in this report represent the best judgment of this Office as of 1 April 1964.

The USSR has a long record as an exporter to various countries of the Free World of such products as lumber, sugar, and wheat. The economic motivations of the USSR as a traditional exporter of such products to well-established world markets are similar to those of other traditional world exporting countries. In order to insure maximum long-run foreign exchange earnings, most of these countries, including the USSR, realize that they must cooperate either through informal arrangements or through participation in international commodity agreements. Continued Soviet association with international commodity organizations that are concerned with these traditional Soviet exports may thus be anticipated.

In international arrangements for several metals, such as zinc, lead, and tin, the USSR has been less cooperative than when traditional Soviet exports were involved. For example, the recent Soviet commitments to cooperate with the International Tin Council and the International Lead and Zinc Study Group regarding sales of these commodities came only after Soviet supplies available for export had been reduced. Fear of actions that might restrict Soviet sales in the US and elsewhere apparently prompted the Soviet statements that the USSR would limit its exports of chromite. These metals are relatively minor foreign exchange earners, and, except for chromite, their export to the Free World is made possible by importation from other Communist countries. In the case of chromite the USSR hopes to continue to expand its share of the Free World market.

As an importing nation the USSR probably will be prompted by international political pressures to participate more actively than in the past in negotiations for establishing new commodity agreements, particularly those designed to assist producers of tropical products. The USSR, as well as the industrial West, is being challenged increasingly to institute cooperative trade assistance programs on multinational bases. Indications of Soviet awareness of these demands of the less developed countries are furnished by the participation of the USSR as an observer in the ill-fated negotiations in 1963 for a cocoa agreement and its ratification of the Coffee Agreement effective 31 December 1963. The USSR has insisted in the coffee agreement, however, that the Soviet state must control the volume of imports and thus implicitly the domestic price of coffee, which in fact means that the USSR undertakes no obligation to the agreement whatever.

I. Soviet Participation in International Commodity Agreements Before World War II

Until the end of World War II, international commodity problems seldom were considered by multinational conferences. 1/* The few agreements then existing frequently were rendered ineffective by the nonparticipation of major exporting countries. Participation by importing countries was particularly limited because the point of these efforts was to reduce the bargaining position of the importer.

The USSR acceded to two international commodity agreements during the 1930's -- an agreement for wheat in 1933 and one for sugar in 1937. 2 The Wheat Agreement, envisioning export quotas and acreage reductions, became inoperative soon after its signing in 1933. The USSR refused to accept production controls, asserting that its current economic plan called for expansion, not reduction, of wheat acreage. The USSR contended also that its export quota, calculated on the basis of past exports, was too low and too rigidly fixed.

Obstructionism by the USSR was not, however, the prime cause for failure of the Wheat Agreement. It was not at all certain whether other participants could or would institute production controls. All members had attempted to obtain the largest possible export quotas, and several (especially Argentina) were not able to come to terms on this major point. Cooperation among the entire membership was never adequate to insure success of the agreement.

During the sugar negotiations in 1937 the USSR assumed an attitude similar to the one that it had taken in the previous wheat conferences. Although supporting in principle every proposal for the increase of sugar prices, the USSR reiterated its disagreement with any form of production control. Nevertheless, an export quota was accepted, and during the 5 years' existence of the agreement the USSR did not oversell its quota. Excluded from the USSR's quotas were exports to the three neighboring areas of Mongolia, Sinkiang, and Tuva, which were virtually economic colonies of the USSR. Quota violations and other breaches of agreement terms were the rule rather than the exception for most of the signatories because the enforcement machinery was too weak to compel compliance. Soviet adherence to quota provisions during the agreement period probably was the result of physical limitations in exportable surpluses rather than the sole intent to adhere to the agreement provisions.

The Sugar Agreement, whose continued membership included the USSR, was renewed in 1942. World War II disrupted sugar trade to such an extent that by 1944 the agreement had become inoperative, but the Sugar Council continued to exist under a series of protocols. A new agreement was negotiated after the war.

* For serially numbered source references, see Appendix E.

Other Soviet ventures into commodity agreements included negotiations in 1932 toward participation in a petroleum syndicate with representatives of US, British, and Dutch oil interests. Soviet refusal to accept the terms for price and export restrictions prevented concerted action with the syndicate. In an attempt to protect its economic interests as an exporter to Western European lumber markets, the USSR promoted a short-lived accord with eight other countries at the European Timber Exporters Convention. The USSR was spurred primarily by its alarm over Nazi Germany's success in gaining control of the timber industries in strategic parts of Europe, thereby eliminating a large part of the Soviet export market.

II. Postwar Soviet Participation in International Commodity Agreements and Study Groups

A. USSR as an Exporter

Most major world producers and exporters of coffee, wheat, sugar, and tin participate in international agreements in order to acquire a specified share of world markets at stable prices. The USSR, as a significant exporter of sugar and, until 1963, of wheat, has been motivated by the same considerations as other exporting member countries. Partly to demonstrate an interest in international cooperation but mainly to insure maximum long-term foreign exchange earnings from traditional exports to well-established world markets, the USSR acceded to membership in the Sugar and Wheat Agreements. In addition, the USSR participates to a much lesser degree in international arrangements for several other primary commodities.*

1. Wheat Agreement

The International Wheat Agreement of 1949, which included the major wheat exporting and importing countries, was negotiated for a 3-year term following a multitude of conferences during and immediately after World War II.** Renewals with modifications occurred in 1953, 1956, 1959, and 1962. The agreement is unique among international commodity arrangements in that industrially developed nations are among the largest exporters of this primary product.

