



International Commodity Agreements and Developing Countries: An Indian Perspective

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Abstract

International Commodity Agreements (ICAs) emerged as important mechanisms for stabilising global commodity markets and protecting the economic interests of developing countries dependent on primary commodity exports. These agreements were designed to regulate prices, manage supply, and reduce the adverse impact of market volatility on producer nations. Developing countries such as India have historically relied heavily upon agricultural commodities and raw material exports for employment generation, foreign exchange earnings, and rural development. However, fluctuations in global commodity prices, unequal bargaining power between developed and developing countries, and the rise of market-oriented trade liberalisation under the World Trade Organization (WTO) have weakened the effectiveness of ICAs over time.¹

This paper examines the historical evolution, legal framework, and operational mechanisms of International Commodity Agreements with special reference to developing countries and India. It analyses the role played by institutions such as the United Nations Conference on Trade and Development (UNCTAD) in promoting producer-oriented commodity arrangements and studies important mechanisms including buffer stocks, export quotas, and multilateral contracts.² The paper further evaluates India's participation in agreements relating to sugar, rubber, tea, and other commodities and examines the impact of WTO-led liberalisation on commodity governance.

The study argues that although ICAs initially provided important protection against price instability and economic vulnerability, their effectiveness has gradually declined due to structural weaknesses, inadequate financial support, political disagreements among member states, and the dominance of free-market policies in international trade. The paper concludes by suggesting reforms aimed at strengthening commodity governance through enhanced South-South cooperation, WTO flexibilities, improved producer representation, and India-led regional commodity arrangements.

¹ World Trade Organization, "Agreement on Agriculture," available at: https://www.wto.org/english/docs_e/legal_e/14-ag.pdf (last visited May 12, 2026).

²United Nations Conference on Trade and Development, "Integrated Programme for Commodities," available at: <https://unctad.org/topic/commodities> (last visited May 12, 2026).



Keywords: International Commodity Agreements, Developing Countries, India, WTO, UNCTAD, Commodity Trade, Price Stabilisation, Trade Liberalisation

Introduction

International trade in primary commodities has historically played a central role in the economic development of developing countries. Agricultural products and raw materials such as tea, coffee, sugar, rubber, cotton, cocoa, and spices constitute a major source of export earnings for many economies in Asia, Africa, and Latin America.³ In countries like India, the commodity sector continues to support millions of livelihoods and contributes significantly to foreign exchange earnings and rural employment. However, global commodity markets are highly unstable and vulnerable to price fluctuations arising from oversupply, climatic conditions, speculative trading, unequal bargaining structures, and changing global demand patterns.

To address these challenges, International Commodity Agreements (ICAs) were developed as cooperative mechanisms between producer and consumer countries to stabilise prices, regulate supply, and ensure fair trade practices. The origins of ICAs can be traced to the economic crises of the interwar period and the Great Depression, when severe commodity price collapses created widespread economic instability.⁴ Over time, institutions such as UNCTAD promoted producer-oriented commodity agreements aimed at protecting developing countries from deteriorating terms of trade and market exploitation.

The importance of ICAs became particularly significant after decolonisation, when newly independent states sought greater control over international trade structures dominated by industrialised nations. The establishment of the Integrated Programme for Commodities (IPC) in 1976 represented one of the most ambitious attempts to institutionalise commodity price stabilisation and strengthen the bargaining power of developing countries.⁵ Nevertheless, the emergence of neoliberal economic policies, the decline of state intervention, and the establishment of the WTO gradually reduced the effectiveness of commodity agreements by prioritising market liberalisation over price management.

This paper analyses the role and effectiveness of International Commodity Agreements in protecting the economic interests of developing countries with special reference to India. It examines the historical development of ICAs, their legal framework, operational mechanisms, and the impact of WTO-led liberalisation. The paper further evaluates India's experience within international commodity governance and proposes reforms necessary for strengthening equitable commodity regulation in the contemporary global trade system.

Concept and Evolution of International Commodity Agreements

International Commodity Agreements are intergovernmental arrangements designed to stabilise international markets for primary commodities through coordinated cooperation between producer and consumer countries. These agreements aim to reduce price volatility, regulate supply, guarantee stable export earnings, and ensure

³ United Nations, "Havana Charter for an International Trade Organization, 1948," available at: <https://digitallibrary.un.org/record/3899711> (last visited May 12, 2026)

⁴ International Coffee Organization, "International Coffee Agreement 2007," available at: <https://www.ico.org/documents/cy2017-18/icc-122-11e-ica-2007.pdf> (last visited May 12, 2026).

