Pioneering multilateralism: the sugar agreements 1864 – 1914

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PIONEERING MULTILATERALISM: THE SUGAR AGREEMENTS 1864 – 1914[1]

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ABSTRACT

This paper examines the negotiations which led to the Brussels Convention of 1902 for the abolition of subsidies on sugar exports, showing how the practice of multilateral commodity trade negotiations was an outcome of this experience. Encompassing diverse fiscal systems, these negotiations began a process of pluri-national harmonization of taxation criteria and regulations, which forced changes to national statutes. They also initiated new forms of economic negotiations and coexistence. When war broke out in 1914, undoing agreements and inaugurating a new era of strict government control of economic activities, multilateralism had been established as a conceptual alternative and a practical possibility.

KEY WORDS: SUGAR TRADE, MULTILATERAL AGREEMENTS, TARIFFS, EXPORT BOUNTIES

TOPICS

The negotiations regarding the international sugar trade, which occured since the 1850s, directed towards establishing multilateral agreements among exporting and importing countries, created one of the oldest multilateral forums for regular negotiations, and certainly the first which attempted to

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organize the international trade of a single commodity. Though negotiations on themes such as navigation rules, postal system, intellectual property and patents took place during the century, the inter-governmental agreements on commodities would only appear after the crisis of the 1920s and 30s, to multiply themselves after World War II and the creation of the United Nations. From the end of the XIXth century on, various producer cartels would also be formed, but these private agreements only among producers cannot be classified together with sovereign multilateral negotiations[2].

We discuss in this paper how the fiscal difficulties of European beet-sugar producers, opposed to the interests of British consumers and refiners, as well as to those of the sugar producers of the British colonies, forged, during negotiations which lasted almost a century, the bases for the present multilateral systems which organize commodity trades.

DOMESTIC SUBSIDIES AND FOREIGN COMPETITION

During the 8 decades between the 1830s and the outburst of the *Great War*, almost all European countries embraced the opportunity of developing sugar beet culture and their own native sugar industry. To this end, they established successive fiscal policies for sugar, which involved a wide gamut of custom tariffs, taxes on the production of sugar or its raw-material, drawback exclusions, direct or indirect subsidies for transportation, production or export[3]. These rules brought advantages, at times to colonial interests, at others to metropolitan interests; some favored farmers, others benefited producers or refiners. All these regulations were cyclicly modified, cancelled or reinstated, on the waves of political events, pressure from interested parties, and, mainly, in consequence of the continuous international negotiations involving the sugar sector[4]. England, as the largest sugar importer and consumer in the world, took the initiative in various attempts at international agreements on taxation and trade of sugar. Amidst the century-long debate on free-trade, British policy in favor of the abolition of subsidies faced repeated attacks from those who defended the continuation of foreign subsidies.

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[2] The General Postal Union Agreement (1874) and the Union of Paris (1883) during the XIXth century, and the agreements on tin (1931), tea (1933), rubber (1934), copper (1936), wheat (1949), coffee (1957-1962), oil (1960), banana, jute, bauxite, iron ore and manganese during the 1970s.

[3] *Drawback* here will refer to the reimbursement of duties charged on the importation of raw sugar, when the refined product is exported.

[4] See, for example, (Griffin 1902; Martineau 1904; 1912a; 1912b; 1912c; Molinari 1906; Pigman 1997; Priaux 1910; Renouard 1894a; 1894b).

In times when foreign trade policies were based on bilateral agreements, centered on most-favored-nation clauses (Cioli 1938:79; Hornbeck 1909a; 1909b), the 1864 Convention of Paris can be considered as pioneering agreements involving a single product. It brought together, besides Great-Britain, the three largest European sugar exporters: France, Belgium and Holland, which had produced, during 1860-64, circa one third of the world production of beet sugar and a little less than one tenth of total world production, if we include cane sugar[5].

After negotiations dating from 1851, the final conference met in 1864 due to an initiative of the French government, to deal with the most pressing problem of the sugar business: the growing competition through export bounties, which favoured British consumers at the expenses of enormous fiscal expenses in the producing countries. Leaving aside, for lack of consensus, the original English proposal of completely suppressing export bounties, the Convention fixed as its objective “to establish uniform drawback rates to be paid by the governments of France, Great Britain, Belgium and Holland on exports of refined sugars (...) without benefit to the producer through the bounty...”. The agreement was able to fix, for ten years, a list of raw sugar categories and their industrial yield, to be used in the drawback calculations[6].

Some common rules to equalize the advantages offered in each country were also agreed upon, the most relevant of which was the understanding of establishing maximum import tariffs equal to the drawback received on the product's exportation. Each country would be free, though, to determine its own level of duties. Holland and Belgium were allowed to maintain their existing tax systems, which made it difficult to calculate the effective tax on the final product. French industry actually benefitted from this more liberal regime, growing during the following years, but the questions of bounties was far from resolved (Renouard 1894b; Smart 1887:80).

Various attempts then took place, in the three producing countries, to balance taxation and its collection, so as to preclude that refineries retain part of the taxes paid by consumers and benefit from reimbursements from exports greater than what was actually paid on the importation of raw sugar. The

[5] Based on data from (Deerr 1950:492-8).

[6] Objectives quoted in (Smart 1887). The yield parameters agreed upon during the 1864 conference, known as the Dutch Standard, were soon shown to be incorrect during practical tests. In the conferences held from 1873 to 1875, the French and Belgian delegations each proposed a different formula based on degree of polarization; the Dutch suggested a method based on washing with alcohol, while the English were contrary to any analysis, which they suspected would be manipulated. They prefered a warehousing sytem, through which sugar to be refined would not pay entry duties, thus avoiding drawback on export (Deerr 1950:506).

French government, though, was unable to approve in Parliament a taxation system equitable to beet-sugar producers and refiners (Martineau 1904:35; Renouard 1894b:940).

In the 1876 conference, Prussia and Austro-Hungary – already important exporters – and Italy were invited to participate in the agreement under discussion, which they refused. France and Holland agreed to establish refining under supervision; England, not having any import duty, agreed to institute such a regime, should a tariff be reinstated; Belgium, under the pretext of its small export volume and on having a wide-spread refining park, which made supervision difficult, maintained the existing test system (Smart 1887:82-3). France was able to vote a law establishing the unified control regime for refineries and producers-refiners, but this law was never implemented, as the Dutch Parliament refused the convention, proposing that any signatory could, alternatively, adopt the Belgian system. There were strong reactions to this possibility in France, which closed negotiations and nullified the recently-approved law.

Having reduced the level of economic activity and also that of French foreign trade, provoking a reduction of public revenues, the military defeat and political crisis of 1870 contributed decidedly to accelerate the return to a protectionist tariff policy. Customs revisions during the 1870s lead, in 1881, to a new, more protectionist, tariff (Cioli 1938:219-220).