* The USSR, like the US, is a major exporter of primary commodities. Petroleum and petroleum products, coal, ores and concentrates, metals, lumber, cotton, and grain accounted for almost one-half of the USSR's total exports in 1962 and for more than one-half of its exports to the Free World in that year.

** As shown in Table 1, Appendix D, p. 23, below, the USSR was a significant world exporter of wheat through 1962. Soviet wheat exports to the Free World in 1962 amounted to US \$95 million. By comparison, in 1962 total Australian wheat exports amounted to US \$245.9 million, and US wheat exports amounted to US \$941.2 million. (Dollar values are given in current US dollars throughout this report.)

The stated objectives of the Wheat Agreement are

to assure supplies of wheat ... to importing countries and markets for wheat ... to exporting countries at equitable and stable prices; to promote the expansion of the international trade in wheat ... and to secure the freest possible flow of this trade ...; to overcome ... burdensome surpluses and critical shortages ...; to encourage ... consumption of wheat ... particularly in developing countries 3/

The USSR attended the 1949 negotiations but withdrew before the convening of the final conferences with a statement that it regarded the 50 million bushels (1.4 million tons*) granted as its share of guaranteed sales to be unacceptably small. The 1949 agreement, whose provisions varied somewhat from the present arrangement, called for specific quantities to be assigned to members to buy and sell when minimum and maximum price levels were reached. Trade between these price limits was free. As world prices were declining during the 1949 negotiating period, the USSR felt that unless it could successfully win a quota large enough to satisfy its wheat export goals, the disadvantages would exceed the advantages of membership.

The USSR sent no delegates to the conferences in 1953, but Soviet representatives attended the conferences in 1956 and 1958 (for the first time conducted under direct UN supervision) as observers. At neither of the two conference series did the USSR indicate that it intended to upgrade its membership status. Just before the conference in 1962, however, Soviet representatives called on the Executive Secretary of the Wheat Council and inquired about the requirements for full membership. They showed particular interest in the responsibilities of participating members toward supplying statistical information.

The USSR, represented by competent technical personnel, participated as a full member of the conference in 1962. The Soviet delegates conducted themselves, for the most part, in a cooperative manner and indicated that they would be satisfied with the new agreement if alterations from the terms of the 1959 agreement were kept to a minimum. There were occasions at the sessions when the Soviet representatives eliminated their objections to several procedural matters by working out the difficulties through informal consultations with the Chairman during recess periods.

* Unless otherwise indicated, tonnages are given in metric tons throughout this report.

In signing the 1962 Wheat Agreement the USSR made a statement concerning member reporting obligations*:

The Government of the Union of Soviet Socialist Republics will supply the information provided under this Agreement for compiling an annual survey of the world wheat market within the limits of the statistical data published in the country, and information on commercial and special transactions with countries not participating in the Agreement provided the respective countries agree thereto. 4/

The USSR remains reluctant to provide statistical data if such data are not published within the country. This reservation, however, does not appear to be a significant obstacle to the working of the agreement, because the review function of the Council does not affect performance under the agreement terms. In this function the Council studies the effects of internal policies on international wheat trade and then proceeds to advise the participants of those effects.

2. Sugar Agreement

The USSR signed the protocols of 1944, 1945, and 1946 designed to keep the Sugar Council alive but did not take part in its meetings again until the 1953 Negotiating Conference. The International Sugar Agreement, which came into being in January 1954, was renegotiated in 1957 and again in 1959 for a term of 5 years.**

The stated objectives of the Sugar Agreement are

to assure supplies of sugar to importing countries and markets for sugar to exporting countries at equitable and stable prices; to increase the consumption of sugar ...; and to maintain the

* It is not certain what effects the poor wheat harvest in 1963 and the large imports of wheat in 1963-64 will have on the future of Soviet membership in the Wheat Agreement. The Wheat Council is empowered to suspend export commitments in cases of temporary hardships, and, therefore, the USSR would have no immediate reason to withdraw from membership.

** The USSR is a net importer of sugar in world trade (see Table 2, Appendix D, p. 24, below) but a net exporter of sugar in trade with the Free World (see Table 1, Appendix D, p. 23, below). The listing of countries of the Free World excludes Yugoslavia in all years and Cuba in 1961-62.

purchasing power in world markets of countries or areas whose economies are largely dependent upon the production or export of sugar by providing adequate returns to producers and making it possible to maintain fair standards of labour conditions and wages. 5/

Signatory nations subscribed to quotas for each exporting nation on sugar going to the "free market" and to restrictions on imports from nonparticipating exporting countries.* Exporting nations also agreed to maintain stocks within minimum and maximum levels but were allowed some discretion on this point. The Council assigned export quotas before each crop year on the basis of existing world market conditions and was empowered to adjust quotas during the year as these conditions changed.

The USSR signed the 1954 agreement with the following reservations:

It is understood that in view of the social-economic structure of the USSR and their planned system of national economy, Articles 10 and 13 concerning restriction of production and stocks, as well as Article 3 concerning subsidisation of the export of sugar, are not applicable to the USSR. 6/**

Subsequently, at the 1961 Conference held to revise price and quota provisions, tensions among the participants were aroused when Cuba demanded an extraordinarily large export quota. The Cuban delegate argued that the USSR represented a new market and therefore should be considered outside Cuba's previous export quota limitations. The US rejected this position, and, as a result of the ensuing discord, the Conference was recessed. Cuba's demands appeared initially to surprise the Soviet delegates but nevertheless drew their support. Yet, when it later became clear that the Conference was in danger of collapse, the Soviet delegates tried to persuade the Cubans to modify their stand.

