

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 736 final

Brussels, 16 December 1983

FOLLOW-UP TO UNCTAD VI - COMPENSATION FOR LOSSES OF
EARNINGS FROM COMMODITY EXPORTS

(Communication from the Commission to the Council)

COM(83) 736 final

I. SCOPE AND PURPOSE OF THE COMMUNICATION

1. In preparing for the Belgrade Conference the Commission proposed that as far as the compensation for losses of export earnings from commodities was concerned the Community could :
 - (a) appeal to the other commodity-importing countries or groups of countries to set up a system for stabilizing export earnings from commodities for the LLDCs and state its readiness to declare the Community's intention to extend the Stabex system to LLDCs not covered by the Lomé Convention ;
 - (b) declare its readiness - as part of the review by the IMF of the functioning of the compensatory financing facility - to take account of the specific problems presented by the loss of export earnings from commodities ;
 - (c) declare its readiness to continue studying, under the auspices of UNCTAD and in close cooperation with the IMF, the different methods and systems of compensating for reduced export earnings from commodities, with the idea of giving preferential treatment to the least developed countries and those most dependent on raw material exports. (1)

2. Discussions within the Council and in the on-the-spot coordination in Belgrade enabled the Community to work out a joint position on points (b) and (c) (2) and to take part in the Conference, within Group B and with the other regional groups, on that basis.

(1) See doc. 7148/83 - UNCTAD 19 of 24 May 1983.

(2) - "Readiness to play an active part in the forthcoming review by the IMF of the operation of the compensatory financing facility under its own procedures ;

- Readiness of the EEC to continue studying within UNCTAD - taking due account of the work carried out in the relevant fora - other systems stabilizing earnings from commodities' exports for those developing countries which depend to a great extent on commodity exports, bearing in mind the desirability of preferential treatment for the least developed countries".

3. The discussions held at both Council and Coreper level and in the on-the-spot coordination (1) did not, however, result in a joint position regarding point (a) (extension of Stabex to non-associated LLDCs) (2). It was thus decided to postpone any decision on this matter until after the Conference had finished.
4. Parallel discussions within the Conference resulted in the adoption (3) of resolution 157 (VI) on the compensation of export earning losses on commodities (see Annex II), which basically asks the International Monetary Fund to press on with its work and the UNCTAD Secretary-General to arrange for a group of experts to be set up to study the matter of compensating losses on export earnings from commodities on the basis of fairly clear-cut terms of reference.
5. In its study the group of experts was asked to take account not only of existing mechanisms (IMF, Stabex) and studies already carried out on the subject, but also of suggestions and proposals made by countries that are members of the organization. To that end, the latter countries were asked (see § 4 of the resolution) to send the UNCTAD Secretary-General by 31 December, any suggestions or proposals they thought might make a useful contribution.
6. The aim of this communication is to propose that the Community express in practical terms the importance it attaches to this matter by sending the UNCTAD Secretary-General on behalf of itself and its Member States a proposal of this kind and to define the content of that proposal.

(1) To facilitate the discussions a Commission staff paper containing a detailed analysis of the cost of setting up a system of this kind for the main importers and the advantages for the LLDCs involved was sent to the Member States on 13 June.

(2) See doc. 8089/83 rev. 1 (UNCTAD 27 - annex I).

(3) 90 votes for (including Community Member States), 1 against (USA), and 10 abstentions (including Australia and Canada).

II. PROPOSALS FOR A CONTRIBUTION FROM THE COMMUNITY AND ITS MEMBER STATES,
BY 31 DECEMBER 1983, TO THE FOLLOW-UP TO UNCTAD VI

(a) Content and main aim of the contribution

7. This initial contribution is designed neither to reiterate the position adopted at the Conference by the Community on improving the operation of the IMF compensatory financing facility nor to make detailed comments on the proposals put forward by the UNCTAD Secretariat regarding the establishment of a global export earnings compensation system (this could be done in due course when the final report of the group of experts is discussed).

8. On these two points, the letter to be sent to the Secretariat-General on behalf of the Community and its Member States could therefore be limited to :
 - stressing that the Community remains committed to implementing resolution 157 (VI), and in particular paragraph 1, with reference to the statement of interpretation made by a number of its Member States (1) ;
 - declaring the Community's readiness to discuss, at the appropriate time, the Secretariat-General's proposals for setting up a global Stabex system, and underlining its misgivings at this stage as to whether the proposed system would be able to take sufficient account of the concept of diversity (by country and product) or to provide sufficient guarantees in respect of financial viability and management.

