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No. 5

Equal Access to Raw Materials

By

V. M. BHATT



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EQUAL ACCESS TO RAW MATERIALS is a phrase made popular in recent times by the Atlantic Charter (1941). Its implications need, however, to be widely known. This pamphlet examines the problem of the distribution of, and access to, raw materials as it emerged at the end of World War No. 1, analyzes the probable trends in the distribution of raw materials at the end of World War No. 2, and examines how the conflicting claims of the raw-material-producing countries and the highly industrialized countries can be equitably adjusted.

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EQUAL ACCESS TO RAW MATERIALS

The Raw Materials Problem, then and now

Of all the international plans, which are being formulated at present, none is bound to give rise to keener controversies than the proposal for 'Equal Access to Raw Materials'. The Atlantic Charter contains a clause in regard to this goal to be achieved in the post-war world. Last year President Roosevelt made a plea for this principle to be embodied in the post-war arrangements. Since then, various proposals have been canvassed in order to implement this principle in the post-war economic set-up of the world. Recently an official American plan to translate this goal of the Atlantic Charter into a reality was also reported to be nearing completion.

The problem of access to raw materials is not a new one. It was in the forefront of discussions in the inter-war period. When the League Covenant was being drafted after the end of the last war, a draft submitted by Italy stated that 'the international distribution of foodstuffs and raw materials required to sustain healthy conditions of life and industry must be controlled in such a way as to secure for every country whatever is indispensable to it in this respect'. A special committee of the Peace Confer-

ence debated upon this problem, although no practical results accrued. The Supreme Economic Council and other international bodies that met in 1919-1920 went no further than merely recommending the removal of artificial economic barriers. In 1921 the League of Nations took up the question again, which resulted in the publication of a document *Report on Certain Aspects of the Raw Materials Problem* in 1922. On the basis of this Report, the Economic and Financial Committee of the League made the following recommendation embodying general principles.

There is no question of challenging the incontestable right which States have to dispose freely of their natural resources, or of the output of their countries in respect of raw materials. It is legitimate that in exceptional circumstances they should be anxious to reserve them to themselves, and that they should have the power to subject them at any time, to a regime in conformity with their natural economy. But it is not less incontestable that raw materials produced by one country being in many cases essential to the economic life of other States should not, unless in exceptional cases, be the object of restrictions or of differential regulations of such a nature as to injure the production of such States, or to impose upon them a systematic inferiority. It is undesirable particularly that measures of restriction taken by producing countries to meet exceptional situations should be so prolonged or altered as to change their character and from being acts of precaution or defence to degenerate into measures of economic aggression.

The question of raw materials again arose at the International Economic Conference in 1927.

However, it was only in 1935 that, with the discontent coming into limelight by the Italian policy of expansion in Abyssinia, a League of Nations Committee was appointed to study the problem. The report of the League Committee was published in September 1937. This committee examined various aspects of the raw materials problem; and the issues that would require solution in the light of the Atlantic Charter are likely to be the same which were examined by the League Committee.

In the inter-war period, the problem of access to raw materials became serious on account of the claims of the three so-called 'dissatisfied' powers—Germany, Italy and Japan. The claims put forward by these powers rested partly on a psychological and partly on an economic basis. The demand for colonial possessions was inextricably mixed with these claims. Because of the lack of colonial possessions or because of the lack of the means to purchase, aggravated by tariff barriers and trade restrictions, many States demanded an improvement in the distribution of raw materials.

Today, although it is affirmed that the situation might be different, it cannot be denied that similar issues will arise in the post-war period. It is also possible that some of the former 'satiated' countries might find themselves as 'dis-satisfied countries' either through their being dispossessed of certain

territories or through their stocks of gold, foreign exchange and international investments being exhausted. It is difficult to give an instance in regard to the first possibility, but it is evident that, at least one country, viz., the United Kingdom has already emphasized her exhausted financial position. Britain's overseas investments amount to hardly one-half of the pre-war figure, while her debt to the sterling area exceeds £. 2,500 million with the possibility of this figure being considerably increased. Perhaps this is one of the reasons why the principle of 'Equal Access to Raw Materials' is advocated with a vigour, which may well remind us of the pre-war claims of Germany, Italy and Japan. Britain's anxiety to build up 'Buffer Stocks' may also be due to the fact that in the post-war period, England's capacity to maintain huge commercial stocks of most raw materials would be less than what it was before the war.