The Sugar Agreement is now maintained in name only because the current state of US-Cuban relations prevents formal negotiations of

* The "free market," which accounts for about one-third of world sugar trade, does not include sugar trade under special regional trading arrangements such as the Commonwealth Sugar Agreement of 1951.

** For Articles 3, 10, and 13 of the Sugar Agreement, see Appendix A.

a new agreement. The Sugar Council, meeting in April 1963, agreed to an indefinite postponement of a negotiating conference. Through the signing of a protocol in July 1963 by the majority of the members, including the USSR, the Council is to be preserved but quota and price regulation is being held in abeyance.

3. Tin Council

International agreements among nations to control production and export of tin date from 1921. A succession of loosely knit marketing agreements was negotiated during the 1930's. Several drafts were prepared after World War II, but the first postwar International Tin Agreement did not come into force until 1956. It was renegotiated during 1960 and was ratified by a sufficient number of signatories to take effect in February 1962.

Price stabilization continues to be the Tin Council's primary objective, but the buffer stock at present is exhausted, with heavy demand pushing tin prices in December 1963 to the ceiling price of £1,000 per long ton (\$2,756 per metric ton) as set by the Agreement. The Council, however, has more frequently had to deal with recurrent and severe downward pressures on the price of tin because of market supplies well in excess of demand. The most recent of these periods of difficulty was in the late 1950's.

Soviet sales of tin in markets of the Free World, which rose sharply to 18,900 tons in 1958 compared with less than 1,000 tons in 1955, added to the distress of the already depressed market. 7/ The Buffer Stock Manager finally exhausted his purchase funds in the autumn of 1958 and was unable to continue the support of tin prices. Shortly thereafter a precipitous fall of \$248 per ton in the price of tin to a level of \$1,764 per ton took place during 1 day's trading on the London Metal Exchange.

The Tin Council reacted by accusing the USSR of dumping and threatened to make full disclosure of the details to the producing countries.* At the same time, the British Board of Trade curtailed imports of Soviet tin. 8/ At the height of its tin sales in 1958 the USSR offered to join the Tin Council as an associated member, but the Council replied that membership required the assumption of all obligations, including contributions to the buffer stock fund and adherence to internal consumption and production reporting procedures.

The USSR has never had formal affiliation with the Tin Council (not even observer status), but it did agree in 1959 to cooperate with the Council by limiting tin sales to world markets to 13,500 tons each year in 1959 and 1960. Soviet tin sales to the Free

* Major tin-mining countries of the Free World are Malaysia, Bolivia, Indonesia, Thailand, Nigeria, and Republic of the Congo.

World were 13,200 and 8,100 tons in 1959 and 1960, respectively. The sharp reduction in Soviet exports of tin after 1960 suggests that the greater part of Soviet exports of tin has been of Chinese Communist origin. The small quantities of tin that the USSR now sells abroad are routed primarily to the European Satellites, but Soviet internal needs continue to be strong and apparently are not met by domestic production and imports from Communist China, as evidenced by recent purchases by the USSR on the London Metal Exchange. The USSR purchased 1,730 tons of tin from the UK between January and July 1963.

4. International Lead and Zinc Study Group

The International Lead and Zinc Study Group is unique among UN-sponsored study groups in that, aside from serving as a forum for discussion and exchange of market information, its members have at times informally agreed to limit their exports and imports. Participants are hopeful that a formal International Agreement eventually will emerge.

The USSR, as the largest producer of zinc and lead in the Soviet Bloc, has been a member of the Study Group* since its inception in London in 1958. In spite of the evident Soviet reluctance to assume an active role, relations with the Study Group have been consistently cordial. The USSR remains reluctant, however, to supply data on internal production.

At the meeting in March 1962 the Soviet delegates stated that the USSR would study methods of strengthening the zinc market but felt no further action was necessary at that time. When a number of member countries suggested the reduction of lead and zinc output by 10 percent, in order to balance supply and demand in markets of the Free World, the USSR agreed to sell no more lead and zinc to the Free World in 1962 than it sold in 1961. Soviet exports of zinc to the Free World in 1962 amounted to 69,800 compared with 80,000 tons in 1961. Soviet exports of lead to the Free World were 23,500 tons in 1962 and approximately 49,000 tons in 1961.

It is probable that reductions in Soviet exports of lead and zinc in 1962 resulted as much from a decline in Soviet imports of these metals from other Communist countries and other factors as from the willingness of the USSR to cooperate with the members of the Lead and Zinc Study Group. Poland, a traditional supplier of zinc to the USSR, reduced its exports to that country from 45,800 tons in 1961 to 26,400 in 1962. The USSR's imports of lead from Communist China declined from 8,100 tons in 1961 to 400 tons in 1962. Similarly, imports of lead from North Korea were reduced from 24,200 tons in 1961 to 19,800 tons in 1962. Domestic consumption absorbs the major part of the USSR's production of both metals.

* Czechoslovakia and Poland also are members.

5. United Nations Ad Hoc Meeting on Tungsten

The US, Communist China, North Korea, and the USSR produce more than two-thirds of total world supplies of tungsten. Communist China alone produces one-third of the world's total. Production of tungsten is important also to Bolivia and South Korea, amounting annually to 10 percent and 4 percent of their foreign exchange earnings, respectively.