9. The purpose of the letter would, however, be to :
 - send the Conference Secretariat-General by way of a contribution following up paragraph 4 of resolution 157 (VI), the results of the

(1) UK (speaking also for Denmark, Germany and the Netherlands) :
"Para. 1 of this resolution should not be interpreted as putting into question the non-discriminatory treatment accorded by the IMF to all members under its articles and operating procedures".

study undertaken after the Paris Conference on LLDCs regarding the possibility of extending a Stabex-system type to LLDCs not party to the Lomé Convention (see Annex III).

- indicate the Community's reserve in making her position ultimately known on the possible extension of Stabex benefits to LLDCs not concerned by the Lomé Convention, in the light of the following :
 - the effect that the ACP/EEC negotiations for the renewal of the Convention will have upon the form and contents of the system;
 - the position held by the major importers of primary products in establishing a compensatory system, of the Stabex model, in favour of the LLDCs.

(b) Conclusions of the study

10. The table below summarizes the conclusions of the simulation used in the study and gives a retrospective evaluation of the shortfalls on export earnings with which the main importers (2) would have had to contend if a Lomé II-type Stabex system (3) had been in operation in respect of all LLDCs over the five year period from 1974 to 1978 (lower figure) or the period from 1977 to 1981 (upper figure).

(1) But including jute and products derived therefrom.

(2) These "losses" are usually higher than the transfers actually made on account of the effect of the thresholds and the rules concerning certain abatements to be made.

(3) Commodities of agricultural origin only ; jute and jute products included in the simulation ; gross losses calculated product by product.

Importers	Total losses to be covered	MIO. US dollars For 27 LLDCs and ACP States
EEC	660/860	572/747 (1)
USA	273/343	231/285
Japan	143/160	127/140
Scandinavian States	39/59	36/49
Switzerland	41/52	35/46
Austria	18/25	16/23
Australia	20/22	18/21
Canada	18/22	15/18
New Zealand	9/12	8/10
Total	<u>1221/1549</u>	<u>1058/1339</u>

(1) Already covered by ACP-EEC Conventions

(c) Grounds for the recommended approach

11. The study clearly illustrates that the result of an initiative involving the Community alone would be relatively modest, as only three (1) of the non-associated LLDCs could gain any significant benefit.

The discussions held at the Belgrade Conference and the declarations made on the adoption of the resolutions also showed that three importing countries (USA, Canada and Australia) were not willing to participate for substantive reasons (preference for a balance of payments-type approach and hence for a solution to be found via the means offered by the IMF).

12. The Commission does not feel that these reasons are sufficient for it to drop for good the taking of an independent initiative in this field at a later stage.

(1) Bangladesh, Haiti and Afghanistan.

(2) Based on the abovementioned retrospective simulation, the additional losses to be covered by the Community would be between US \$ 90 m and US \$ 115 m over a period of five years.

13. The discussion on export earnings compensation will provide the Community with one of the best opportunities of showing, within UNCTAD in 1983, its real desire follow up the resolutions adopted at the Belgrade Conference in a constructive and practical manner and the same goes for the position taken by the Community on this question at the Paris Conference on the LLDCs in September 1981 (see paragraph 2 of Annex III).

14. Once the Community, as negotiations are opened for renewal of the ACP-EEC Convention, has reaffirmed its commitment to maintaining the product-by-product approach that is a feature of the Stabex system and this approach comes to be discussed by some of its partners in Group B, the Community must clearly stress, via an initiative of the type proposed, the coherence of its overall approach to the problem : the setting-up of a compensatory product-by-product system in favour of all LLDCs would in its eyes be a justified and realistic aim.

15. The position of another major importer, namely Japan, has to date been relatively reserved. However, it has still not been officially pronounced. A change of attitude in the immediate future is unlikely, given the present policy of budgetary restrictions.

However, the situation might be different if the date by which a decision has to be taken were -as proposed by the Commission - deferred until after the signature of the new ACP-EEC Convention. The table above shows how important Japan's participation in an initiative of the kind the Community might propose would be to the LLDCs : loss of earnings of between US \$ 143 m and US \$ 160 m (of which \$ 127 m. to \$ 140 m would go to those ACP countries (1) which are not covered by the "all destinations" derogation).