With the disappearance of the old exclusive colonial arrangements and the upsurge of national beet-sugar industries, the European consumer market benefitted from various supply alternatives, both domestic and foreign. The fever of subsidies to production and exportation of sugar spread, impelled by the search for buying markets (mainly in England), which were expected to generate revenue for rural beet producers, in the wake of the strong agricultural crisis of the 1870s and 80s, caused by the competition of imported grain from non-european origins (Crowell 1899; Timoshenko & Swerling 1957). These countries rapidly obtained large productions, which, by 1883, had created enormous excess stocks and a fall of prices by one third.

On the other hand, within its policy of bringing about free-trade through unilateral reduction in tariffs, Great-Britain cut sugar import duties as of 1845, eliminating them completely between 1874 and 1901 (Mathias 1983:274-5; Timoshenko & Swerling 1957:237). The reduction in sales of British West Indian sugar, as well as in freights for its merchant fleet, due to these new European sources of refined sugar, was felt by these British groups. After new conferences in 1875 and 1877, this latter frustrated in good measure by English refusal to accept a clause punishing subsidized sugar from non-signatories, the polemic on sugar bounties grew in England (Martineau 1904:36). The British government then proposed a new conference directed to their suppression, in which its disposition for negotiation would once again be put the test. The economic *Zeitgeist*, though, had turned, with the continent immersed in another protectionist wave, while British intention ran against the current[7].

With the initial presence of delegates from a greater number of countries, there occured various meetings in London. Besides, France, Belgium, Holland and Great-Britain – parts to the 1864 Convention – other important producers – such as Austria-Hungary, Russia and Rumania – as well as smaller one, without exports – such as Danemark, Sweden, Spain and Italy – came. A partial agreement was only reached the following year, in 1888, even then with the abstention of France and Austro-hungarian reserves (Priaux 1910:47-8; Renouard 1894b:942). Even with these major absences, the signatories were much more representative of the trade, having produced, during 1883-87, more than four fifths of world beet sugar, which corresponded to two fifths of total sugar[8].

The efforts of these countries, though, was in vain. In 1889, British free-trade proponents, organized in various intellectual-political societies and with the support of sugar-consuming industries, who feared the increase in price once the possibility of importing bounty sugar disappeared, were able to prevent the approval of the agreement by Parliament, against government policy, the West Indian sugar-cane lobby and British refiners (Martineau 1904:195-6; Pigman 1997). There was no embarassment at the ideological contradiction of defending the maintenance of foreign subsidies, through the argument that these subsidies favored British consumers.

THE TURN-OF-THE-CENTURY CRISIS

While closing a debate of various decades in France, and shifts in taxation which favored sometimes colonial, sometimes domestic sugar, the law of July 1884 changed the sugar fiscal system, leaving free the final product, to tax beet entering sugar industries on its weight, through a system similar to that which, since 1841, had proded German producers to greater efficiency. As increases in industrial and even in agricultural effiency led to greater profits, the industry rapidly prospered. Government also benefited from increased revenues from the sugar industry. These grew on average 2,8% a year between 1883 and 1895 (Quillard 1931:15).

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7 Protectionist policies appeared during the 1870s in France, in 1877 in Spain, in 1878 in Austria-Hungary and Switzerland, in 1879 in Germany, in 1882 in Belgium. Holland, with a tradition in transit trade, continued to follow the British example of free-trade, even after the continental protectionist backlash. Portugal, on the other hand, never established more liberal tariffs, even increasing its customs protection in 1880. Russia also maintained its protectionist policy, which reaches a climax in 1890 (Cioli 1938:220-246).

8 From data in (Deerr 1950:492-8).

Germany (in 1888) and Austria-Hungary (in 1892) also reformed their old regulations, taking away production incentives, taxes on the weight of beet or on the power of machinery, substituting for explicit bounties and taxes on the final product. The simplification seemed a movement towards the expected suppression of subsidies. In fact, Austria-Hungary calls in 1895 for a new conference aiming to do away with bounties, but faced with strong public opposition it immediately cancels the invitation. Soon afterwards Germany passes a law imposing what was considered at the time as a "war bounty", increasing its subsidies, but authorizing its government to reduced it or even eliminated it, should other producers do the same. Two months later, Austria-Hungary follows suit, doubling amounts to be distributed in direct bounties to exports. The German attempt to take away these bounties in 1897 was frustrated by the difficulties suffered by wheat farmers due to cheap imports of American grain, which only helped underline the necessity of greater support for the alternative sugarbeet culture (Martineau 1904:38; Pennock 1935:19).

France reacts, increasing import duties and, nine months later, also establishing direct bounties on exports. The aim was clearly to position the country for the expected future international negotiation: to defend the new law, the French prime-minister stated its purpose as "*de nous assurer des moyens de négociation en vue de la réunion d'une Conférence internationale*" (Priaux 1910:52).

During the four seasons beginning in 1897/98, this measure effectively stimulated a 26% increase in production, over the previous five-year average. Volumes resulting from this surplus were totally sold abroad, increasing French exports during this same period by 64% (Priaux 1910:50-54). During these years, Belgium and Great-Britain made efforts for all countries to return to the negotiating table, which only occured in early 1898. Considering the expectations of producers of obtaining gains from their recently-passed protectionist regulations, and faced with the insistent British refusal to accept the inclusion of a penal clause, it was not possible to arrive at any agreement. Effectively, in 1901, continental producers depended on exports to sell more than half of their output: Germany 57%, Austria-Hungary 63%, France 67% (Timoshenko & Swerling 1957:65).

It is important to remember that, during theses last decades of the century, while British beet-sugar imports increased, refiners in Great-Britain lost their share of domestic market. Between 1870 and 1897, they processed practically the same volumes of sugar, while their share in total consumption of the country fell from 85% to 40%. Already by 1887, analysts were identifying bounties as the great enemy of English refiners, who did not obtain sufficient margins to outprice continental subsidies (Smart 1887:36-7). In the 15 years until 1899, 17 of the 29 refineries existing in 1884 had closed their doors. In 1896, the share of refined beet sugar in total British imports reached about 48%, having increased, during the previous five years, in 9 percentual points, growing at a rate of 6,2% per annum, while total importations increased only at 2,5% a year (Crowell 1899:96-7).

One of the old points of controversy, which had led England to refuse previous agreement proposals was the mandatory promulgation, in all signatory countries, of regulation imposing countervailling duties on sugar imported from countries which offered export bounties. This point of honor for British patrons of free-trade, however, was overrun by events. Since 1890, through the McKinley Bill, the United States were charging a conpensatory duty of 1/10 cent per pound on sugars favored by export subsidies. This tariff is maintained in the Wilson Bill of 1894, and, in 1897, the Dingley Bill imposes compensatory duties equivalent to 100% of the export bounty[9].

In 1899, the British government itself establishes, against India, compensatory duties on sugar exported with subsidies, in what was considered as a test of political reaction in England. This regulation is confirmed by Parliament, with a majority above that commanded by the government (Griffin 1902:42). Though it brought diplomatic reaction from Russia, with whom Great-Britain had a trade agreement with most-favored-nation clause, the measure did not generate major political ou commercial repercussions (Chalmin 1990:38; Mayo 1944:21; Pigman 1997:195).

