

when prices drop precipitately. The use of a numéraire in such agreements based on the SDR (itself based on a basket of currencies) may help to solve the difficulties which arise from exchange rate fluctuations, but requires further examination.

It may be that further work on the concept of such agreements, possibly bringing in further access and supply commitments as well as more effective price provisions and stocking arrangements, will make it possible to conclude agreements which are both more flexible and viable than those negotiated in the past. This may make it possible to conclude agreements on a wider range of commodities. (Some commodities clearly do not lend themselves to this approach, either because of lack of homogeneity in the commodity, the existence of substitutes, or a high degree of vertical integration and concentration.) Some of these issues may be explored in the Multilateral Trade Negotiations.

c) Indexation

The term "indexation" is used in two contexts internationally. It has been used in a broad sense to suggest that the prices of LDC exports should be linked to the prices of their imports from developed countries. It has also been used, in a narrower sense, to suggest that the international price of a particular commodity should be linked to some agreed index.

Considerable doubts exist about the desirability and feasibility of indexation schemes. They raise a number of important issues:

- (i) the assumption that trade in raw materials (and therefore the rationale for indexation) is a developed vs. developing country issue is erroneous.
- (ii) Indexation (if theoretically feasible) would probably aggravate the problem of inflation and balance of payments difficulties at the international level.
- (iii) There would be serious difficulties of both a political and practical nature in the implementation of a general scheme of indexation.