Before the war, difficulties in regard to the payment for obtaining raw materials were experienced and vehemently voiced by Germany and Italy and other 'debtor' countries. The problem of their resorting to Exchange Control, Clearing Agreements and other restrictionist measures was closely linked with this problem. There was also the factor of these countries wanting to purchase huge quantities of raw materials in order to accumulate strategic

stocks. In the post-war conditions, the difficulties in regard to payments for purchases of raw materials are likely to be far greater than before. The capacity of a country to pay for imports of raw materials will depend on its resources in gold, foreign exchange and international investments as well as on its capacity to export. To the extent to which the 'debtor' countries would obtain help through the machinery of the proposed International Monetary Fund, the difficulties, which such countries might experience on account of deficit position, will be mitigated. It is true that 'creditor' countries possessing large financial reserves have been able to buy raw materials more easily than the debtor countries. However, this position was aggravated because of the cessation of flow of capital which is sought to be remedied by the Bretton Woods proposals.

However, there was another important difficulty in the inter-war period, viz., the system of mutual preferences, which prevailed in the British Empire, the French Empire and to a lesser extent in the United States *vis-a-vis* the Philippines and Cuba. The effect of these policies on trade in raw materials varied in each case. The preferences granted by countries, producing raw materials, affected principally the suppliers of manufactured goods. In certain cases, preferences, such as those granted by the United Kingdom, also affected suppliers of foodstuffs.

The United States tariff policy had also a bearing on this question inasmuch as America formed an important potential market for the rest of the world and, therefore, any restrictions or preferences applied by her constituted a denial of export opportunities to others.

Thus, although the preferential system, if continued after the war, must stand to have some adverse effect on the countries to which its benefits are denied, it is presumed that the preferential system would be gradually abolished, if the principles of the Atlantic Charter are effectively carried out in the international trade of the countries. To what extent the United Kingdom would forgo the advantages of preferences cannot be forecast, and this consideration would have a vital bearing in regard to Britain's capacity to pay for import of raw materials from the Empire countries. It must also be borne in mind that England cannot be said, at least at present, to be a 'debtor' country, in the true sense of the word 'debtor'. She has so far sold off about 50% of her total external capital assets. There is also an assurance that Lease-Lend and the Mutual Aid Agreements would not work in such a way as to impose financial strain on the U. K., when the question of repayment of American aid will be tackled after the war. Furthermore, Great Britain can rely upon sterling areas which are important sources of

supply of raw materials. In her relation to the sterling area countries, the position of Britain herself in regard to means of payment is not so difficult as has been shown by the way in which she has been able to draw upon the resources of these areas for war purposes by payment in sterling credits. It must not be forgotten that Great Britain by herself has adequate supplies of coal. In her colonies, protectorates and mandated territories, she has more than enough rubber (Malaya and Ceylon), tin (Malaya and Nigeria) and manganese (Gold Coast). She has a sufficient quantity of bauxite (British Guiana), vanadium (Northern Rhodesia), graphite (Ceylon), phosphates (Nauru and Christmas Island), Sisal (Tanganyika) and vegetable oils (Nigeria and Malaya). Similarly, she can get sufficient supplies of copper (Northern Rhodesia), Pyrites (Cyprus), and of coffee (India and Kenya). Supplies of chromium and asbestos available from British colonies are also adequate. When the resources of the British Colonial Empire are added to those of the Dominions and India, Britain enjoys a still more favourable position. The Empire thus has a surplus of wheat, lead, chrome, asbestos, wool, rice, meat, iron and steel, copper, tungsten, magnesite and timber. These sources of supplies take into account only the current actual production and if, therefore, the potential supplies are added such as from India, for

example, Britain's position is still stronger. In these circumstances, her anxiety about capacity to purchase raw materials seems to be over-emphasized and exaggerated.