Because of depressed prices in the world market for tungsten, exploratory conferences were held under UN auspices in January and June 1963. They were attended by 29 exporting and importing countries, including the USSR. At the first meeting the participants realized that gross deficiencies in available statistical data on world production and consumption of tungsten would inhibit meaningful international action. Accordingly, the UN Secretariat was requested to initiate a fact-finding study. A Committee of Government Experts was established at the June 1963 conference to continue this study preparatory to the October 1963 meeting. 9/

At the June 1963 Conference the UN Secretariat delivered its report entitled "Review of Long-Term Problems in the Tungsten Market." The report stated, in part, that the reemergence of Communist China as a major tungsten exporter to the Free World contributed to the drop in the average 1957-61 tungsten price levels by more than 60 percent compared with the average for the period 1952-56. The report concluded that no prediction could be made as to when the current price depression would end, because the tungsten sales policy of Communist China was unknown.* The US delegate also stated that the responsibility for the current problems in the tungsten market lay with Communist China.

The Soviet delegate failed to rise to the defense of the Chinese Communists. Without mentioning Communist China by name, he said only that it would be nearly impossible to formulate an agreement unless all major producing and consuming countries were represented. The USSR has shown a favorable attitude toward the formation of such an agreement, probably because thereby it would enjoy the benefits of more stable world prices for the small quantity of tungsten that it exports to the Free World.**

* The report stated also that the cessation of demand for non-commercial purposes (such as stockpiling by national governments) was the second major contributing cause of the problem.

** Incomplete data in Table 1, Appendix D, p. 23, below, show that the USSR exported at least \$2.7 million of tungsten concentrates to the Free World in 1962. The quantity exported to the Free World was at least 2,600 tons in 1961 and 2,200 tons in 1962, as shown in Table 2, Appendix D, p. 24, below. Estimated Soviet production of tungsten ore was 13,400 and 14,000 tons in 1961 and 1962, respectively, as shown in Table 3, Appendix D, p. 30, below.

6. World Chromite Market

Increased Soviet chromite sales since 1961 to the major consuming countries of Western Europe have cut into the traditional export markets of Turkey and Southern Rhodesia, the two other principal world exporters. In 1961, Turkish chromite sales, representing 3 percent of that country's total exports, earned \$10 million in foreign exchange. Chromite represented 2 percent of Southern Rhodesia's total exports in that year. With increasing competition from the USSR, there is concern in the West that segments of the chromite industry in Turkey and Southern Rhodesia may be forced to close, thereby increasing Western dependence on Soviet chromite. 10/

The USSR has been the world's largest producer of chromite since 1958. Its exceptionally high-quality reserves are claimed to be the largest in the world. Soviet exports of metallurgical chrome ore to the Free World averaged 146,000 tons per year between 1955 and 1958. They climbed to an annual average of 300,000 tons in 1961 and 1962. Soviet sales to the Free World are expected to increase further between 1963 and 1965. Soviet exports to the US in 1962 amounted to 69,000 tons.

The Turkish Government in the latter part of 1962 made strong declarations to officials of the American Embassy and AID that Soviet chromite sales had reduced Turkish exports to Western markets by 100,000 tons during 1961 and 1962. Turkey openly accused the USSR of dumping and further stated that Soviet price cutting prevented Turkey from concluding any contracts with US business firms for chromite delivery in 1963. 11/ Turkey traditionally has been the source of approximately one-fourth of US chromite imports. Shipments from Southern Rhodesia and the Republic of South Africa have represented about one-half of US imports of chromite.

Soviet price concessions during 1962 have been particularly noticeable in the US, where high-grade metallurgical chromite from the USSR has been sold below the price of a similar grade from other sources. A shipment of Soviet chromite unloaded at New Orleans in 1962 sold for \$34 per ton, whereas delivery prices for Turkish ores of slightly inferior quality were quoted at \$35 to \$37 per ton. Lower Soviet prices also have been reported.

US officials have felt that in some instances Turkish chromite was overpriced. Nevertheless, they have tried to assist Turkey by offering proposals to NATO and the OECD for cooperative action in limiting imports of Soviet chromite. The US also has urged Turkey to negotiate an understanding with the USSR and Southern Rhodesia on price and market shares.

The USSR has implied that it would at least consider participation in some kind of marketing agreement and has stated that voluntary

restrictions of chromite shipments to Western Europe will be initiated. The USSR further stated that its chromite deliveries to the US will be spread over a longer period of time than previously planned. However, the USSR, which undoubtedly envisages a continued expansion of its share of the Free World market, is not likely to accede to any agreement that would greatly restrict this growth. An effective long-term international agreement in chromite, however, also would require the accession of consuming countries, who at present show reluctance to participate because of prevailing adequate supplies and low price levels.

7. European Forestry Commission

Striking increases in Soviet production of wood-based sheet materials, such as paperboard and fiberboard, have been stimulated by domestic needs and by efforts to increase sales of wood products to export markets. The USSR has been successful in expanding its sales of softwood lumber and pulpwood abroad while exports of other European countries have been declining. Total Soviet exports of softwood lumber in 1962 reached 5.9 million cubic meters. Soviet pulpwood exports were up nearly 35 percent above 1961 to approximately 3.1 million cubic meters. ^{12/} In 1962 the USSR's gross sales of all types of wood and wood products to the markets of the Free World, including the UK, Japan, West Germany, France, and Italy, earned nearly \$187 million in convertible foreign exchange.