⁵ International Sugar Organization, "International Sugar Agreement," available at: <https://www.isosugar.org> (last visited May 12, 2026).



fair distribution of benefits among participating states.⁶ Unlike ordinary trade agreements, ICAs specifically focus on the management of commodities that are vulnerable to severe market fluctuations due to inelastic demand and supply conditions.

The emergence of ICAs can be traced to the economic dislocations caused by the Great Depression of the 1930s.⁷ During this period, prices of commodities such as wheat, coffee, sugar, and cotton declined drastically due to overproduction and falling demand. The 1927 Geneva Conference under the League of Nations recognised the “commodity problem” and advocated international cooperation for market stabilisation. Early agreements such as the International Wheat Agreement and the International Sugar Agreement attempted to regulate production and manage exports through quota systems.⁸

Following the Second World War, commodity agreements became more institutionalised through the proposed Havana Charter of 1948, which sought to establish the International Trade Organization (ITO).⁹ Chapter VI of the Havana Charter formally recognised commodity agreements as instruments for ensuring trade stability and balanced economic development. Although the ITO never came into existence due to opposition from the United States Congress, commodity agreements continued under the framework of the United Nations.

The establishment of UNCTAD in 1964 significantly transformed the nature of ICAs by promoting producer-oriented approaches that favored developing countries.¹⁰ UNCTAD argued that developing economies suffered from declining terms of trade, excessive dependence on primary exports, and unequal bargaining power in global markets. The Integrated Programme for Commodities (IPC), launched in 1976, aimed to establish coordinated commodity arrangements covering several major commodities using buffer stocks, export quotas, and price stabilization measures.¹¹

Despite these efforts, many commodity agreements experienced operational difficulties due to political disagreements, inadequate financing, consumer resistance, and technological changes such as synthetic substitutes for natural commodities. The decline of state intervention and the rise of free-market policies in the 1980s further weakened the effectiveness of ICAs. The establishment of the WTO in 1995 marked a major shift toward trade liberalisation, reducing support for market management mechanisms and treating several ICA tools as trade distortions.¹²

Mechanisms of International Commodity Agreements

International Commodity Agreements operate through various stabilisation mechanisms designed to regulate prices, balance supply and demand, and protect producer interests. The most important mechanisms include buffer stocks, export quotas, and multilateral contracts.¹³

⁶ Association of Natural Rubber Producing Countries, “International Natural Rubber Agreement,” available at: <https://www.anrpc.org> (last visited May 12, 2026).

⁷ UNCTAD, “Trade and Development Report,” available at: <https://unctad.org/publications-search?f%5B0%5D=product%3A392> (last visited May 12, 2026).

⁸ World Trade Organization, “Ministerial Conferences,” available at: https://www.wto.org/english/thewto_e/minist_e/minist_e.htm (last visited May 12, 2026).

⁹ Food and Agriculture Organization, “State of Agricultural Commodity Markets,” available at: <https://www.fao.org/publications/soco/en/> (last visited May 12, 2026).

¹⁰ Ministry of Commerce and Industry, Government of India, available at: <https://commerce.gov.in> (last visited May 12, 2026).

¹¹ UNCTAD, “Integrated Programme for Commodities Framework,” available at: <https://unctad.org/topic/commodities> (last visited May 12, 2026).

¹² World Trade Organization, available at: <https://www.wto.org> (last visited May 12, 2026).

¹³ UNCTAD Commodity Stabilization Studies, available at: <https://unctad.org/topic/commodities> (last visited May 12, 2026).



Buffer stock mechanisms involve the purchase of surplus commodities when prices fall below predetermined levels and the sale of commodities when prices rise excessively. This mechanism attempts to maintain prices within a specified range and reduce market volatility. The International Tin Agreement and the International Natural Rubber Agreement are important examples where buffer stock operations were used to stabilise commodity prices.¹⁴ In the case of India, rubber producers in Kerala benefited from price support measures introduced under the International Natural Rubber Agreement.¹⁵

Export quota systems constitute another major mechanism used by ICAs. Under this arrangement, producing countries agree to limit exports according to allocated quotas in order to prevent oversupply and maintain stable prices. The International Coffee Agreement of 1962 successfully implemented export quotas covering a large proportion of world coffee trade.¹⁶ These quotas protected producers from sharp price declines and provided greater predictability in export earnings.