THE SUGAR CARTELS

During the early 1890s, the cartels of sugar producers appear, first in Austria-Hungary, then in Germany. These associations would generate sufficient negative reaction to provoke a change in the negotiating attitude of the French and the British, thus making it possible to arrive at an international agreement. The cartels were incorporated as commercial companies with the explicit objective of "artificially elevating the price of sugar in the internal market, and restraining its depreciation"[10]. They included the great majority of producers and refiners, guaranteed a fixed price for the raw sugar, and determined as selling price on the market the highest price which made competition from foreign sugars, subject to high import duties, impossible.

Tolerated by governments possibly for their healthy effect on public finance, as they transfered all the financial burden to consumers, at a time of little worry with inflation indexes, the cartels were able to maintain domestic prices 40% above international prices in Germany and 30% in Austria-Hungary, producing profits to producers higher than those obtained from direct government subsidies. Priaux

[9] (Mayo 1944:21). It should be noted that the North-American system of compensatory duties was copied later by the Permanent Commission created by the Convention of 1902 (Pigman 1997:200).

[10] Article 2nd of the By-Laws of the German cartel, quoted by (Priaux 1910:63).

mentions calculations, for the 1900/01 season in Germany, of export bounties, already deducted taxes, amounting to 37,8 million Francs, against 92,1 million received as profit by the cartel, that is an advantage 140% greater than the bounties (Martineau 1904:39; Priaux 1910:65-6).

Since 1887, Russian producers had established a similar cartel (*Normirofka*), in which they agreed to direct to the domestic market only 90% of the average production of the previous five years (the *norm*), while the remainder had to be exported. There were rapid internal price increases (by over 35%), with consequent high profits, while exports were carried out with loss. In 1895, when recently-built factories refused to enter the cartel, government took over control of the industry, imposing a similar organization on all (Griffin 1902:23-4). The Russian system was more long-lasting than the German and Austrian, undone by the 1902 convention, and, in 1912, George Martineau still attack the theme[11].

Besides increasing domestic prices, the cartels induced large expansion in production, inevitably destined for export. In 1901/02, the overprice paid internally on each ton was sufficient to pay the bounty on 2,1 tons exported by Austria and 1,5 tons exported by Germany[12]. The low price offered abroad by cartel exporters was already perceived at the time as resulting more from gains with cartel overprice, than with export bounties (Cozens Cooke 1907:319).

The consequent invasion of markets provoked drastic reactions. In the 25 years from 1875 to 1900, exports from British Caribbean to Great-Britain were reduced by almost 80%[13]. From a share of 70% of British sugar imports in 1870, cane sugar fell to 9% by 1900 (Pennock 1935:18). The effect was devastating for all sugar-growing colonies: while their exports in general increased at an yearly rate of 1,5% during the almost three decades from 1882-84 to 1910-12, their sugar, molasses and rum exports fell at 1,8% p.a.. Jamaican producers even planned the island's annexation to the United States, which created the expected commotion in England.

From a more attentive historical evaluation, though, the decadence of sugar production in British West India, begun with the abolition of slavery and aggravated by the Sugar Act of 1846 (which cut protection for colonial sugars), and certainly accelerated by the reduction of metropolitan purchases,

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[11] "Russia now remains the only bounty-fed country, with a Cartel bounty as big as those of Germany and Austria, organized and carried out most strictly by the Russian government. (...) The Permanent International Sugar Commission at Brussels has just missed an admirable opportunity (...) of forcing Russia to give up this mischievous and now quite unnecessary stimulus to over-production. For this we have, in great measure, to thank our present Government, whose idea of Free Trade is the encouragement and fostering of bounties – not for our own industries, but for those of foreign countries." (International Sugar Journal 1912:138)

[12] Calculations on data in (Martineau 1904:39).

[13] From an annual average 212.000 long tons in 1875-79, they fell 78% to 47.000 tons *per annum* in 1900-04. Data by Ph.Chalmin in (Pigman 1997:196).

was not due exclusively to the competition of subsidized beet sugars[14]. The high cost of the local product, the technological lag between the Caribbean sugar industry and those of Java and Cuba, and the loss of the North-American market were negatives factors possibly more relevant than European bounties (Cozens Cooke 1907; Curtin 1954)[15].

Colonial demands for tariff preference in Great-Britain were reafirmed during the Colonial Conferences of 1897 and 1902, and the inclusion of a penal clause was formally proposed in the Congress of Chambers of Commerce in 1900. Following the stance favored by its electorate, the government began to incorporate these concepts into British commercial negotiations. The British concession of preferences to Canada in 1897, even in violation of commercial treaties with Belgium and Germany, constituted an important precedent (Martineau 1904:38; Pigman 1997:197). When Great-Britain abandons in 1901, for the first time since 1874, the policy of non-taxation of sugars, and establishes a duty on its importation to finance the Boer War, the progression of debates already had altered the predisposition of groups contrary to the fall of bounties, which allowed negotiations to be carried on (Chalmin 1990:38-9; Priaux 1910:56-70).

In France, on the other hand, the Penal Code explicitly prohibitted the formation of associations similar to cartels (Priaux 1910:68). The weight of subsidies on public finance also became clear to all, bringing opinions closer to a new agreement. The payment of subsidies on the 1899/00 harvest reached 21 million Francs, up from an average of 12 million during the three previous seasons[16]. In October 1900, faced with the British menace of establishing compensatory duties and preference for sugar from its colonies, the representatives of France, Germany and Austria-Hungary met in Paris to hear that France agreed to abolish its direct subsidies and reduce indirect ones, should the others relinquish their export bounties. Known as the Protocol of 1900, this agreement opened the way for a larger conference, called by Belgium for end 1901 (Priaux 1910:67-70).

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[14] Even before the abolition of the trade and the emancipation of slaves, the British Caribbean industry showed signs of backwardness (Batista Jr. 1980:217-8).

[15] It is interesting to remember some of the arguments offered: "The cause of the failure if the West India sugar industry (...) is ultimately a question of men. The West India planter lives in a climate which is sufficiently healthy to permit the rearing of white children, but insufficiently stimulating to create an enterprising and energetic race. The Creole looks to take life easily. (...) His blood – corrupted by the climate – forbids exertion. (...) It is this absence of entreprise that is killing the West India sugar industry, not Continental bounties." (Cox 1902)

[16] (Priaux 1910:125). Crowell, however, mentions a total of 652 million Francs paid in bounties by France during 12 years (possibly for 1886-97), that is, an annual average of 54 million Francs (Crowell 1899:99). These numbers can be compared to 16 million Francs annually pre-1860 (Renouard 1894a:576).