Restrictions on Export

While the problem of payments for imports of raw materials is an important one, there are other problems also which deserve examination, when the principle of equal access is discussed. In the matter of supply of raw materials, the League Committee exhaustively surveyed the question of prohibitions and restrictions on the export of raw materials from the producing countries. It argued that no objections could be raised to such measures where bad harvests and conditions of scarcity endanger the maintenance of domestic supplies. The Committee also considered it legitimate that raw materials should first be primarily retained for domestic industries. Similarly, no objection was raised to a country regulating the trade in raw materials in regard to which that country was the principal producer (as, for example, cinchona bark in Netherlands Indies or coffee in Brazil or jute in India), provided there was no deliberate effort to starve the foreign market or to artificially inflate the prices or to discriminate between purchasers. On the other hand, it was considered unfair to restrict exports, in order either to bring pressure upon a neighbouring

country or to bring down internal prices. If a country felt it necessary to bring down internal prices, the reduction of import duties, if in force, was recommended. The prohibition of exports in order to preserve a monopoly or a quasi-monopoly of the production of a particular commodity was condemned by the League Committee. As regards export duties, the Committee argued that in primary producing countries, such duties were certainly an important source of revenue. Moreover, export duties on mineral products were merely a form of royalty. There was also no objection to the imposition of export duties with a view to provide funds for the improvement of the industry concerned or to expand a demand for the commodity.

The above views, in regard to the measures, mostly relate to the independent policy of a country, the utility of which or the advisability of continuation or removal of which will depend upon particular circumstances in which a country is placed. However, there is one important measure which requires a greater degree of appreciation. Restrictions or prohibitions on exports of raw materials from a country are sometimes imposed for preserving for the producing country (or in case of the colonial countries for the metropolitan countries) the right to process the raw materials in the country itself. In some cases, such restrictions may be in the form of

export duties. These measures are justifiable, and are of vital importance particularly to this country. Similarly, if a country imposes import duties on articles which are processed abroad, in order to maintain in its own territory processing industries which, without such import duties, could not have been established, such duties may be justified. In fact, it has been contended that a country, which uses large quantities of a particular raw material, can, in this way, secure the processing business not only for supplies required for its own domestic market but also for supplies required by the rest of the world. India is certainly interested in developing processing industries and it would not be in her interests to allow such legitimate rights to be denied to her on the plea of equality of access to raw materials. It is satisfying to note that the Hot Springs Food Conference has, in the interests of a healthier international security, recognized the need to develop industries suitable to the raw-materials-producing areas, particularly those industries for the processing and preserving of the agricultural produce of a country and, where feasible, for the manufacture of machinery, fertilisers and agricultural equipment.

Development of New Sources of Supply

The problem of supplies is also related to the development of new sources of supply or expanding the existing sources, which requires the investment of

capital. Such investment of capital may, for a considerable period, be unremunerative. Here, the problem is not so much a problem of privileges enjoyed by one country and denied to others, but it is a problem of the financial capacity of the country itself to find capital, or of the other interested countries to export capital abroad. So far as sovereign countries are concerned, when a large-scale investment of capital or the transfer of other factors for the development of raw materials in a foreign country is contemplated, it will require a preliminary understanding between the Governments of the countries concerned. This forms a subject of international agreements. In regard to colonial territories, the question of direct or indirect privileges enjoyed by the nationals of the metropolitan country to develop resources in those areas is of vital importance. When the 'have-not' countries contended that there were grievances in regard to such facilities, it was argued that no direct privileges were in fact enjoyed by the empire countries in their colonial areas. Of course, there is an exception to this in regard to the exploitation of petroleum in the British Empire. However, because of long-standing financial and commercial relations, and particularly of currency, naturally the metropolitan country enjoys advantages over a foreign country in the development of its colonial territories. Moreover, the mother country