Multilateral contracts represent a third mechanism in which producer and consumer countries enter into long-term agreements regarding commodity prices and supply commitments. Such arrangements reduce dependence on volatile spot markets and provide greater stability for both exporters and importers.

In addition to price stabilisation, ICAs also seek to ensure fair trade practices, promote market regulation, and support economic development in commodity-dependent countries.¹⁷ By reducing price uncertainty, these agreements enable governments to undertake long-term development planning and protect vulnerable farming communities from severe economic distress.

International Commodity Agreements and Developing Countries

Developing countries have historically been highly dependent on primary commodity exports for economic survival. In many Least Developed Countries (LDCs), commodities account for a substantial percentage of export earnings and rural employment. However, commodity-dependent economies face several structural problems including unstable prices, declining terms of trade, weak bargaining power, and vulnerability to external economic shocks.¹⁸

The Prebisch-Singer hypothesis demonstrated that over time, prices of primary commodities tend to decline relative to manufactured goods.¹⁹ As a result, developing countries exporting raw materials often experience worsening trade conditions and increasing economic dependence on industrialised nations. Commodity price fluctuations also create serious balance-of-payments problems and undermine developmental planning.

ICAs were viewed as instruments capable of reducing these inequalities by stabilising prices and strengthening producer bargaining power.²⁰ Through mechanisms such as quotas and buffer stocks, developing countries sought to secure fairer returns for their exports and reduce excessive dependence on developed consumer markets.

¹⁴ Association of Natural Rubber Producing Countries, available at: <https://www.anrpc.org> (last visited May 12, 2026).

¹⁵ Rubber Board of India, available at: <https://rubberboard.gov.in> (last visited May 12, 2026).

¹⁶ International Coffee Organization, "International Coffee Agreement 2007," available at: <https://www.ico.org/documents/cy2017-18/icc-122-11e-ica-2007> (last visited May 12, 2026).

¹⁷ UNCTAD, "Commodity Dependence: A Twenty-Year Perspective," available at: <https://unctad.org/topic/commodities/commodity-dependence> (last visited May 12, 2026).

¹⁸ Raúl Prebisch, *The Economic Development of Latin America and its Principal Problems* (1950).

¹⁹ Hans Singer, "The Distribution of Gains Between Investing and Borrowing Countries," (1950) 40 *American Economic Review* 473.

²⁰ UNCTAD Commodity Reports, available at: <https://unctad.org/topic/commodities> (last visited May 12, 2026).



However, the effectiveness of ICAs has remained limited due to several factors. Many agreements suffered from inadequate financial support, lack of cooperation among member states, and resistance from developed countries that preferred free-market policies. Technological innovations and synthetic substitutes further weakened traditional commodity markets. Additionally, commodity agreements often excluded several important products exported by developing countries, thereby limiting their overall effectiveness.

The rise of speculative commodity trading and global value chains also reduced the share of profits received by primary producers.²¹ Small farmers in developing countries frequently receive only a small portion of the final retail value of commodities sold in international markets. These structural inequalities continue to affect developing economies despite the existence of commodity agreements.

India's Experience with International Commodity Agreements

India represents an important case study in the analysis of International Commodity Agreements due to its large agrarian economy and extensive participation in global commodity trade. India is a major exporter of tea, coffee, spices, rubber, cotton, and sugar, and millions of people depend upon these sectors for employment and livelihood.²²

India actively supported producer-oriented commodity arrangements during the UNCTAD era and participated in several important commodity agreements. The International Sugar Agreement helped Indian sugar producers by regulating export markets and reducing the adverse impact of subsidised exports from developed countries.²³ Similarly, the International Natural Rubber Agreement provided price support mechanisms that benefited rubber growers in Kerala.²⁴

Despite these benefits, India has also experienced the limitations of commodity agreements. Tea and spice producers have continued to face significant price instability due to global oversupply and weak international coordination.²⁵ Commodity price crashes have created severe economic distress in plantation regions such as Kerala and Assam, affecting small farmers and rural communities.