16. The open and even positive reactions shown so far by the Scandinavian countries, Switzerland, Austria and New Zealand suggest that a Community

(1) 19 of the 27 ACP/LLDCs

approach of the kind proposed might encourage them to uphold such a position. Their contribution would be considerable : earning losses (for all the countries in question) of between US \$ 107 m and US \$ 142 m, of which \$ 95 m to \$ 118 m would go to those ACP countries which are not covered by the "all destinations" derogation.

III. CONCLUSIONS

17. As a mark of the Community's resolve to follow up, in a constructive and practical manner,
 - the resolutions it helped to get adopted at UNCTAD VI ; and
 - the position taken by it at the Paris Conference on LLDCs, it is proposed that the request made in paragraph 4 of resolution 157 (VI) be complied with and a letter sent by 31 December 1983 to the UNCTAD Secretary-General containing the points made in paragraphs 7, 8 and 9 of this communication.

8089/83	
REV. 1	
	R/LIMITE

CNUCED 27

REPORT

from : the Special Group on actions in favour of LLDCs
to : Heads of Member States Delegations at UNCTAD VI

Subject : Special actions in favour of LLDCs and other low
income developing countries

I. Background

1. The latest meetings of the EEC Council and COREFER have left the question of STABEX extension to LLDCs still unresolved because of a reserve and of the interpretation of the following text which is still between brackets :

[Appeal to the other countries or groups of countries importing commodities to set up a system for stabilizing earnings from the export of commodities in favour of the LLDCs and willingness to state, in that event, the EEC's intention to extend, in parallel, cover under STABEX to those LLDCs not covered by the Lomé Convention].

2. The reserve has been entered by the Danish delegation which insists on deleting the notion of conditionality.⁽¹⁾ and on the need for the Community to take an autonomous initiative on that issue.

⁽¹⁾ "In that event" and "in parallel".

3. The interpretation problem concerns the words "in that event" and "in parallel".

- According to two delegations (D and UK), these words should be interpreted as requiring a strict parallel action by others in the field of stabilization of export earnings.

- For one delegation (NL), as stated at COREPER on 23 June, they could be interpreted in a more flexible way (additional actions in favour of LLDCs not necessarily in the field of stabilization of export earnings, but also in other fields as formulated by the NL draft Resolution (cf. Annex I).

4. COREPER on 23 June invited Member States delegations in Belgrade to pursue this matter with a view to elaborating a compromise and to examine the NL draft resolution and its possible use at UNCTAD VI.

At the meeting on 27 June Heads of delegations decided to establish a special group to examine these two questions.

II. Stabex extension to LLDCs

5. The special group noted that

- 8 delegations confirmed that they were prepared to go along with the Dutch approach as a means of overcoming problems regarding conditionality.

- the two delegations (D and UK) who were advocating an interpretation of conditionality based on strict parallelism of actions by other members of Group B were not in a position to change their position:

- in these circumstances, the Danish delegation, who was opposed to any conditionality, maintained its reserve.

.../...

Against this background the Group agreed that there was no point, at its level, in pursuing either the discussion or examining the two documents prepared to this end by the NL delegation (cf. new draft resolution - Annex I) and by the Commission (cf. check list of possible additional actions in favour of LLDCs and other low income developing countries - Annex II).

7. It consequently decided to refer the matter back to Heads of Delegation, while drawing their attention to the following five possible courses of action:
- further explore the possibility of a compromise solution along the lines proposed by the NL delegation, with the aim of reaching before the end of UNCTAD VI an agreement within the Community to state the EEC's intention to extend cover under STABEX to non-ACP LLDCs.
 - ask the Danish delegation to lift its reserve on conditionality and then decide - if other Group B countries or groups thereof, set up similar STABEX schemes for the LLDCs - to announce in the light thereof the intention of the Community to extend the STABEX scheme to all non-ACP LLDCs, i.e. acceptance by all Member States of the strict parallelism of conditionality.
 - confirm the Community's intentions in accordance with its statement at the Paris Conference to continue to examine in a constructive way the possibilities of extending the Stabex scheme to non ACP LLDCs, and express the hope that it will be possible to finalize these considerations at an early date.
 - decide to accept the proposal of the Danish delegation, i.e. to take an autonomous initiative at UNCTAD VI by announcing that the Community will extend the STABEX scheme to all non-ACP LLDCs in connection with the entering into force of the Lomé III Convention in 1985 and that the STABEX list of products will be enlarged to include jute, together with an appeal to other Group B countries or groups thereof to set up similar schemes (It is noted that such a decision will imply a change in the present position of 9 delegations).
 - postpone any decision until after the Belgrade Conference;