THE BRUSSELS CONVENTION OF 1902

The conference which would result in the first comprehensive multilateral agreement between exporting and importing countries seeking to regulate in common benefit the international trade of a single commodity convened from December 1901 to March 1902[17]. They agreed, to that end, in changing their national laws, against domestic interests, and to create a specific administration, whose decisions would compel all contracting parties. National sugar companies would be subjected to permanent control of this foreign commission. When we examine these conditions within the complex and conflictuous context of ideologies and international relations prevailing at the time, the pioneering character of the Brussel Sugar Convention in harmonizing fiscal concepts and in juggling with national interests stands out (Reinsch 1907:603). Culminating a long process of negotiations, the Convention had apparently only reached "the consequences of a development which had preceeded it, and which it completed" (Dillner 1942:74-5). Other scholars, though, saw in the conditions of the agreement and in the institution of an international structure more than a continuity, rather an example to other industries.[18]

All large European producers of sugar accepted the Belgian invitation, with the exception of Russia, who maintained itself apart from negotiations under the pretext of not paying direct or indirect bounties, thus safeguarding its protection scheme (Priaux 1910:73). However, it did not miss the opportunity of sending diplomatic representatives to expose their reasons to the participants in the conference, in a succesful attempt to avoid future retaliation (Pigman 1997:197). Besides France, Belgium, the Netherlands and Great-Britain, Germany, Austria-Hungary, Italy, Sweden and Spain (who did not ratify it) signed the Convention in March 1902. Luxemburg (1903), Peru (1903) and Switzerland (1906) entered later. Russia would join in 1907, under special conditions, as we will see further on. Romania was present at the conference but did not sign the agreement.

Signatories represented, during the 1901/02 and 1902/03 seasons, just before the conference, 77% of world beet sugar production and 40% of total sugar production. During the first period of the

[17] (Mont'alegre 1976:127, 177). Edward Mason, in a report on cartels and agreements, right after World War II, said: "The Brussels Sugar Convention of 1902 provided a model for reduction of trade barriers and subsidies to high-cost production, by international agreement." (Mason 1946:139) Pigman writes: "The compromise treaty package that was agreed established for the first time a multilateral trading regime, albeit for one commodity, that contained many of the elements that would become standard in the General Agreement on Tariffs and Trade (GATT) and other later twentieth-century liberal trade regimes. (Pigman 1997:199)"

[18] "*Instituant cette commission et en lui conférant ce pouvoir, [les nations] n'ont pas plus diminué leur souverainété que les individus n'ont diminué la leur, en instituant un organe chargé de réprimer les abus de la liberté individuelle. En cela, elle ont crée un précédent qui pourra être utilement suivi pour remédier à d'autres nuisances internationales, à celle de la guerra par exemple...*" (Molinari 1906)

Convention, from 1902 to 1907, these shares fell respectively to 74% and 37%. From then on until 1913, with Russia's entry, they increased to 89% and 43%. Except for Spain (with 0,4% of world cane sugar production) and afterwards Peru (with 2,3%), all other participants only produced beet sugar[19].

The British delegation came instructed to demand the full abolition of all bounties and to fight for the non inclusion of mandatory compensatory measures (Pigman 1997:197-8). Another closed matter for the British was to finish with cartel operations, either through explicit prohibition or through the reduction of their economic margin of operation, making them unfeasible.

The first problem discussed was the definition of bounty, as many countries strove to maintain some of their subsidies outside the scope of the future agreement. There was, effectively, a great variety of subsidies. Germany kept direct bounties on exports; Austria-Hungary also did, though there were no unit amounts or fixed percentuals, with all exporters dividing a certain annual amount proportionally to their exports in the previous year. Belgium taxed the raw-material juice, offering a bonification on yield. In Holland, the Belgian-like tax had been abandoned in favor of sharing a fixed bounty, Austrian style. France had a double system, including direct bounties, which it proposed to abandon, and indirect subsidies to production, which it desired to leave untouched. Among these later, there were the *détaxes de distances*, established to make refining at the old cane-sugar refineries located on the coast feasible, now that their raw-material came by train or *péniches* from fields in the north of the country and not anymore by sea from the colonies.

Despite the German attempt to include in the negotiations internal subsidies awarded by producing but non exporting countries, these were considered relevant only to each of these countries, without consequence, thus, for the international market (Priaux 1910:72-4). Besides only selling sugar in their domestic markets, their total production in the three seasons prior to 1902/03 amounted only to 5,5% of world production[20].

The list of types of sugar subsidies which would be forbiden by the agreement included: direct bonifications to exports and production, tax exemptions, benefits from yields above fixed or excessive drawback parameters, as well as any advantage due to cartelization. The engagement of extinguishing these favors as of the effect of the agreement, and of not reinstating them, is determined already in the first article of the Convention. A relevant group of subsidies, usually granted without specification of a

[19] Calculations on data in (F.O.Licht 1962:67-9, 127-9).

[20] Calculations on data in (F.O.Licht 1962:68-9), refering to production in Sweden, Denmark, Italy, Spain, Serbia, Rumania, Bulgary, Greece and Switzerland.

product, but which certainly also favored the sugar industry, remain outside the scope of the agreement. These included domestic incentive to investment, to production, to marketing and transport[21]. The (gray) boundary which would delimit the convention's sphere of influence as to fiscal policies was drawn. So as to avoid fraud, a permanent control regime, called the *régime de l'exercise* by the French and the *Fabrikatsteuer* in Germany, was instituted in Article 2.

The obligation of a penal clause against countries which kept ou reinstated bounties on exports opposed Great-Britain to the other members of the conference. The British government intended to avoid the inclusion of such retaliation, through the possibility of prohibiting import of such sugars, thus establishing alternatives in its relations with countries with which Great-Britain had signed agreements with most-favored-nation clauses. To undermine the possibility of non signatories benefitting from market situation created by the observance of the Convention, it established, in its Article 4, the obligation of signatories to impose compensatory duties equivalent to identified bounties, additionally specifying possible blocking of the importation of such products.

To be compensated, however, these subsidies would have to be calculated. A permanent commission with technical functions was thus created. It would be responsible for all research on regulation and statistics, besides verifying *in loco* compliance with the terms of the Convention (Art.7). Though having received specific attributions, limited to collecting information and preparing reports for the members, this permanent commission was widely criticized, both for being the first international body with rule over activities until then exclusively specific to sovereign states and for the commercial difficulties inherent in these attributions. Austria-Hungary obtained the distinction of participating both jointly and as separate parties, thus doubling their representation in the Commission. Great-Britain considered that the Commission, when bring up suspicion that no signatory countries paid export bounties in fact hindered sugar import from those countries. By reducing the offer of the product, this blockade would be artificially increasing prices in England[22].

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[21] Cozens Cooke lists some examples: low maritime freights by the Austrian Lloyd, which permitted its sugar to reach India with a discount; the French *détaxes de distance*; and Australian incentives for the use of white labor. He also questions if a direct imperial subsidy to the Caribbean industry differs from export bounties (Cozens Cooke 1907:317). Actually France obtained from the conference the right to maintain its incentives on molasses and freights under the argument that they simply corrected internal cost distortions. Griffin mentions other cases of subsidies, such as the annual transportation of temporary workers from Prussia and Silesia to harvest in Saxonia, in the migration known as *Sachsengängerei* (Griffin 1902:22).