Manifestations of the desire of the USSR to increase its exports of lumber through international cooperation can be seen in its attitude as a member of the UN European Forestry Commission, a branch of the UN Economic Commission for Europe working with the Food and Agriculture Organization. The work of the Commission is primarily devoted to fostering international cooperation in lumber production, pest control, reforestation, and mechanization, but the USSR has been pushing for an expansion in the scope of the Commission's activities. The USSR, for example, has attempted to persuade the Commission to promote the development of government-to-government contracts covering sales of forestry products.

B. USSR as an Importer

1. International Cotton Advisory Committee

The international cotton trade of the USSR is typified by imports of the medium and long staple varieties from several less developed countries and by exports of its own shorter staple cotton to Eastern and Western Europe.* Sales of cotton by the USSR to the Free

* The USSR is a net world exporter of cotton but is a net importer from the Free World. See Tables 1 and 2, Appendix D, pp. 23 and 24, respectively, below.

World earned about \$32 million in 1962, and imports from the Free World totaled \$112 million. Its two major Western outlets are Canada and West Germany. Soviet imports of cotton come mainly from Egypt.

The International Cotton Advisory Committee (ICAC), whose activities are similar to other UN Study Groups, came into existence shortly after World War II. There have been attempts to create an international agreement employing a buffer stock arrangement as the principal mechanism of control. However, divergent national cotton policies and conflicts of interest among members have impeded progress.

Delegates from the USSR attended the Committee sessions for a number of years as observers before acceding to full membership in 1961. Their refusal to provide statistical information to the Committee, their frequent use of the meetings to disseminate propaganda, and their almost obstructionist demands for a Chinese Communist representation were constant sources of friction between the Soviet delegates and the ICAC in the early period of Soviet membership.

A recent marked change in the Soviet attitude toward the Committee is reflected in the increased quality and quantity of statistical data presented by the USSR to the Committee. The ICAC Secretary has been permitted to make official visits to the USSR to collect data on cotton production and consumption. The USSR, moreover, restrained its use of propaganda at the plenary meeting in the spring of 1963, although it again protested the exclusion of the Chinese Communists. After a brief polemical exchange the meeting followed in a businesslike manner.

2. Coffee Agreement

The 1962 International Coffee Agreement, negotiated under UN auspices, is the first long-term coffee agreement to include both exporting and importing countries. Similar to other international commodity agreements, its objectives are

to achieve a reasonable balance in supply and demand with adequate supplies and equitable prices ... [to achieve] long-term equilibrium between production and consumption ... to eliminate surpluses and excessive price fluctuations ... [and] to promote employment and income in producing countries. 13/

The Agreement is scheduled to exist for 5 market years ending September 1967 and replaces a series of limited short-term arrangements. The pact will attempt to regulate most of the \$2 billion annual

world coffee trade, including that of both South American and African producers. The Agreement entered into full force on 27 December 1963 on ratification by the US on that date.*

Disagreement, particularly between the Inter-African Coffee Organization and South American coffee producers over representation on the Executive Committee, impeded a favorable beginning. The Agreement may be impaired further by future difficulties of hard bargaining over quotas. Recent increases in world coffee prices also have engendered opposition among several large coffee importing nations.

The USSR signed the Coffee Agreement in November 1962 with a declaration that Article 47 (3), which refers to the effects of national policies that may "to a greater or lesser extent hinder the increase in consumption of coffee," could not be interpreted as applicable to the foreign trade monopoly of their country.** Because the USSR thus excludes from consideration its control over the volume of imports of coffee and because the USSR is designated in the agreement as a "new market," and therefore enjoys the status of an ex-quota country, it has in essence accepted no obligations under the agreement.*** Soviet ratification of the agreement is recorded as of 31 December 1963.

* Signatories specified that the Agreement would enter into full force when at least 20 exporting countries, having at least 80 percent of total world exports in 1961, and at least 10 importing countries, having at least 80 percent of total world imports in 1961, ratify the Agreement. The deadline for ratification was 31 December 1963.

** For Article 47 (3) and the text of the Soviet declaration, see Appendixes B and C.

*** Soviet imports of coffee from the Free World in 1962 amounted to \$15.4 million.

APPENDIX A

THE INTERNATIONAL SUGAR AGREEMENT
CONCLUDED IN LONDON ON 1 OCTOBER 1953

(Selected Articles)

Article 3 (1)

The Participating Governments recognise that subsidies on sugar may so operate as to impair the maintenance of equitable and stable prices in the free market and so endanger the proper functioning of this Agreement.

Article 3 (2)

If any Participating Government grants or maintains any subsidy, including any form of income or price support, which operates directly or indirectly to increase exports of sugar from, or to reduce imports of sugar into its territory, it shall during each quota year notify the Council in writing of the extent and nature of the subsidisation, of the estimated effect of the subsidisation on the quantity of sugar exported from or imported into its territory and of the circumstances making the subsidisation necessary.

Article 3 (3)

In any case in which a Participating Government considers that serious prejudice to its interests under this Agreement is caused or threatened by such subsidisation, the Participating Government granting the subsidy shall, upon request, discuss with the other Participating Government or Governments concerned, or with the Council, the possibility of limiting the subsidisation. In any case in which the matter is brought before the Council, the Council may examine the case with the Governments concerned and make such recommendations as it deems appropriate.

Article 10

The Government of each participating exporting country agrees to adjust the production of sugar in its country during the term of this Agreement and in so far as practicable in each quota year of such term (by regulation of the manufacture of sugar or, when this is not possible, by regulation of acreage or plantings) so that the production does not exceed such amount of sugar as may be needed to provide for domestic consumption, exports permitted under this Agreement, and maximum stocks specified in Article 13.

