

Symposium on Trade in Primary Products and Competition Policy

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Discussant Remarks

Kusha Haraksingh

Chairman, CARICOM Competition Commission

The two presentations I have seen [Frederic Jenny *International Export Cartels and Primary Products* and John M. Connor *Price Effects of International Cartels in Markets for Primary Products*] both demonstrate how welfare benefits are damaged by cartelization. Connor presents an attractive scheme for measuring the damage, and Jenny goes a step further in trying to predict some future consequences. Neither really puts at the center one of the major current concerns relating to the international trading system, namely the disciplines or lack thereof with respect to the sale [more particularly, the purchasing] of primary commodities from developing countries. This is the other end of the telescope on which more attention needs to be directed: how buyers in the developed world collude to fix prices for raw materials originating in the developing world. This may be 'less common' as Connor states, but for some developing countries it is the central experience. The welfare erosion inherent in such practices is at least as significant, and perhaps more so, than that associated with the manipulation by sellers of markets in developing countries.

The historical roots of the buyers cartels lie, in many instances, in the colonial connection, as Connor notes. In the early colonial period, tropical products for temperate markets were the linchpin of trade. It explains for example how the Dutch colony of Surinam [now, the independent Republic of Suriname, and the seat of the CARICOM Competition Commission] could have been bartered for New Amsterdam, later New York City in 1667, or how Grenada, Dominica, St. Kitts [member states of CARICOM] could have been exchanged in effect for the province of Quebec in 1783. In the 18th and 19th centuries, sugar exports from the Caribbean achieved great prominence, and helped to fuel the Industrial Revolution in England. Many of the structures and connections at the heart of this export of tropical produce survived into the post-colonial period with the same conglomeration of buyers, brokers, bankers, and freight and insurance providers, if not under the same names certainly in familiar disguises.

Raw sugar from the developing world for refining in metropolitan centers became a classic illustration of commodity trade, underpinned by prices fixed by international agreements such as the Commonwealth Sugar Agreement and the Sugar Protocol. In theory, the latter was freely negotiated between certain ACP countries and the EU. Following the termination of the Sugar Protocol in 2009 prices are legally set under confidential commercial contracts which makes evidence of cartelization difficult to uncover but there are persistent concerns about the fairness of the prices offered. There are concerns, too, where the price is determined not by commercial activity but by supra commercial arrangements, such as USDA marketing arrangements, to which Connor refers in passing. The disquiet is heightened by the experience which shows that when members of buyers cartels are able successfully to lobby for a

reduction in the price of raw materials, the savings achieved is seldom passed on to the consumer of the finished product.

This questioning of the prices of primary products is also to be understood in the light of difficulties faced by producers in the developing world in moving beyond the farm gate, not the least of which is tariff escalation. Even when this hurdle is successfully tackled, as in the Cariforum/EU Economic Partnership Agreement 2008,[which provides for tariff free quota free exports of goods to the EU, subject to a few temporary exceptions] there may be other issues to be addressed, such as the strictures imposed by applicable Rules of Origin, or disciplines related to trade in foodstuffs or perishable goods.

Connor is perhaps right in asserting that rich country cartelists 'primarily exploit their compatriots', but it is a stretch to label this as he does as 'good news' for the developing world. What indeed would be good news would be if the suggestions he proffers should bear fruit, namely if competition authorities in the developed world make the detection of global cartels a high priority as a real contribution to increasing welfare in poorer countries, and if the more advanced countries would provide more resources in capacity building for competition authorities in less privileged states and regions.