India's position within the WTO framework has further complicated commodity governance. India has consistently advocated for food security, public stockholding, and Special and Differential Treatment (SDT) provisions for developing countries.²⁶ However, WTO disciplines under the Agreement on Agriculture have restricted several forms of state intervention and commodity stabilisation measures.

In response, India has increasingly explored alternative approaches such as bilateral Free Trade Agreements, domestic commodity board reforms, and regional cooperation initiatives through platforms like BRICS. These efforts reflect India's attempt to preserve policy space while adapting to a liberalised global trade environment.

²¹ WTO, "World Trade Report 2025," available at: <https://www.wto.org> (last visited May 12, 2026).

²² Ministry of Commerce and Industry, Government of India, available at: <https://commerce.gov.in> (last visited May 12, 2026).

²³ International Sugar Organization, available at: <https://www.isosugar.org> (last visited May 12, 2026).

²⁴ Rubber Board of India Statistical Report, available at: <https://rubberboard.gov.in> (last visited May 12, 2026).

²⁵ Food and Agriculture Organization, "State of Agricultural Commodity Markets," available at: <https://www.fao.org/publications/soco/en/> (last visited May 12, 2026).

²⁶ WTO Ministerial Conference Documents, available at: https://www.wto.org/english/thewto_e/minist_e/minist_e.htm (last visited May 12, 2026)



Impact of the WTO on International Commodity Agreements

The establishment of the World Trade Organization (WTO) in 1995 significantly altered the functioning and relevance of International Commodity Agreements. WTO agreements such as the Agreement on Agriculture (AoA) prioritised market liberalisation, reduction of subsidies, and removal of trade barriers.²⁷ Several traditional ICA mechanisms including export quotas, buffer stocks, and domestic price support came to be viewed as trade distortions.

Developed countries continued to provide substantial agricultural subsidies under permissible categories, while developing countries faced restrictions on domestic support measures. This created an imbalance in global agricultural trade and weakened the capacity of developing countries to protect vulnerable farming sectors.

The WTO regime also reduced the importance of collective commodity regulation by encouraging open market competition and private sector participation. As a result, many commodity agreements either collapsed or transformed into limited surveillance arrangements without effective market intervention powers.

For India, WTO obligations have generated significant policy challenges in areas such as public stockholding, minimum support prices, and agricultural subsidies. India has repeatedly demanded greater flexibility for developing countries and has criticised the unequal structure of global agricultural trade. WTO Ministerial negotiations continue to reveal deep disagreements between developed and developing countries regarding commodity governance and food security concerns.

Conclusion and Suggestions

International Commodity Agreements were originally conceived as instruments for stabilising commodity markets and protecting the economic interests of developing countries. These agreements sought to address structural inequalities in global trade by regulating supply, stabilising prices, and ensuring fair returns for commodity producers. Institutions such as UNCTAD played a significant role in promoting producer-oriented approaches and strengthening the bargaining position of developing countries.

However, the effectiveness of ICAs has gradually declined due to inadequate financial support, political disagreements, technological changes, and the rise of market-oriented trade liberalisation under the WTO. Many developing countries, including India, continue to face severe commodity price instability, unequal bargaining power, and economic vulnerability despite the existence of international commodity frameworks.

The study concludes that although traditional ICAs may no longer operate in their earlier form, the need for international commodity regulation remains highly relevant in the contemporary global economy. Climate change, global supply chain disruptions, speculative trading, and economic inequality have once again highlighted the importance of cooperative commodity governance.

To strengthen the effectiveness of commodity governance, greater flexibility should be provided to developing countries under WTO rules for implementing public stockholding and price stabilisation measures. South-South cooperation among commodity-producing countries should be strengthened through regional and multilateral arrangements. India should promote producer alliances relating to tea, spices, rubber, and agricultural commodities through regional frameworks such as BRICS. The Common Fund for Commodities

²⁷ World Trade Organization, "Agreement on Agriculture," available at: https://www.wto.org/english/docs_e/legal_e/14-ag.pdf (last visited May 12, 2026).



should receive greater financial support to enhance market stabilisation and commodity development programmes.

In conclusion, International Commodity Agreements remain important instruments for achieving equitable international trade and protecting vulnerable commodity-dependent economies. Although their traditional structures require reform, renewed international cooperation and balanced trade governance can help restore their relevance in the contemporary global economic order.