International Commodity Agreements: American Conservatism and Gallic Dissent

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Atlantic relations in the post-war era have never been frictionless. American hegemony has not always been accepted unquestioningly by Western European countries, who have consistently experienced tension between their allegiance to the alliance and their desire to hold independent views on certain salient issues. This tension is perhaps most evident in the case of France, which has gained the reputation of a maverick in the Atlantic context. In the course of the past three decades, France has periodically chosen to confront its imposing partner by pronouncing its disagreement on key questions. France has thus demanded the attention of the international community and attained a certain stature, if not notoriety, in the eyes of the United States. In this "upstart" role, it serves to remind the United States that it does not speak for its allies in matters of global import.

Such was the message conveyed by Jobert's refusal on France's behalf of membership in the Kissinger-fostered International Energy Agency, at the Washington conference in February 1974. This stubborn stance represented the culmination of several months' struggle over the response which the industrialized countries should give to the October 1973 oil price hike. The French, rather than join a consumers' pressure group, preferred to mollify the OPEC countries by initiating direct producer-consumer negotiations. Whereas the United States foresaw a solid consumer front in case of further price rises, France hoped to avoid any more increases by instituting a dialogue between the two sides.[1] The French stand sparked Algerian President Boumediene's call for a special session of the UN General Assembly, which produced the resolution demanding a New International Economic Order. It failed, however, to serve any conciliatory purpose, given the virtual indifference of the United States.

In October 1974, Giscard proposed a conference of concerned parties to discuss the oil crisis, and received President Ford's concurrence in December. The oil question then opened a Pandora's box from which other commodity questions began to emerge. The OPEC countries were pressuring for general discussion on issues relating to LDC primary products. The United States

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1. *Le Monde*, October 1, 1974.

wished only to assure a stable energy supply for the industrialized countries. France hoped somehow to play the role of mediator and thereby get the most out of an admittedly bad situation in which France stood to lose the most. The Americans, though, were not willing to extend the negotiations beyond the realm of energy, and the April 1975 preparatory meeting collapsed despite a last-minute French effort to patch things up behind the scenes.[2]

The Seventh Special Session of the General Assembly in September 1975 saw a shift in the American position. In a vague but conciliatory speech, Secretary of State Kissinger expressed US willingness to participate in discussions on international arrangements for primary commodities other than energy sources. This breakthrough paved the way for a second North-South preparatory meeting in October, which allowed for the official opening of the Conference on International Economic Cooperation on December 17, 1975.

President Giscard d'Estaing's and Secretary of State Kissinger's speeches in the early days of the Conference demonstrated the degree to which the two countries' approaches differed. Giscard, for his part, made a rhetorical bow to Southern demands by expressing his desire to seek "a more orderly evolution of the prices of products being traded internationally to an appreciable extent." Supply might need adjusting to meet demand, and prices might need to be raised for LDC commodities: the principal goal, he stressed, was to do away with wild fluctuations in commodity prices. Such action would be justifiable, he said, not only on an economic level, but also for social and political reasons.[3]

Kissinger, on the other hand, suggested a number of general measures to improve the international climate for commodities. His proposals included producer-consumer colloquia, the reduction of trade barriers, improvement of agricultural productivity and commercialization, and expansion of world productive capacity for other basic commodities. Only at one point in his presentation did he refer to commodity agreements *per se,* by supporting the concept of buffer stocks to help control prices, while criticizing direct trade and supply restrictions.[4]

As no compromise could be reached given positions as they stood, negotiations ground to a halt in early 1976. Matters remained at a standstill until the convening of the fourth United Nations Conference on Trade and Development (UNCTAD) in May 1976. It is appropriate to linger on this event, as the debates reveal the official dogma and political strategy of both France and the US.

The United States appeared on the scene the second day with a proposal for an International Resources Bank. With the IRB package, Kissinger rather

2. *Le Monde,* April 20-21, 1975.
3. *Le Monde,* December 17, 1975.
4. *Le Monde,* December 18, 1975.

transparently sought to ensure investment security and stable commodity supply, in exchange for buffer stocking, reduction of trade barriers, and compensatory financing for Fourth World countries with trade balance shortfalls.[5] The suggestion met with a less than bright reception, and was swiftly eclipsed by the apparently more forthcoming French compromise position.

Jean-Pierre Fourcade, the French Minister of Economics and Finance, presented the French proposals in an exceedingly diplomatic statement sprinkled with remarks meant to appease Southern countries. He was highly laudatory in speaking of the UNCTAD Integrated Programme for Commodities, and stressed the desirability of bringing the socialist countries into ensuing conversations on commodity issues. He recommended that discussions focus on the UNCTAD priority list of products, and that a deadline of two years be set for reaching agreement on ten of them. In addition, he asserted that the prime objective must be to determine a price range for each commodity to avoid fluctuations. The most effective way to achieve this objective would most likely be stocking, with financing assured by both producers and consumers within the context of each individual arrangement. As for the Common Fund supported by the Group of 77, it was felt that, initially at least, an effort to come to grips with the question might deter negotiations from more essential matters. In the long run, such a fund might come about as a result of surpluses in individual commodity funds or through World Bank contributions.[6]

Whereas the original US position, along with that of the Federal Republic of Germany and Great Britain, excluded the concept of a common fund, the United States came to align itself more and more with the French stance as negotiations progressed. Paul Boeker, head of the American delegation, went so far as to say that the US position closely resembled that of France.[7] This apparent US-French collaboration came to an abrupt end, however, when the Northern countries tabled two documents for consideration by the Conference.