[22] "*Un défaut de son organisation fut peut être d'avoir mis face à face en son sein, deux camps ayant les intérêts les plus opposés: les délégués des pays exportateurs voulaient voir partout des primes, ceux des États "pénalisateurs" désiraient au contraire être plus coulants. Chacun tirait de son côté et l'Angleterre s'en plaignit. Elle dit que la Commission permanente écartait tous les sucres autres que ceux des pays contractants; qu'elle voulait isoler son marché sur lequel, l'offre étant*

In exchange for accepting the obligation of compensatory duties, Great-Britain demanded the abolition of cartels. The matter, considered as unnegotiable by the Austrians, with German support, was discussed last (Priaux 1910:88). Faced with the strong refusal of the Germanics even to discuss the subject, the British representative announced that his government had decided, should the conference not arrive at an agreement, to propose "the measures it consider necessary to resolve the situation", meaning that Great-Britain would increase its import duties, while maintaining colonial preference, a condition which would take away from Austrian and German sugar the possibility of competing in England. Considering that Britain was the main market for all exporters, Germany and Austria-Hungary finally yielded.[23]

The Brussels Convention was thus the first successful attempt by a group of countries to attack the problem of cartels (Notz 1920:676). Instead of a nominal proscription, with its inherent conceptual and practical difficulties, the conference prefered to make the formation of cartels economically unfeasible, by determining a maximum differential between internal taxes and import duties. The greater this difference, the greater the margin for operation givern to cartels to increase domestic prices, and thus to obtain its monopolistic revenue without facing foreign competition from imported sugar. This amount was finally established by Article 3 at 6,00 Francs for refined sugars and at 5,50 Francs for raw sugars. This was equivalent to circa 10% of prices to consumers in France after the Convention.

External intervention on the regulation of a domestic economic activity – though restricted to the obligation of not creating export bounties and of imposing compensatory duties on sugars so subsidized – was the object of many inflamed speeches, which represented the powers of the Commission as contrary to national sovereignty (Mansfield 1905:2; Molinari 1906). In fact a contemporary legal analysis stated that "Reversing ideas until now admitted in the matter of sovereignty, the Brussels Convention created above the contracting States a true international authority invested of specific powers. (...) Thus, the signatory States waived their rights to legislate freely on this matter." This point

réduite, les cours montaient. C'est là un défaut d'organisation, qui n'est pas imputable à la Commission permanente elle-même, mais à la façon dont elle est composée, et on ne pouvait d'ailleurs pas y parer." (Priaux 1910:85)

[23] "It became clear to the other conferees that Britain was negotiating at what Westminster regardes as a genuinely critical moment for the economies of the West Indian colonies and was prepared to impose colonial preferences on their behalf, even at the expense of low-priced sugar for British consumers and sugar-using industries. (...) As the conference encountered delays, Lansdowne warned in late February 1902 that if an agreement was not reached, the upcoming annual budget would contain subsidies for colonial sugar. (...) German negotiator Baron von Thielmann argued to Reichstag deputies, who feared that British colonial preferences on sugar would edge German sugar out of the Bristish market, that only by signing the proposed sugar convention could Germany avoid British colonial sugar preferences." (Pigman 1997:198-9)

reflected for the autor "a step ahead in the march of men towards the organization of international society"[24].

In 1906, when a liberal government came into power in England, defeating the conservatives who had conducted the process of the agreement, the decision of abandoning the Convention was rapidly taken. Already by March 1906, the new government had spoken against the Convention and, without further attention to colonial interests, it declares that Great-Britain will leave the agreement as of September 1908 (Pigman 1997:201).

Though resented the West Indian producers did not dispose any more of their old political clout, for, while world production grew, that of the Caribbean had stagnated. Effectively, between 1901/02 and 1906/07, world cane sugar production had increased by 23,6%, while that of the British West Indies only 2,2%. British Guiana had reached 14,4%, which were still small in comparison with the[25] dinamic producing countries of the time: Cuba (+70%), Java (+33%) and Mauritius (+45%). Besides that, West Indian exports to Great-Britain represented, in the five years 1900-04, only 7,0% of British imports of raw sugar and 2,9% of total sugar imports, down from 22,1% of raws and 26,3% of total sugars in 1875-9[26]. After mentining the advances of North-American investors in the Caribbean and in Hawaii, summarizes: "Cane sugar, as a whole, has done well in retaining so large a share of the world's markets for itself; if the West Indies have not shared in the general advance they must seek for particular reasons to explain their isolated fortune." (Cozens Cooke 1907:323)

In August of the same year, the additional act extending the Convention for another 5 years, as of September of the following year (1908), is signed, releasing England from the obligation of imposing compensatory duties on subsidized sugars. The result of this exception in British favor was correctly seen as an opening for "exotic sugars" in the British market.

When the Convention entered into force, consumers and producers in France had been favored, against fiscal revenues; in Germany, the government and producers lost revenue to consumers; and in Austria-Hungary, consumers benefitted from the intire loss of producers, as government did not change is tax rates. Relatively one to another, prices received by producers in the three countries came together, until

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[24] (Politis 1903) as quoted in (Brasil. Ministério Da Fazenda 1904).

[25] Calculations on data in (F.O.Licht 1962:129).

[26] Calculations on data mentioned by (Chalmin 1990:27-8), based on statistics of the Board of Trade, which only registered imports of 4 areas (London, Liverpool, Clyde and Bristol), not accounting for smaller ports such as Hull, Goole, Leith, Dundee and Aberdeen, which were responsible for about 20% of the volume registered by the Board of Trade.

a maximum differential of 11% between France and Austria-Hungary. These prices would not remain for long, but new market structures had been established.

Price levels in England, though, would cause debates for many years, mainly as, right after the beginning of the Convention and for the next few years, periods of reduced offer would increase world prices temporarily. Even before its execution, however, a possible future agreement was already under attack by the argument that it would necessarily cause prices to increase, at least in amounts equivalent to the abolished bounties[27]. The Cobden Club, which congregated the more dogmatic defensors of free-trade, who were contrary to England's entry into an agreement to abolish bounties considered as beneficial to their countrymen, advanced a rhetoric amount of 8 million Pounds as the expected loss to the country, which was regularly repeated during the years preceding the Convention and even afterwards (Mansfield 1905:7).