might be able to follow a deliberate policy or resort to administrative actions that would give privileges to its own nationals. There are other considerations also, such as the language, the settlement of the nationals of the metropolitan country in the colonial area and having their own properties and business and financial resources. In regard to undeveloped areas, the import of capital assumes a great importance. It has been argued that nationals of the countries that are poor in raw materials, or who have no access to the existing areas of supplies, should be given direct access by means of concessions. A sort of 'open-door' was advocated especially in regard to mandated territories. The League Committee also visualized some sort of international concessions. In view of the changed situation due to war, especially of the French mandates, it is difficult to envisage the future trend of policy in this regard. However, the primary principle to be borne in mind is that the nationals of a country, whether the country is a colonial or a dependent or a sovereign State, must have the prior right to exploit the natural resources within their own country. The exploitation of the raw materials of India has been predominantly in the hands of foreigners, particularly the British. The administration of India has favoured the granting often in the past concessions to British concerns, to exploit her raw materials at times

even when local capital was ready to exploit the same. This must not be allowed; and in no case, should the principle of equal access as interpreted in this context be allowed to be applied so as to deprive the country's nationals of the opportunity to exploit its raw materials.

The question of developing undeveloped areas, colonial or otherwise, has engaged the attention of the British as well as the American planners. For instance, in the United Kingdom currency proposals, a provision was made for utilizing the surplus balances for international investments to be controlled by a Governing Board. However, it is pertinent to ask, who will regulate such loans and whether the Governing Board will reserve the right to regulate the development of the undeveloped countries. If India continues to enjoy a favourable balance of trade, which she has been enjoying for the last so many years, certainly this country has a right to demand an effective voice in the decision of the proposed Governing Board. Mr. Hedley Shepherd, in an article criticizing the U. K. currency proposals, stated:

The British Plan would tend to stabilize existing world economic development. Thus, for instance, by reason of the control over foreign investments it gives to the clearing authorities, it might be found that the development of backward countries, in accordance with the desires of powerful financial countries, would be hindered. In fact, the conflict of interests would develop not merely

between a powerful country like Great Britain and a dependent country like India, but America would also be interested in having a decisive voice in regard to the development of such areas. America is quite conscious of this and in an official American Plan for 'Access to Raw Materials', it was laid down: In instances, where the development of additional production or the creation of new facilities is necessary for international stability, the Commodities Stabilization Corporation would have the power of financing such enterprises. There will be a need for this power in great many cases where private capital would not be attracted to a project—for example power development in China—despite an acute need. The availability of such facilities will, in turn, facilitate the flow of raw and processed materials from that country into the world markets. Perhaps the most dramatic implication of the U. S. Plan was that it would end the possibility of Imperial control by any one major power. It would no longer be either possible or profitable for one nation to corner the market in a specific commodity or to prevent its wider and cheaper distribution.

International Regulation Schemes

International regulation schemes relating to the supply of raw materials have been under critical examination for the last so many years. The main burden of criticism was that such schemes had the ultimate effect of creating an artificial scarcity of raw materials or inflating their prices. Such schemes are classified under two distinct heads, first those concluded and carried out by governments or operated under government control and, second, those which are purely private in character. The circumstances, which lead up to such schemes, have invariably been the accumulation of inordinately

large stocks and consequent fall in their prices to uneconomic levels. To a certain extent and particularly the private schemes, which more or less embody the principles of cartelization, were designed to raise prices and were operated in such a way as to intensify or relax restriction on production or export of the regulated commodity, in accordance with the price of that commodity at pre-determined dates. Many cartel agreements, it must, however, be remembered, originated in times of slump, when prices were low, competition was intense and output, in excess of current demand. It must also be remembered that most of the international control schemes were adopted as anti-slump measures during the depression period, particularly in view of the fact that the prices of raw materials declined to a greater extent than those of the manufactured goods. In defence of the agricultural raw-materials-producing countries, it must be stated that most of the pre-war cartels related to mineral raw materials and were brought into being by agreements between sovereign powers. Such were the agreements in regard to aluminium, coal, coke, dyes, ferro-silicon, granite, iron and steel, mercury, nitrogen, phosphates and potash. In regard to the international control schemes for rubber, sugar, tea, tin, timber, wheat and zinc, the sovereign countries as well as the colonial producers participated. It was the

considered opinion of the League Committee that the international regulation schemes, the declared objects of which were the reduction of stocks and the maintenance of a fair and equitable price, did not in any way infringe the principle of equality of access.