The first of these papers, accepted in principle by all twenty-four Northerners, emphasized the utility of individual international commodity agreements (ICAs), but remained virtually silent on the subject of a common fund, except to say there might be discussions on the matter. The EC set forth its own document, following more or less closely France's initial compromise suggestions by calling for common fund negotiations to move ahead within two years. Because the Americans urged consensus on the first of the two papers, a breach between the US and France appeared.[8]

5. Henry A. Kissenger, Statement at UNCTAD IV, May 6, 1976, UNCTAD IV *Proceedings*, pp. 122-23.
6. Jean-Pierre Fourcade, Statement at UNCTAD IV, May 6, 1976, UNCTAD IV *Proceedings*, pp. 39-41.
7. *New York Times*, May 20, 1976.
8. *New York Times*, May 28, 1976.

When the final Resolution 93(IV) was adopted, a timetable was established, not for the completion of negotiations on ten ICAs, nor for the establishment of a common fund, but merely for preparatory meetings to examine matters further. The United States still saw fit to clarify its reservations with regard to the final document, stressing that its agreement to participate in preparatory meetings must in no wise be viewed as a commitment to any of the several ICA mechanisms to be examined.[9]

The preparatory meetings, called the Conference on International Economic Cooperation (CIEC), came to an end a year later in Paris, producing very little of substance to justify its name. After one and a half years of diplomatic talks, the only agreement reached was to continue discussion on six commodities. Further negotiations were set for November 1977 in Geneva, under the aegis of UNCTAD.

In the meantime, though, the US administration had changed hands. Carter had become President just a few months prior to the conclusion of CIEC, and he and his advisors spent the spring months trying to define the new American position on commodities. At the first round of UNCTAD negotiations on the Integrated Programme for Commodities, which took place in March 1977 before the end of CIEC, Carter expressed US willingness to consider with an open mind proposals on ICAs, including common funding for individual buffer stocks.[10]

Following the close of CEIC in Paris, Julius Katz, Assistant Secretary of State for Economic and Business Affairs, asserted in a statement before the House Subcommittee on Banking, Finance and Urban Affairs: "With regard to a common fund, it is our intention to participate actively and positively in the next negotiating session now scheduled for November in UNCTAD. We favor the establishment of a fund that would facilitate the financing of buffer stocks established under international agreements between major producers and consumers. Such a fund, of course, would have to be financially viable and acceptable to the broad range of countries represented in UNCTAD."[11]

In the course of 1977, the European Community, too, had to come to endorse the premise of a common fund. The sticking point now had become the "second window" proposition for financing of primary commodity-related development advanced by the Group of 77 at the negotiations in March. The second round, in November, saw the presentation by Group B (the industrialized countries) of a project for a pooling arrangement, consisting of deposits from individual ICAs and functioning as a banking facility for them.

9. U.S. Statement at Final Plenary Session of UNCTAD IV, May 31, 1976.
10. *Journal of Commerce*, June 28, 1977.
11. Julius L. Katz, "Statement before the House Subcommittee on Banking, Finance and Urban Affairs," June 8, 1977.

No mention was made therein of the second window, but France, while part of Group B, claimed to favor a compromise once again, supporting a second window to be financed by voluntary rather than mandatory national contributions as foreseen by the Group of 77.[12] Yet the negotiations came to nought in any case, the LDCs choosing to adjourn the meeting on December 1st.

The year 1978 saw a renewal of the negotiations in November, after nearly a year's hiatus. While the conference broke up without any decision having been reached, these talks brought a turnabout in the American stand on the common fund issue. The United States at last consented to make a direct contribution, in the amount of $50-100 million, to the Fund. In its view, this was to represent 25% of total financial commitments by participating nations.[13] The new American proposal bore a close resemblance to the French call for a $1 billion fund, $200 million of which would arise from direct national contributions.[14] France could thus still claim to be in the vanguard of the Northern camp, although to little avail.

Only as of March 20, 1979, were participants able to lay the foundations of a common fund for commodity price stabilization. It was agreed that national contributions would total $750 million, $400 million going to finance the buffer stock facility, and $350 million to set up the second window.[15] Yet the United States remains recalcitrant on certain points, balking at contributing to the second window, and disapproving the voting system, weighted slightly in favor of the developing countries. The American wish is to give developed and developing nations equal voting weights, despite the fact that the system endorsed at the conference requires a 75% majority for financial decisions of any substance.[16] France, for its part, has expressed no objections to the accord reached in Geneva.

The commodity negotiations forum over the past five years has thus been the scene of disagreement not only between the industrialized countries and the developing countries, but also among the developed countries themselves, perhaps most notably the US and France. The divergences cannot be simply explained away as "thorn in the side" politics on France's part. They stem quite naturally from the particular *Weltanshauung* of each, as well as from stylistic differences.