Article 13 (1)

The Governments of participating exporting countries undertake so to regulate production in their countries that the stocks in their respective countries shall not exceed for each country on a fixed date each year immediately preceding the start of the new crop, such date to be agreed with the Council, an amount equal to 20 per cent. of its annual production.

Article 13 (3)

The Government of each participating country listed in Article 14 (1) agrees:

(i) that stocks equal to an amount of not less than 10 per cent. of its country's basic export tonnage shall be held in its country at a fixed date each year immediately preceding the start of the new crop, such date to be agreed with the Council, unless drought, flood or other adverse conditions prevent the holding of such stocks; and

(ii) that such stocks shall be earmarked to fill increased requirements of the free market and used for no other purpose without the consent of the Council, and shall be immediately available for export to that market when called for by the Council.

APPENDIX B

DECLARATION OF THE USSR
ON SIGNING THE INTERNATIONAL COFFEE AGREEMENT
23 NOVEMBER 1962

The Government of the Union of Soviet Socialist Republics, desirous of promoting the expansion and strengthening of economic cooperation among countries on the basis of equality and mutual benefit, upholds international measures aimed at stabilizing the markets for raw materials and foodstuffs. Such a policy meets the interests of all countries, especially the economically underdeveloped countries, for the economy of the latter is dependent to a substantial degree on conditions in the markets for raw materials and foodstuffs.

Whereas the International Coffee Agreement is the only international instrument aimed at stabilizing the coffee market and solving other coffee problems, the Government of the Union of Soviet Socialist Republics, desirous of facilitating the achievement of this aim, has signed the aforesaid agreement.

In view of the fact that Article 47 (3) of the agreement contains a reference to the effect that operations of government import monopolies and official purchasing agencies to a greater or lesser extent hinder the increase in consumption of coffee, the Government of the Union of Soviet Socialist Republics believes it necessary to state that the above-mentioned reference cannot be interpreted as applicable to the foreign trade monopoly of the USSR.

Soviet foreign trade is conducted on the basis of state monopoly, which has been fixed in the Constitution of the USSR and which is an organic consequence and an integral part of the socio-economic system of the USSR.

The foreign trade monopoly is aimed at promoting the economic development of the country. As the history of nearly forty-five years of Soviet foreign trade confirms, the USSR foreign trade monopoly ensures the comprehensive development of trade with all countries, irrespective of their social systems and levels of development. Suffice it to say that the USSR is trading with more than eighty countries and the volume of Soviet foreign trade in 1961 (in comparable prices) almost doubled as compared with 1955 and exceeded the 1938 level almost ten times. The foreign trade monopoly, far from hindering, actually promotes the development of foreign trade.

Distorting the nature of the Soviet foreign trade monopoly and its goals can lead nowhere and is an attempt to misinform the public and business circles with regard to the nature of the economic ties of the USSR.

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APPENDIX C

ARTICLE 47 (3) OF THE INTERNATIONAL COFFEE AGREEMENT
1962

The members recognize that there are presently in effect measures which may to a greater or lesser extent hinder the increase in consumption of coffee, in particular:

(a) import arrangements applicable to coffee, including preferential and other tariffs, quotas, operations of Government import monopolies and official purchasing agencies, and other administrative rules and commercial practices;

(b) export arrangements as regards direct or indirect subsidies and other administrative rules and commercial practices; and

(c) internal trade conditions and domestic legal and administrative provisions which may affect consumption.

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APPENDIX D

STATISTICAL TABLES

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Table 1

USSR: Value of Trade with the Free World in Selected Commodities a/
Selected Years, 1955-62

Commodity	1955		1958		1961		1962		Net Trade b/			
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports				
Total trade with the Free World	703,700	642,200	+61,500	1,161,200	1,107,500	+53,700	1,677,000	1,681,000	-4,000	2,124,000	1,887,000	+237,000
Of which:												
Crude petroleum	7,469	9,083	-1,614	58,055	18,841	+39,214	134,321	14,486	+119,835	135,145	9,297	+125,848
Chromite	3,591	...	+3,591	4,111	...	+4,111	7,563	...	+7,563	7,500	...	+7,500
Tungsten concentrates	...	...	...	90	...	+90	4,772	...	+4,772	2,701	...	+2,701
Zinc	3,943	...	+3,943	6,826	...	+6,826	17,101	...	+17,101	12,523	...	+12,523
Lead	...	174	-174	1,157	...	+1,157	6,933	228	+6,705	4,465	86	+4,379
Tin	...	...	...	32,924	...	+32,924	2,808	...	+2,808	176	...	+176
Sawn lumber	81,182	12,024	+69,158	89,731	8,591	+81,140	131,249	3,722	+127,527	129,778	2,248	+127,530
Cotton	47,480	18,876	+28,604	23,090	135,193	-112,103	34,683	122,025	-87,342	31,950	111,929	-79,979
Wheat	29,150	...	+29,150	61,509	17,101	+44,408	94,281	30,825	+63,456	95,042	...	+95,042
Coffee c/	...	2,090	-2,090	...	4,328	-4,328	...	20,367	-20,367	...	15,430	-15,430
Cocoa c/	...	14,081	-14,081	...	9,315	-9,315	...	9,494	-9,494	...	22,965	-22,965
Sugar d/	22,214	35,776	-13,562	22,762	15,508 e/	+7,254	34,764	...	+34,764	41,802	...	+41,802

a. Excluding Yugoslavia in all years and Cuba in 1961 and 1962. Unless otherwise indicated, values are the summation of the individual countries of the Free World as shown in Vnesnyaya torgovlya SSSR (Foreign Trade of the USSR) for the respective years. In some cases the total may be understated because some countries that trade with the USSR are not reported for some commodities. Imports and exports are f.o.b. The symbol "..." means that no separate account of the item involved is maintained.

b. A plus sign indicates net exports; a minus sign indicates net imports. Total value of imports of coffee and cocoa as reported less the value of Soviet imports from Communist countries. The sum of the individual countries of the Free World is not complete. For example, at least one country (Colombia) that exported a significant amount of coffee to the USSR in 1958 is not reported in Soviet statistics.

d. Unless otherwise indicated, raw and refined sugar.

e. Raw sugar only.