The League Committee observed that, in the international regulation schemes, the interests of the producers predominated to the exclusion of the consumers' interests. The League Committee, therefore, suggested that 'Buffer Stocks' of regulated commodities should be formed, which would be segregated in normal times, and which could be placed on the market if the prices rose to an unreasonable height. This suggestion of creating 'Buffer Stocks' has attracted a wider attention of the post-war planners now. While the League Committee's suggestion regarding 'Buffer Stocks' was mainly confined to those commodities in regard to which some sort of regulation schemes were in operation some recent proposals suggest a far wider application of the principle of 'Buffer Stocks'. The object of such 'Buffer Stocks' is supposed to be to keep the prices of primary commodities stable. If, therefore, this provision of commodity control is incorporated in any of the post-war plans, it would mean the imposition of stabilized prices on the raw materials and agricultural products. This would

help industrial countries to plan their industries, especially the production of export goods on a long-term basis, in which the prices of raw materials are guaranteed to remain stable. Such a scheme would primarily benefit countries like the United Kingdom, who would emerge out of the war with a large part of their foreign investments dis-invested and thereby find themselves in a less advantageous position in regard to imports of raw materials than before. Such a scheme might also give stability of income, particularly to agriculturists in countries like India. To what extent it would, however, provide a *greater scope for the expansion of purchasing power in such countries* cannot be easily forecast. However, it is pertinent to maintain that only through some such scheme can the primary producing countries hope to increase the purchasing power of the masses in the country and thereby provide an expanding internal market for her own or even foreign industrial goods.

The U. S. A. official plan proposes to establish an International Commodity Stabilization Corporation, which would be given wide powers to buy and sell in the world market. As already stated, this Corporation is intended not only to stabilize prices of raw materials—in fact, to achieve a lower price level—but also to equalize and widen the distribution of raw materials. These proposals regarding 'Buffer Stocks', it must be pointed out, embody the view-point

and interests of the consumers of such raw materials, i. e., of the manufacturing countries. In fact, these proposals represent the reaction from the consideration of producers' interests to that of the consumers' interests. Mr. J. E. Meade, in his book *The Economic Basis of a Durable Peace*, has sharply reminded us that such schemes 'will work effectively only if those in charge set a comparatively low price at which they purchase to add to the stock and are willing ruthlessly to lower this price if more or less permanent changes in economic conditions make it necessary'. Thus, the proposals concerning 'Buffer Stocks' are not only detrimental to the interests of the raw-materials-producing countries but also put a premium on *status quo* in the technical production and a discount on the technical improvement in production.

Monopolies in regard to raw materials have also a bearing on the problem of supplies. Such monopolies can be classified into three categories.

Fiscal Monopolies: Governments some times reserve to themselves the exclusive right to produce or import and sell certain products in order to levy a tax upon them. The common instances are those affecting tobacco and salt. However, monopolies of this kind fall within the sphere of the internal fiscal policy of a country.

Business Monopolies: Monopolies resulting from a coalition of producers are fundamentally of the same character as those resulting from international regulation schemes or cartels, and have already been examined. Some monopolies created through arrangements for marketing a particular product also come within the sphere of international regulation schemes.

Natural Monopolies: The most important category of monopolies is the natural monopoly of the production of certain raw materials processed by a country. Examples in this regard are found in helium gas in the United States of America, jute in India, cinchona bark in the Netherlands Indies and camphor in Japan. However, the fact that the monopoly price cannot rise above a certain level without reducing consumption or provoking the adoption of substitutes is itself a sufficient safeguard against the monopolists' trying to exploit the buyers' market. It must also be recognized that to some countries such a monopolistic position is the only available bargaining weapon for negotiating a trade or tariff agreement. And this right cannot be denied to a monopolistic country, so long as the monopolistic position is not employed for discriminating between various purchasers of raw materials, particularly in regard to prices.