In the first place, it is relevant to note that they are not equally dependent upon primary commodity imports from the Third World. The US itself is, for example, a major provider of several agricultural products such as wheat, soybeans, and sugar. France is more clearly a consumer country, and is bound to

12. *Le Monde,* November 15, 1977.
13. *Washington Post,* November 16, 1978.
14. *The Financial Times,* November 10, 1978
15. *Le Monde,* March 21, 1979.
16. *The Financial Times,* March 21, 1979.

see its best interests in the assurance of stable commodity supplies. It is therefore prepared to go further in satisfying producer-country demands, be they LDC or DC countries. It can be maintained that the US has gradually moved to a more moderate stance on this issue in recent years, as it has come to discern certain advantages it might glean from dependable commodity sources at steady prices. France is, however, still in a more vulnerable position than the US.

Another aspect of the differing standpoints hinges less on circumstantial factors and more on actual dissimilarity of approach. The US, backed primarily by West Germany and Japan, advances liberal economic arguments to contest the desirability of any but the most minimal tinkering with the free-market mechanism. Although the Carter administration has shown greater willingness than its predecessor to conclude arrangements which upset "natural" market movements, its basic commitment to the dictates of supply and demand remains firm: "Prospects for [LDC] development may be more enhanced by reducing production of commodities and products with weak, declining demand, and increasing production of those with stronger, growing demands."[17] The US approach has, nonetheless, evolved from a point where, before the Seventh Special Session, it refused even to consider commodity agreements, to its present position of accepting the principle of a common fund.

On the other hand, France, whose domestic economic structure does not rely as heavily as the United States' on laissez-faire principles, harbors no particular hostility toward managed international markets. Its "public enthusiasm for *dirigisme*"[18] permits it to receive LDC proposals for a common fund with more equanimity. Commodity agreements never were anathema to the French; indeed, they have participated in the Franc Zone, Yaoundé Convention, and Lomé Convention operations, all of which contained an element of commodity market management. This posture, less rigid than that of the US, enables the French to negotiate with more flexibility, in effect to subordinate economic considerations to political expedience.

French political self-interest inspires two separate but related courses of action on France's part. The newer strategy concerns relations with the Third World. As soon as France had pulled inelegantly out of Algeria, it became a self-styled knight in the battle for rights of former colonies. This backing for LDC causes is often highly rhetorical and without supportive action, but is very effective for diplomatic purposes. France in fact does see a commonality of in-

17. John W. Murray and L. Jay Atkinson, *An Analysis of the UNCTAD Integrated Programme for Commodities* (U.S. Department of Agriculture, May 1978), p. 35.

18. Geoffrey L. Goodwin and James B. Mayall, "The European Alternatives: International Commodity Policy: EEC Policies and Options," *Government and Opposition*, XIII, No. 1, Winter 1978, p. 9.

terests between middle-sized powers such as itself and the LDCs, whose star is perceived to be rising on the international horizon.[19] This perception leads France to pursue bilateral and group special relationships, sometimes to the detriment of global accords.[20] As always in foreign policy matters, the French prefer to be somewhat linked to everyone in order to retain a semblance of autonomy.

It is difficult to know to what extent French proposals in the North-South context are sparked by the need to mark distance from its transatlantic chaperone. There is assuredly an element of convenience in being able to make whatever statements one feels are appropriate, while knowing one's more conservative partner will have the final say. If France is to be taken at its word, however, and believed to be sincerely concerned with the justice of Third World demands, then the Atlantic alliance must be seen, now as ever in the post-war period, as an unfortunate necessity from the security standpoint, but a decided handicap in the economic sphere.

On the most salient aspects of commodity arrangements, the United States and France are in basic accord. Both prefer commodities negotiations on a case-by-case basis, both are fundamentally opposed to the indexing of raw materials prices to prices of manufactured LDC imports, and both deem compensatory financing to be the most effective tool in guaranteeing export receipts. The primary areas of discord are export and supply controls and producer price-fixing — even raising — which the French feel no compunction in approving and the Americans apprehend as excessive tampering with the free-market system.

The more fundamental incongruity lies less in substance than in form. Since the days of DeGaulle, the French have regarded the US as the awkward giant, whose heavy-handed negotiating stances spoiled French efforts to "finesse" arguments. The same can be said for the commodity talks, in which the US has launched frontal attacks on the LDCs while France has liberally seasoned its suggestions with courtly compliments to the Group of 77, thus fostering a sense of camaraderie.

It is perhaps because they have recognized the greater effectiveness of such a stance that the Americans have inched ever closer to the French in the search for a compromise agreement with the LDCs. Especially since the Carter administration took over, American policymakers have shown themselves more prepared to come to terms with the LDCs and arrive at mutually acceptable arrangements. Since the United States has always been the bottom line in

19. Commissariat General du Plan, *Rapport du Groupe Chargé d'étudier l'évolution des économies du Tiers-Monde et l'appareil productif francais*, Yves Berthelot, chairperson, January 1978.

20. Goodwin and Mayall, p. 9.