Besides that, the advantages to British industry from lower-priced imports due to foreign subsidies were clearly demonstrated. The increase in consumption of sugar and of products containing sugar transformed Great-Britain into the world's largest national *per caput* consumption: 90 pounds in 1901, as compared to 66 in the United States, 29 in France and 28 in Germany and Holland. It is estimated that sugar-using industries employed about 250.000 people at the time (Molinari 1906). George Martineau sustained various debates on the subject and, in 1912, still wrote on the question of prices, informing that the average weekly price in the ten years prior to the Convention (1893-1902) was practically the same to that during the first five years of its existence: 10s 1d before, against 10s after, for sugar 88% FOB Hamburg (Martineau 1912a:72). Furthermore, he identifies the market reasons, such as harvest failure in Europe and in Cuba, which had caused price elevations during the period until 1911, without any interference from conditions created by the Convention (Martineau 1912a:75-6; Pigman 1997:201-2). Another analyst, Cozens Cooke, compared agregated price indicators with those of sugar, showing that the average price of sugar post-Convention was only a little superior to that during a similar previous period, that price fluctutations were smaller than those which had occured previously and that the trend in the increase of prices for other products was stronger than that of sugar prices (Cozens Cooke 1908:650-1).

[27] William Smart argued in 1887 against English participation in an eventual convention: "We have now to consider what possibilities are involved in our entering such a Convention (...) Sugar would at once rise to the extent that it is now kept below its natural level. The calculation...was that the average bounty is about 2s. per cwt...we may assume, then, that 2s. would be the rise in the price of sugar." (Smart 1887:94-5)

From the time of the debates on the 1887 agreement, refused by the British Parliament, until the exit of Great-Britain from the Brussels Convention, in 1912, a vigorous campaign was conducted in the press, in publications of political societies and in Parliament, against English participation in any agreement. Adherents to free-trade thesis joined refiners and users of refined sugar, in arguing the losses to British consumers from Britain's compliance with the terms of the Convention. Immediately after the entry into force of the agreement, there was a strong draught in all of Europe, during 1904, from which only Holland escaped. This dry period brought a reduction by 20% in continental production relatively to 1903. Reflecting this scarcity, the sugar price index in England jumped 34% (average 1904-05 over average 1901-02), while FOB Hamburg prices increased by 41%. Furthermore, already before the draught and the price increases, sugar consumption in Great-Britain had fallen, with the average for the three seasons 1902/02 to 1904/05 being about 14% lower than that for 1900/01 to 1901/02[28]. Consumption returns to previous levels during the following years, but the opponents of the Convention did not lose the opportunity, and the great public marked prices increases as a consequence of the agreement (Martineau 1912c:74; Priaux 1910:137). A contemporary commentator, despite recognizing the existence of 'market' causes for price increases, stresses that the restrictions of the agreement did accentuated problems (Cozens Cooke 1907:319).

BRAZILIAN AND ARGENTINE SUGAR

While Europe tried to put its sugar producing and consuming industries into new tracks, both the Brazilian and the Argentine sugar producers faced problems of excess production relatively to domestic demand. Apart from that, the two South American countries were involved in quite different contexts, conducted to distinct outcomes.

From the early 1880s to 1898, sugar exports from Brazil oscillated just above the 150.000-tons level, only some 6% above the long-term average since 1850. This secondary situation in international trade was due not only to backward Brazilian sugar technology, but certainly also to the general market conditions discussed above: excess beet sugar available for exports at bounty-fed prices, closure of the North-American market due to the economic and political preferences given first to Cuba then to American-grown sugar in continental United States and in its insular possessions, and thirdly increase in competition for the British market, from its colonial suppliers and from beet sugar. Sugar from Argentina encountered the same troubles after 1895, when it began to accummulate surpluses and

[28] Calculations on data from *Verzeichniss der Zuckerfabriken*, quoted in (Priaux 1910:136).

sought foreign outlets. Its exports, though, represented more of an escape valve to producers essentially dedicated to cover the domestic market, contrary to Brazil, whose production for export had always been substantial.

Argentina imported all its refined sugar (mostly through bounty-induced exports from France and Germany) until 1889, when it first refinery began to operate, protected by a 9-cent (*Peso*) per kilo import duty, which initially (1889-93) corresponded to about 47% of import prices. With the fall in sugar prices, towards the end of the century, this protection increased, as of 1894, to 90% of the price. In the first season that domestic producers were unable to supply the Refineria Argentina with sufficient sugar for its refining capacity, its owners were quick to import a shipload of mascavado from Pernambuco, for which they even obtained tariff isention, as the tariff lists did not mention mascavado nominally. On producers' reaction, though, imports by the refinery were suspended (Guy 1980:55).

Internal political strife mixed inevitably with sugar politics. The creation of a national refinery, establishing taxes on domestic production and organizing an export cartel and export bounties, when surplus production appeared, were some of the main landmarks in the agitated sugar context of Argentina in the last two decades of the XIXth century. During the 1890s, the search for new markets for excess sugar led to intense diplomatic activity with neighboring countries, with whom relations bordered on war, and with the United States. Transportation difficulties and competition from Peru, then commercially dominant in Bolivia and Chile, turned exports to these countries erratic. Attempts to negotiate bilateral arrangements with the United States failed, at a time when bounty-cheapened sugar was beginning to be tariffed there, and Argentina was unable to guaranty minimal support in the US Congress to obtain tariff reductions against promises of greater trade, to be derived from the establishment of an Argentine-supported regular steamship line from Buenos Aires to New York. The important British industrial interests in Argentina would save the season, by forcing British imports of Argentine sugar (Guy 1980:105-9). Total sugar exports amounted to an annual average of 30.700 tons from 1896 to 1904, equivalent to a bit less than a third of sugar consumed domestically. During this period 84% of the total went to Great Britain, while 8% to neighbors and 7% to the USA.

Furthermore, these exports received 35 million Pesos in bounties (or 62% of the domestic tax collected on sugar). These bounties increased from an initial 22 Pesos per ton in 1896 to an average of 170 Pesos per ton from 1898 to 1904. Relatively to raw sugar prices in London, these bounties per ton also increased some 8 times over the same period[29].

Brazilian sugar, on the other hand, faced export taxes on sugar sold both abroad and to other states in the federation. There were no cartels and the main organization of sugar producers were meetings at irregular intervals in congresses to discuss their problems and to pressure government for tax reduction and other incentives. In the agricultural and sugar meetings, much of the discussions centered on how to obtain better productivity and how to reduce export costs. The decisions in Brussels were important news, meriting a specific section in the Minister of Finance's annual report for the year 1903. The Brazilian Consul in New York ended a report on the sugar trade advising that the country would have to join the Convention so as not to have its products hindered from entering the European market (Brasil. Ministério da Fazenda 1904). There was, however, little attention from the trade. In July of 1902, in a memoire written for a meeting of sugar producers in Bahia, an engineer still found it necessary to attack the possible creation of export bounties defended by some (Góes 1902). These, effectively, were never established.

Two years after the conference, in early 1904, when the Commission officially notified Brazil that it would be imposing countervailling duties on Brazilian sugar, calculated exclusively on the difference between import duties and the maximum duty allowed in the agreement, that is, on the mere supposion that this difference could make possible export premiums possible, the seriousness of the context dawned on all. This set off various initiatives to demonstrate to the Commission that Brazil did not apply bounties. The Minister of Finance sought from the various sugar-producing states information on taxes and duties imposed on the product, showing that the producers paid various municipal and state taxes on sugar, while none benefitted from any instrument equivalent to a bounty on exports.