Synthetic Raw Materials

The last decade has witnessed the emergence of a different kind of problem. viz., that of synthetic raw materials. Developments in the production of synthetic raw materials, such as rubber, certain textiles, oils, etc., have taken place during the last few years. The comparative possibilities of finding substitutes for vegetable oils, textiles, coal, oil and water-power have been shown by Germany in her carrying out the most extensive replacement of these goods. Similarly, she has been able to replace, to a certain extent, tin and nickel by aluminium, magnesium and zinc. So far as synthetic production is concerned, nitrates, oil and rayon are the most important ones. For instance, Germany has been able to supply her domestic demand for staple fibres and rayon through the substitutes to the extent of 25% of her requirements. The war has also shown the methods of using scrap as a substitute of ore. Although the degree of substitution, in this regard, must vary greatly according to price and availability, it is interesting to note that in 1938, over 6.1 million tons of scrap entered into the production of less than 10.4 million tons of steel made in the United Kingdom. Similarly, according to an American estimate, for every pound obtained from ore, there was marketed also .41 lb. scrap of aluminium, .44 lb scrap of antimony, .53 lb scrap of copper, .23 lb.

scrap of zinc, .30 lb. scrap of lead, .12 lb. scrap of nickel and .38 lb. scrap of tin. Germany, Japan and to a certain extent America thus have particularly a large stake in such industries. Recently it was announced that Belgium and other Western countries would be allowed to collect and utilize scrap which was lying in their territories as a result of the war materials left by the armies.

The attitude of America, particularly in regard to the problem of continuing the production of synthetic raw materials after the war, is not yet known. Usually it happens that once the synthetic industries are established in a country, the interests owning and running such industries would clamour for their continuance. In view of the consequences of Lease-Lend, the Atlantic Charter and the Anglo-American Trade Agreement of February 1942, and in view of the raw-materials schemes put forward by the United Kingdom and the U.S.A., the presumption is that such industries would at least not receive protection at the cost of either the consumers or the producers of natural raw materials. A reference might also be made to a scheme put forward by Paul Einzig in the *Economic Journal** in regard to the economic disarmament of Germany. He lays down four proposals in regard to synthetic raw-materials industries : (1) the stamping out of those industries

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engaged in the production of synthetic raw materials. (2) the dismantling of German refineries, (3) the discontinuance of the working of non-commercial iron ores, copper mines etc., and (4) the removal of all strategic raw materials found in Germany at the time of the Armistice to come. Apart from the view-point of rendering Germany incapable of preparing for a new war, the argument that all such activities are un-economical, i. e., the cost of production in these cases being in excess of those for natural products, is put forward by the writer, and may be applied, in the long run at least, to synthetic industries established in countries other than Germany.

Post-War Trends in Raw Materials Trade

In the post-war framework of international trade, raw materials are bound to play a very important part. This is already evident from the economic clauses of the Atlantic Charter, particularly clause 4, where it is laid down that the countries 'will endeavour, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access on equal terms to trade and to the raw materials of the world which are needed for their economic prosperity'. This recognition is also implicit in the Anglo-American 'Master-Agreement' of February 1942, in regard to the terms of repayment of the Lease-Lend aid.

Thus the centre of the stage in the post-war period is bound to be held by British and American trade policies. During the war period, Great Britain has operated a sterling pool by means of an effective system of exchange control in the Empire. Furthermore, since 1932, the Ottawa Preferential Agreements have regulated the commercial relations not only among the Dominions but also between them and the dependent colonies. In addition, a series of bilateral trade agreements between Great Britain and countries in the sterling area including Argentina and other South American countries have been in operation. On the side of the United States and to some extent on that of Great Britain also, the commitments of economic warfare will leave many outstanding contracts which will have a great bearing on the post-war movement of raw materials. These consist mainly of long-term contracts to purchase strategic raw materials such as rubber, copper, mica, tungsten, and vanadium. In some cases, Lease-Lend equipment and financial assistance have been granted to secure increased output. When the repayment of Lease-Lend balances will have to be made by the countries who have received such aid, many of the actual instruments of war will have been destroyed. Furthermore, in regard to those countries who have