Table 2

USSR: Volume of Foreign Trade in Selected Commodities
Selected Years, 1955-62

Commodity and Principal Trading Countries	Unit	1955			1958			1961			1962		
		Exports	Imports	Net Trade \$/*	Exports	Imports	Net Trade \$/*	Exports	Imports	Net Trade \$/*	Exports	Imports	Net Trade \$/*
Crude petroleum	Thousand metric tons	2,916.1	574.8	+2,341.3	9,092.6	1,078.5	+8,014.1	23,388.3	887.6	+22,500.7	26,279.4	495.8	+25,783.6
Total	Thousand metric tons												
Of which:													
Cuba													
Czechoslovakia		379.1			1,392.4			2,979.8			3,629.3		
East Germany		652.7			1,107.0			2,845.1			3,673.0		
Hungary		200.3			1,085.5			2,077.4			2,437.2		
Egypt		156.1			1,330.4			1,376.8			1,521.5		
Finland					479.7			1,537.2			1,182.3		
Italy		111.4			1,026.5			878.5			1,121.0		
Japan					11.1			5,513.8			6,083.4		
West Germany								2,234.4			2,136.3		
Chromite								1,572.3			1,914.5		
Total	Thousand metric tons	158.0	...	+158.0	215.0	...	+215.0	438.0	...	+438.0	472.0	...	+472.0
Of which:													
Communist China		5.1			31.0			48.0			66.0		
Czechoslovakia					18.0								
France		39.0			15.0			55.0			66.0		
Japan		5.1			22.0			65.0			80.0		
Sweden		50.9			72.0			56.0			53.0		
US					15.0			32.0			69.0		
West Germany		4.0						84.0			50.0		

* Footnotes follow on p. 29.

Table 2

USSR: Volume of Foreign Trade in Selected Commodities
 Selected Years, 1955-62
 (Continued)

Commodity and Principal Trading Countries	Unit	1955			1958			1961			1962		
		Exports	Imports	Net Trade $/	Exports	Imports	Net Trade $/	Exports	Imports	Net Trade $/	Exports	Imports	Net Trade \$/
Tungsten concentrates	Thousand metric tons	...	...	...	...	...	...	...	...	...	...	...	...
Total	Thousand metric tons	...	...	...	...	...	...	...	...	...	...	...	...
Of which:													
Communist China													
France													
Netherlands													
West Germany													
Zinc													
Total	Thousand metric tons	35.5	47.3	-11.8	66.4	31.4	+35.0	116.2	70.4	+45.8	108.0	51.6	+56.4
Of which:													
Czechoslovakia		6.5			8.2			10.9			10.6		
East Germany		11.0			16.5			24.0			25.9		
North Korea			47.3			6.0			23.6			24.2	
Poland						23.9			45.8			26.4	
Netherlands		1.2			10.7			19.9			27.7		
UK		9.3			17.9			32.3			8.1		

Table 2

USSR: Volume of Foreign Trade in Selected Commodities
Selected Years, 1955-62
(Continued)

Commodity and Principal Trading Countries	Unit	1955			1958			1961			1962		
		Exports	Imports	Net Trade $/	Exports	Imports	Net Trade $/	Exports	Imports	Net Trade $/	Exports	Imports	Net Trade \$/
Lead													
Total	Thousand metric tons	26.1	17.6	+8.5	62.2	30.2	+32.0	102.3	39.5	+62.8	94.4	26.1	+68.3
Of which:													
Communist China		3.7			15.0	2.6		17.6	8.1		18.2	0.4	
Czechoslovakia		19.5			31.0	17.8		27.2	24.2		29.7	19.8	
East Germany			15.9										
North Korea													
Finland					3.1			7.1			14.0		
Netherlands					2.8			9.6			2.4		
UK								15.8			7.1		
DK													
Tin													
Total	Thousand metric tons	2.1	16.9	-14.8	22.3	19.4	+2.9	5.7	11.2	-5.5	0.5	9.9	-9.4
Of which:													
Communist China			16.9			19.3			11.2			8.7	
Czechoslovakia		1.2			1.1			1.2			0.2		
Poland					2.0			1.5					
Netherlands					7.7								
UK					6.6								
West Germany					1.4			0.1					

Table 2

USSR: Volume of Foreign Trade in Selected Commodities
Selected Years, 1955-62
(Continued)