A consultant well-versed in the trade was chosen to expose the arguments of Brazil to the Commission. On his way from Rio de Janeiro to Brussels, J.P.Wileman stopped in London to obtain further information and to confer with the English representatives on the Commission. In these meetings, he was able to reafirm the British votes, "first among peers", favorable to the Brazilian position. The representatives of Great Britain had already protested to the Commission that the mere existence of high import duties did not authorize the Commission to suppose the existence of bounties, which it would have to prove. The presentation of the Brazilian report, however, did not convince all of the

[29] Calculations on data from (Guy 1980; Micele 1936). London raw prices are from Deer and Czarnikow, as quoted in (The Colonial Sugar Refining Co.Ltd. 1956:443).

Commission, which demanded further time to examine Wileman's memoire. Determined not to leave any stone unturned, he proceeded to London, Liverpool and Glasgow, where in various conferences on the subject, he gained the favors of British industrial users of sugar, to whom imports from Brazil were essential. These industrialists wrote to the Foreign Office, protesting against the exclusion of Brazilian sugar (Brasil. Ministério da Fazenda 1907). Though the Brazilian memoire would still be subjected to an audit by a British commission, its case was considered won. By this time it had become clear that Britain would announce in September 1907 its departure from the Convention, bringing back the menace of bounty-fed exports. This did not happen, but Britain finessed itself away from the penal clause and obtained the right to import sugar from any origin. The next world crisis due to excess sugar would surface only in the 1920s.

During the 10 years prior to the Brussels Convention, Brazil exported an average of 131.000 tons of sugars, without large annual fluctuations in quantity[30]. This sugar went mostly to the United States (80% in 1901, 77% in 1902 and 74% in 1903) with Britain as second largest destination. From 1904 on, American imports from Brazil were drastically reduced, falling to 52-53% in 1904-1905 and to 36% in 1906 (Brasil. Ministério da Fazenda 1907). The perspective of even greater competition for the British market, should Britain leave the sugar union, without an alternative in the United States, now a preferential market for sugar from its own possessions and protectorates, was seriously taken. In fact, during the 12 years of the Convention's enforcement, from 1903 to 1914, Brazil's average annual exports ranged around 33.500 tons, two-thirds less than during the decade prior to the Convention. To evaluate how much of this should be attributed to the new trade regulations, how much to higher production costs in Brazil and how much to the rearrangements of sugar geopolitics will require specific study.

A RETROSPECTIVE EYE ON SUGAR NEGOTIATIONS

Along the period under study, during the 'extended' XIXth century, until 1914, the sugar economy – its production, trade and consumption – developped intimately woven into all main themes priviledged by economic history. Effectively, the history of sugar cannot be understood apart from colonialism, slavery and abolition, free-trade and industrialization, cartels, fiscal policy, protection to industry and to agriculture. The sugar agreements, attempted or executed, staged the entry of a new theme into this list – multilateral agreements on commodity trade – a pioneering practice that would only flower after

[30] Autor's calculations on (Ibge 1986).

World War II, within the larger context of the United Nations and global economic agreements, such as GATT. This form of international relationship, hitherto unknown, brought with it various novelties to the economic policy scene.

Initially the perspective of seating at the table not just two opposing sides, but various participants, whose combination in the face of each new item on the agenda would not necessarily repeat their alliance on the previous topic. Faced with this complexity of positions, rulers and parliaments – whose decisions diplomatic representatives were simply expected to express – were obliged to arbitrate among the various private interests and between these and public interests at stake. They were also obliged to evaluate, at each step, the domestic repercussions of their concessions or demands in the negotiations, and how these could be conducted, taken to advantage or defused. On the other hand, they became responsible, in face of the other negotiating parties, for the legislative and government acts of their country, as well as for the behavior of their countrymen, inasmuch as these affected questions at hand. Thus, even in a time when news could take many days until being spread throughout the continent, the domestic economic policy decisions of each country and their position at the negotiation table held the focus of attention, not only of the international sugar business, but also of governments and legislative bodies in the other countries.

However, exactly because they forced joint decisions to the diverse antagonic interests of the industry – be it economic agents along the production chain, be it foreigners competing for the same markets, or still governments and tax-payers – the sugar negotiations developped a new tradition in economic compromise, where the qualification 'multilateral' acquired sense. They involved not only public men and their governments with industry themes, but they also exposed publicly the complexity of commercial relations, usually protected by the secrets of trade. One of the immediate consequences of such publicity was to manifest to all parties the advantages of associating in the defense of their interests. For one, associated farmers, producers, refiners or consumers could make themselves heard with more strength by their home authorities; for another these associations of homogeneous interests from each country could enter into relationships with their peers abroad, in defense of common interests. From then on, it would behold their respective governments, in arbitration among domestic interests or influenced by them, to decide which was the country's position and which proposals would be formally taken to the negotiations.

This multiplicity of relationships, within and outside each country, made the possibilities, as well as the difficulties, of multilateral negotiations quite concrete for all, in a time much more inclined to move armies than diplomatic delegations.

Another innovating consequence of almost a century of negotiations was the understanding that the negotiators from each party sat at the table representing all of their (surely conflictuous) national interests, within a correlation of forces specific to each nationality, but for which that constituted government – democratic or not – was responsible towards all other parties. The counter-example of Great-Britain, sometimes without a mandate to agree on a countervailling duty clause, sometimes negotiating an agreement which would quickly be rejected by Parliament, marked for all the difficulties and the consequences of negotiating without guaranteed representation.

British behavior also made quite clear the *sui generis* role of the world power in international sugar relations. It initiated liberalizing negotiations for strictly ideological considerations, when all other countries strengthened their tariff and subsidies war; it acted to bring together unwilling parties when it linked its acceptance of any agreement to the abolition of the more formidable sugar cartels, in Germany and Austria-Hungary; but it also showed itself absolutely disengaged from any obligation agreed upon by its government less than 9 years previously, when it accepted prevailing domestic political opinion and attempted to abandon the Convention in 1907, leveraging this into freedom from the penal clause. Russia's entry to the agreement, at the same moment, in conditions exceptional to the Convention's spirit, should be attributed more to British interest in its participation, as a large importer of cheap Russian sugar, than to actual Russian commercial interest in an approximation with the financial centre of the world and winning back access to the English market for its cartel-subsidized sugar.

Another aspect to be noted is the emphasis on the notion that the negotiated consensus, as a contract, should depend on a coherent set of rules. The insistence by representatives of other countries that England also accept the obligation to impose compensatory duties on subsidized sugars from third parties, which crossed discussions since the 1870s to the Brussels Convention, illustrated this implicit principle. Effectively, despite British arguments and counter-proposals, sometimes convincing, there would be no possible agreement should any member be able to import subsidized sugar from non signatories, in direct competition to sugar from the parties to the Convention.