entered into 'Master Agreement' with the U. S. A., the definition of defence articles and other articles useful to the United States of America, which could be tendered against the outstanding Lease-Lend obligations, will be determined by the President of the U. S. A. In other words, it must be assumed that after allowing for goods returned and any set-offs for services rendered by the receiving countries—popularly called Reverse Lease-Lend—the balance would be extinguished by supplying to America the goods which America needs and which those countries can produce. In addition to Great Britain, Australia, New Zealand, China, the U.S.S.R., Belgium, Poland, Netherlands, Greece, Czechoslovakia, Norway and Yugoslavia have entered into the 'Master Agreements' with the U. S. A. Although there is no direct agreement between India and the U.S.A., the Government of India have been supplying India's raw materials to the U.S.A. as a reciprocal aid. Even if such an agreement is not entered into by all the Empire countries, America will receive Empire exports, such as rubber, tin, jute, etc., against her Lease-Lend claims in the U. K. as well as Australia and New Zealand. Thus, it is clear that, so long as the Anglo-American Agreement lasts, it will have a predominant influence in the determination of the policy, which will be put forward as a joint Anglo-American trade policy.

To what extent America can absorb such goods or will need them will be seen from the fact that America is deficient partly or entirely in respect of sugar, coffee, tin, nickel, bauxite, manganese, tungsten, chromium, vanadium, antimony, mercury, magnesite, asbestos, potash, rubber, wool, silk, flax, jute, manila and sisal. Furthermore, to what extent America can rely upon 'Lease-Lend Debtor' countries can be seen from the following few facts. Taking the British Empire as a whole, i.e., Great Britain and the Colonial Empire, the Dominions and India, its combined resources provide gold (57%), rubber (52%), tin (40%), jute (99%), nickel (91%), lead (55%), and rice (52%). Vegetable oils available from the British Empire dominate the world supply, while its coal (24%), copper (25%), zinc (28%), manganese (37%), tungsten (23%), cane sugar (32%), tobacco (25%), butter (19%), and wheat (16%) are also extremely important. Russia's capacity to produce raw materials has been severely curtailed and dislocated on account of the war, and, therefore, her pre-war production cannot be taken as a correct assessment of her capacity. Nevertheless the extent of the rapid advance which the U.S.S.R. made can be seen from the fact that she increased the production of iron (4 to 14%), phosphates (1 to 24%), magnesite (13 to 27%), chrome ore (7 to 15%), asbestos (7 to 25%) and gold (4 to 15%). These

figures, therefore, provide a rough idea of the potentialities of the sources of supply on which America is likely to have some sort of a lien. In a way it might be as well said that America has succeeded in obtaining a kind of mortgage on the raw materials of quite a large part of the raw-materials-producing areas of the world. If, therefore, we in India have to be watchful lest our reciprocal aid should exceed the aid which we receive from America through Lease-Lend, and further, lest we should be compelled to accept unlimited and unknown liability by entering into a mutual aid agreement with the U. S. A., we shall have to be equally vigilant that the outstanding claims of America through the Lease-Lend aid given to India—particularly the aid which is not strictly for India's own defence—do not cumulatively grow to such dimensions that for quite a number of years, this country might be compelled to go on exporting raw materials to wipe out these obligations, over and above her exports in lieu of U. K.'s obligations towards America. When, therefore, all these considerations are borne in mind, and further when the British or American schemes for 'Equal Access to Raw Materials', 'Buffer Stocks' and 'International development Loans' and the like are examined from the view-point of this country's own interests, India is bound to suffer all the more either through

the control of stocks by a powerful industrial country like the U.S.A. or the U. K. or through the control of her economic development and thereby India's ability to pursue an independent raw materials policy would be severely curtailed.