Commodity and Principal Trading Countries	Unit	1955			1958			1961			1962		
		Exports	Imports	Net Trade $/	Exports	Imports	Net Trade $/	Exports	Imports	Net Trade $/	Exports	Imports	Net Trade \$/
Sawn Lumber	Thousand cubic meters	2,337.6	688.5	+1,649.1	3,630.9	520.0	+3,110.9	5,203.3	478.7	+4,724.6	5,996.3	431.8	+5,564.5
Total													
Of which:													
Czechoslovakia					191.9			172.8			182.4		
East Germany					533.2			856.1			944.2		
Hungary					86.6			493.3			578.7		
Belgium					199.6			213.2			259.7		
France					76.7			199.2			195.6		
Italy					75.6			182.8			219.8		
Netherlands					254.3			294.0			313.1		
UK					1,138.6			1,591.1			1,791.1		
West Germany					88.6			291.4			474.0		
Cotton													
Total	Thousand metric tons	336.9	19.9	+317.0	310.9	142.1	+168.8	382.6	141.6	+241.0	343.6	150.2	+193.4
Of which:													
Communist China					41.6			59.4			43.0		
Czechoslovakia					82.2			83.2			93.1		
East Germany					25.9			35.2			37.9		
Hungary					68.6			74.8			55.5		
Poland					29.0			29.1			26.9		
Rumania													
Brazil													
EGYPT													
West Germany					10.8	10.3		7.2	97.2		11.4		
								8.2	6.1		24.5		
									91.8		67.7		

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Table 2

USSR: Volume of Foreign Trade in Selected Commodities
Selected Years, 1955-62
(Continued)

Commodity and Principal Trading Countries	Unit	1955			1958			1961			1962		
		Exports	Imports	Net Trade $/	Exports	Imports	Net Trade $/	Exports	Imports	Net Trade $/	Exports	Imports	Net Trade \$/
Wheat	Thousand metric tons	2,035.8	29.1	+2,006.7	3,878.7	323.3	+3,555.4	4,800.6	655.9	+4,144.7	4,765.2	45.1	+4,720.1
Total													
Of which:													
Cuba								191.9					269.3
Czechoslovakia		702.1			956.4			768.3					902.7
East Germany		478.2			1,298.1			1,227.0					1,251.2
Hungary		24.7			80.4			386.2					40.1
Poland		89.5			236.5			302.7					505.2
Brazil			177.7			271.3		202.3					412.8
Finland			22.4			45.8		105.7					219.4
Netherlands			33.2			77.9		199.1					95.5
UK								338.2					344.9
Canada						283.1							70.4
West Germany								112.9					485.6
Coffee													
Total	Thousand metric tons	...	1.5	-1.5	...	4.1	-4.1	...	29.7	-29.7	...	22.6	-22.6
Of which:													
East Germany								5.5					
Brazil			0.9			0.2						16.0	
Ethiopia									23.2			1.2	
Guinea									0.3			0.1	
India						0.8			0.5			2.3	
									2.0				

Table 2

USSR: Volume of Foreign Trade in Selected Commodities
Selected Years, 1955-62
(Continued)

Commodity and Principal Trading Countries	Unit	1955			1958			1961			1962		
		Exports	Imports	Net Trade $/	Exports	Imports	Net Trade $/	Exports	Imports	Net Trade $/	Exports	Imports	Net Trade \$/
Cocoa	Thousand metric tons	...	14.1	-14.1	...	10.4	-10.4	...	20.6	-20.6	...	48.7	-48.7
Total													
Of which:													
East Germany					4.9						3.0		
Brazil									4.8			11.2	
Ceylon									0.1			0.3	
Ghana									15.7			35.7	
Sugar c/													
Total	Thousand metric tons	227.9	996.6	-768.7	217.8	394.6	-176.8	950.7	3,596.8	-2,646.1	900.9	2,485.8	-1,584.9
Of which:													
Communist China		9.1	461.7		8.9	197.9		501.0	3,345.0			2,833.2	
Cuba			110.8			137.1			129.7			83.6	
Czechoslovakia			231.4			55.3			121.4			167.9	
Poland													
Afghanistan		10.4			28.4			42.7				37.4	
Finland		122.6			90.7			107.1				95.4	
Iran		78.8			83.9			101.8				135.4	
Iraq								61.1				89.7	
Sudan								52.7				23.3	

a. A plus sign indicates net exports; a minus sign indicates net imports.

b. The symbol "..." means that no separate account of the item involved is maintained.

c. Raw sugar basis.

d. It is believed that China exported a small amount of sugar to the USSR in 1958.

Table 3

USSR: Production of Selected Commodities
Selected Years, 1955-62

Commodity	Unit	1955	1958	1960	1961	1962
Crude petroleum	Thousand metric tons	70,793	113,216	147,859	166,068	186,242
Chromite <u>a/</u>	Thousand metric tons	304.0	367.5	519.5	544.8	588.0
Tungsten ore <u>b/</u>	Thousand metric tons	7.5	10.0	12.2	13.4	14.0
Zinc <u>c/</u>	Thousand metric tons	222.4	315.0	364.2	376.8	403.2
Lead <u>c/</u>	Thousand metric tons	258.3	288.5	314.0	326.5	346.1
Tin <u>c/</u>	Thousand metric tons	12.6	15.9	18.0	18.8	19.6
Industrial wood <u>d/</u>	Million cubic meters	212.1	250.9	261.5	253.3	255.7
Ginned cotton	Thousand metric tons	1,293.7	1,450	1,430	1,500	1,430
Breadgrain (wheat and rye)	Million metric tons	64	80	59	69	71
Sugar <u>e/</u>	Thousand metric tons	3,419	5,433	6,363	8,376	7,800

- a. Data refer to the estimated chromic oxide (Cr_2O_3) content of the ores mined.
 b. Data refer to the estimated tonnage of tungsten concentrates, 60 percent tungsten trioxide (WO_3).
 c. Primary metal.
 d. Wood not destined to be burned as fuel. This category includes such primary wood products as saw logs, pit props, and pulpwood.
 e. Refined sugar, including refining of imports of raw cane.

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APPENDIX E

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