TEA, WITH SUGAR

The Tea Agreement (1933–1939) clearly succeeded in stabilizing world prices during the depression, but its impact on development may be doubted. Most of India's and Ceylon's tea gardens were under British control, and the benefits of earnings' stabilization largely accrued to the plantation owners. Furthermore, with tea production then largely concentrated in four Asian countries, the benefits were also concentrated geographically. These very limitations made it relatively easy to control tea supplies. With a small number of large producers and a very inelastic demand for the product, each could see his advantage in cooperating in export control. Furthermore, tea can be "stored" on the bush, so that control can be exercised up to a point by picking more or fewer leaves at any time.

The Sugar Agreement (1931–1961) was a completely different matter. In the first place, the agreement covered only the so-called "free market," accounting for perhaps two-fifths of world trade. The rest of the world's imports are controlled by national legislation, notably British, American, and French import systems, under which each country imports from preferred suppliers at a premium price. The essence of the Sugar Agreement, as operated from 1954 to 1961, was a bargain by which Cuba, as the dominant free market supplier, agreed to manage its supplies and stocks, in exchange for its large quota in the high-priced U.S. market. The objective was to maintain world prices between 3.25 and 4.25 cents per pound, through a system of export quotas. The system worked moderately well until 1960, when the United States first reduced and then abolished the Cuban quota. The agreement has not been renewed since 1961, when Cuba insisted on and was refused a large increase in its basic quota. It presumably will not be renewed until the underlying political issues are overcome.

Any effort to maintain very high prices for sugar (more than 5 or 6 cents a pound in the long run) is probably self-defeating, even though world demand for sugar is increasing steadily. Unlike tea, sugar can be produced almost anywhere, even if at high cost. Therefore if prices rise, and are expected to remain high under a system of export control, production in importing countries would tend to rise sharply. This puts sharp limits on the price objectives that exporting countries could aspire to. In these circumstances, it is arguable that developing countries would gain more from free trade in sugar than from price manipulation. However, the tendency seems to be for more rather than less agricultural protectionism in importing countries, so that a sugar agreement still retains considerably more luster in exporters' eyes than the unlikely alternative of free trade.

TIN STAYS BUOYANT

The Tin Agreement (1954 to date) operates under some of the same conditions as the earlier Tea Agreement. There are only five major signatory exporters (Malaya, Indonesia, Thailand, China, Bolivia), dominated by Malaya; there are a relatively small number of producing units. Tin, like tea, can be "stored" easily, either by mining less, or by stockpiling. The agreement provided for a buffer stock, in addition to export quotas, which helped to manage supply. The buffer stock manager bought tin when prices fell below a floor level and sold it when they rose above a given ceiling. After considerable price fluctuations in the 1950's, the world price of tin began to rise in 1960. By 1961, the buffer stock was sold out of tin, all export quotas were off, and world prices since have been consistently far above the pre-1961 levels. The agreement remains in effect inoperative today, because of continued strong demand. Both floor and ceiling prices were raised when the agreement was last renewed (1965). The presumption is that tin prices will therefore remain well above the levels that led to the original agreement.

As in the case of tea, it may be questioned whether international action in the world tin market is a significant force in promoting economic development. Concentration of production is great, and although Bolivian, Indonesian, and Chinese governments, with their nationalized tin industries, clearly benefit from the rise in price, Bolivia is the only one that is heavily dependent on tin exports as a source of income.