Inter-governmental Commodity Control—its objectives

I have dealt with, at length, various problems relating to raw materials. In summing up, I would also like to take note of some recent developments. Inter-governmental commodity control policy is one of the devices which are now receiving special attention with a view to the expansion, by appropriate international and domestic measures, of production, employment, exchange and consumption of goods. There was a marked tendency for raw-material-control schemes to develop even before the Great Depression. The depression of the thirties quickened this development and some of the schemes have been continued in war-time and have been adjusted to serve the over-riding necessities of war. Some even provide for their provisional application after the cessation of hostilities. These agreements relate to wheat, sugar, tea, coffee, beef, timber and rubber. Furthermore, from time to time, proposals have been advanced for inter-governmental agreements concerning other commodities, such as for instance in regard to copper, cotton, coal, sisal, copra, etc.

It may also be recalled that the war has

resulted in the establishment of new forms of inter-governmental commodity control, typified by the Combined Food Board, the Combined Raw-Materials Board and the Combined Production and Resources Board, the detailed particulars of the operations of which are unlikely to be available until the war is over. The experience of these, however, is likely to have a profound influence on future inter-governmental commodity regulation arrangements. The war-time purchase of whole crops on behalf of governments, the foreign activities, for example, of the Commodity Credit Corporation of the Department of Agriculture of the United States or of the Foreign Economic Administration, of the U.S.A. Metal Reserve Company or the United States Commercial Corporation, and similarly the foreign activities of the United Kingdom Commercial Corporation, the operations of the Middle-East Supply Centre, the North African Economic Board, the Anglo-American Caribbean Commission, the Inter-American Development Commission and the United Nations Relief and Rehabilitation Agreement will form an essential part of the settling of the post-war problem of inter-governmental commodity regulation. The first world war widened the horizon of the possibilities of the collective control over the whole industries and the rôle of government in industrial organization and agricultural development.

This gave a stimulus to the development of control schemes in the inter-war period. The repercussions of the war-time experience of the second world war are likely to be even more far-reaching. It is strange that at least in one country, where cartels are considered dangerous to economic stability and national defence, another form of cartels, viz., agreements regarding commodity controls at an inter-governmental level, are considered a panacea against economic chaos in the post-war period.

If then this type of commodity regulation schemes is going to be a permanent feature of the post-war period, what should be the guiding principles in regard to the same? . . .

The following may be taken as the objectives:—

- (1) to even out short-period fluctuations in the prices of certain commodities, which are a consequence of abrupt and unpredictable changes in supply or demand; and
- (2) to attain long-term equilibrium between supply and demand for primary commodities with a view to encourage a steady expansion of consumption and, at the same time, to safeguard the conditions of work and life of producers.

Bearing these two objectives in mind, some of the guiding principles, which should determine the future policy, may be formulated in more specific terms :

- (1) Commodity control policy should permit the constant availability of adequate supplies, which give a reasonable return to the producer and afford him protection against erratic price fluctuations.

- (2) The rôle of buffer stocks should be to check short-term price fluctuations; yet buffer stocks are of special importance in schemes devised for checking depression because the maintenance of the purchasing power of the primary producer is a sure guarantee of the maintenance of a high level of international and internal trade and hence employment. Further, in no event, buffer stocks should be made an instrument of restrictionist policy, but they should be made to subserve the wider programme of world's economic expansion.
- (3) If the international commodity agreement scheme can guarantee a fair price and adequate market to each producing country, it should be easier to ensure that labour employed on the production of controlled commodities receives fair remuneration and fair conditions of employment and living,
- (4) How far these schemes ensure equal access to raw materials would depend upon the extent to which they eschew discriminatory practices in regard to export and international trade. However, discriminatory practices result primarily from measures taken by particular states rather than from international action. The attainment of the equality of access will also depend upon the adoption of liberal commercial policies by the great importing countries.
- (5) So long as the raw-material-producing countries are not enabled and helped to increase their purchasing power, these countries would not provide an expanding market for the manufacturing countries, which they desire in order to earn means to purchase raw materials. Many of the raw-material-producing countries have ample scope to industrialize and in many cases this is the only effective means of increasing their purchasing power. Equal access to raw materials, therefore, can only be achieved unless it is accompanied by equal opportunities for the industrialization of those countries which command such resources and have all the requisites of industrial development.

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