The creation of a permanent operational structure for the Convention innovated less for its administrative functions, of collecting and publicizing information, than for its function to control adherence to the agreement, considered by many as an undue interference in national sovereignty. To molify possible diplomatic sensitivities the permanent Commission did not contact directly any member government, which only addressed themselves to and received communication from the Belgian government.

The important fruit of this exercise in diplomatic conciliation and compromise was, no doubt, the confirmation that an agreement among competing, even potentially enemy, countries, which would certainly be contested during domestic political debates, besides being absolutely fragile to unilateral decisions by any of its parties, was better than a commercial war without rules and end in sight. Within this understanding, governments – authoritarian or democratic – were disposed towards negotiating, both with their foreign partners in negotiations and with its businessmen and citizens, as to what constituted the problem, which were the possible options, which compensations could be offered to the harmed parties and which instruments would best arrive at the desired decisions. The practice of economic multilateral agreements had arisen.

MOVEMENTS OF THE MULTILATERAL PROCESS

From this examination of the pioneering agreements and disagreements around the sugar trade, we attempt to systematize these new forms of relationships – which began to occur within each country, internationally among governments and transnationally between institutions in different countries – in movements which extrapolate the specific experience of the sugar trade, being more generally applicable.

1. AS TO MULTILATERAL NEGOTIATIONS:

1.1. Fluctuating composition of interests among various countries replaced the opposition between two antagonic parts, imposing on each country a variety of alliances dependent on the question at hand.

1.2. The existence of a multilateral agreement in force, or simply its negotiation in course, diluted bilateral shocks, conducing to situations where unilateral breach became more difficult.

1.3. The dominant position of the hegemonic power could at times be confronted by a group of countries, though Great Britain repeatedly used the strength of its economy and politics to overwhelm opposing interests.

1.4. The diverging interests of producing and consuming countries were made explicit in the debates, by the votes and during the execution of the agreements.

1.5. Conflicting sectorial domestic interests in each country were necessarily substituted by a sole national position, presented through its representatives at the negotiation table.

1.6. Negotiations happened with much publicity in all countries party to it, and within each country open to the various interests groups.

1.7. There was a growing necessity of sectorial information, from each government on its own economy and on the economies of the remaining countries involved.

1.8. The search to understand each national position and the differences among them led to greater conceptual precision on all questions involved (fiscal instruments, product classification, contractual forms, industrial processes, forms of competition, prices and trade practices).

1.9. Conceptual precision followed on the footsteps of technical precision (in the classification of products, for example) or exposed its necessity.

1.10. The search for common denominators and for legal formulae applicable to the different situations envisaged imposed criteria of coherence to the conceptual propositions, and between these and the adopted solutions.

1.11. Negotiations, both prior to and during the execution of the agreements, made increasing use of statistical proof and argument through theoretical economic reasoning.

1.12. The necessity of an international burocratic organization for the collection of information and for the control of the agreement's execution appeared. Even the restricted mandate of this commission, to evaluate events and market situations from the perspective of negotiated conditions and, consequently, indicating eventual breaches of these rules by some party, broke with a taboo in diplomatic relations, as it would impose external decisions on a sovereign country.

2. AS TO NATIONAL GOVERNMENTS

2.1. Each government sat at the negotiation table nominally representing all interests of its country.

2.2. Each government undertook, in regard to other countries negotiating (and also in regard to future signatories of the agreement), responsibility for its own acts, for the acts of its legislators and judicial system, as well as for those of its citizens and their associations.

2.3. Each government, when deciding which national position would be defended in the negotiations, became the arbitrator – through democratic or authoritarian means – of conflicting national interests. Alternatively, it could be merely acting as hostage to some dominant pressure group.

2.4. Through whatever national decision process, each government was required to act with a clear mandate from its political forces or to impose its will on them.

2.5. The complexity of interests involved demanded from each government efficient mechanisms to obtain information and to evaluate the consequences of propositions under discussion.

2.6. The presence, in prolonged negotiations, of representatives from various governments, despite dealing with questions limited to a single product and industry, created a political fact which exceeded its specific economic boundaries, pervading – to a greater or smaller degree – all bilateral relationships between the parties.

3. AS TO INDUSTRY INTERESTS

3.1. There was the necessity of acting through associations, to show the cohesion of the industry around each proposition and to strengthen it against contrary arguments and positions.

3.2. The advantages, as well as the difficulties, of transnational talks among companies and associations with similar interests became evident. New forums for sectorial discussions appear.

3.3. New boundaries to international competition came up, in the struggle to establish the conditions of the future agreement or in the adjustment to agreed conditions. Taking into account illegal activities, fraud to these conditions also established new industry parameters.

4. AS TO ECONOMIC POLICY

4.1. Widespread diffusion of information on each instrument of national economic policy, be it domestically, among conflicting interests along the chain of production, or externally among all parties in negotiation, imposed new standards of clarity, coherence and argument by government and by the groups who intended to alter these instruments.

4.2. The banning of certain instruments of economic policy and the establishment of common criteria for others reduced the assortment of possible policies and led to the harmonization of their conceptual bases (taxable event, basis for tax calculations, rates, criteria for classification, certification and control).

4.3. National and international discussion on the policy instruments in each country widened the social groups interested in economic and business matters, previously held confidentially as trade secrets or considered relevant only to the businesses in the industry.

4.4. The increase in technicial specificity, in the volume of information and in the complexity of these relationships led to the profissionalisation of the debates and of management of economic policy.

TRENDS OF MULTILATERALISM

To conclude, we highlight some of the tendencies which acompanied the appearance and the development of the process of multilateral negotiations.

- An increase in *transnationality*: as to competition; as to the association of interest groups; and as to the flow of information.
- An increase in the *institutionalization of economic relations*: through the negotiation of the agreements and their controversy-solution mechanisms; through the application of the agreements to economic and political activities, during their execution; and through the establishment of harmonized criteria and instruments of economic policy.
- An increase in *associativity*: among countries, through the agreements themselves; among subsets of parties to these agreements with similar interests; among transnational groups with common interests, in reference to the agreements; and among countries and interest groups in reference to other products, motivated by the example of sugar.
- An increase in the *representativity of governments*: in the search for a common national position; in the evaluation of industry interests and of the repercussions of the agreements on these interests; in the search for compensation for groups whose interests were impaired; in the legitimization of the process of negotiation before the industry, other countries and public opinion; in the confirmation of mandates for negotiation; in their role as international guarantors for national acts.
- An increase in *profissionalism in the conduction of public business*: during the negotiating process; during the administration of the agreements; in the permanent evaluation of the execution of the agreements by interest groups and by each government; in the conduction of general economic policy in each country.

It is essential to clarify that these trends, though they were accentuated along various decades, they always suffered the decisive influence of political events which, in many moments, dominate all economic relations, both public and private. However, when the Great War broke out in 1914, undoing agreements and inaugurating a new era of strict government control of economic activity, multilateralism had been established as a conceptual alternative and a practical possibility.

Rio de Janeiro, January 2006

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