157 (VI) Compensatory financing of export earnings shortfalls

Date: 2 July 1983 Meeting: 200th Agenda item 9
 Resolution adopted by roll-call. Document: TD(VI)/CC/CRP.8/
 For: 90; Against: 1; Abstentions: 10 ^{1/} Rev.1 and Rev.1/
 Corr.1

The United Nations Conference on Trade and Development,

Recalling its resolution 93 (IV) of 30 May 1976 on the Integrated Programme for Commodities and particularly its section I, paragraph 2, and section III, paragraph 2 (f),

Recalling also its resolution 125 (V) of 3 June 1979 on a complementary facility for commodity-related shortfalls in export earnings,

Reaffirming the objective of improving and sustaining the real income of individual developing countries through increased export earnings and of protecting them from excessive fluctuations in export earnings, especially from commodities,

Taking note of the measures to improve and enlarge compensatory financing facilities for stabilization in response to the changing circumstances affecting the export earnings of developing countries, notably the IMF Compensatory Financing Facility and the Lomé Convention's STABEX, and taking further note of the forthcoming review by the IMF of the operation of the Compensatory Financing Facility,

Taking note of the relevant studies prepared by the UNCTAD secretariat ^{2/} and of the consideration of these issues in other international forums,

1/ For: Algeria; Angola; Argentina; Austria; Bangladesh; Belgium; Botswana; Brazil; Burma; Burundi; Central African Republic; Chad; Chile; China; Colombia; Cuba; Democratic People's Republic of Korea; Denmark; Dominican Republic; Ecuador; Egypt; Ethiopia; Finland; France; Gabon; Germany, Federal Republic of; Ghana; Greece; Grenada; Guinea; Holy See; India; Indonesia; Iran (Islamic Republic of); Iraq; Ireland; Israel; Jamaica; Japan; Jordan; Kenya; Liberia; Libyan Arab Jamahiriya; Luxembourg; Madagascar; Malaysia; Malta; Mexico; Morocco; Mozambique; Nepal; Netherlands; Nicaragua; Nigeria; Norway; Pakistan; Panama; Papua New Guinea; Peru; Philippines; Portugal; Qatar; Republic of Korea; Romania; Rwanda; Sao Tome and Principe; Senegal; Singapore; Somalia; Spain; Sri Lanka; Sudan; Suriname; Sweden; Switzerland; Syrian Arab Republic; Thailand; Tunisia; Turkey; Uganda; United Kingdom of Great Britain and Northern Ireland; United Republic of Cameroon; United Republic of Tanzania; Upper Volta; Uruguay; Venezuela; Viet Nam; Yugoslavia; Zambia; Zimbabwe.

Against: United States of America

Abstentions: Australia; Bulgaria; Canada; Czechoslovakia; German Democratic Republic; Hungary; Mongolia; New Zealand; Poland; Union of Soviet Socialist Republics.

^{2/} Reference is made, inter alia, to TD/B/C.1/234; TD/B/C.1/237 and TD/B/C.1/238.

Taking note also of agreed conclusions 19 (S-I) of the Committee on Commodities and of the report of the Committee on Commodities on its tenth session,

Conscious of the particular and urgent needs of the least developed countries, especially in the context of their heavy dependence on commodity exports for their foreign exchange earnings,

1. Invites the International Monetary Fund to complete expeditiously the forthcoming review by the Executive Board of the Fund's Compensatory Financing Facility, and to consider the establishment of special arrangements for the benefit of the least developed countries;

2. Requests the Secretary-General of UNCTAD to convene, after consultation with interested governments, an expert group on the compensatory financing of export earnings shortfalls;

3. Instructs the expert group to consider, without prejudice to an eventual decision on appropriate follow-up action that may be taken in accordance with paragraph 6 below:

(a) The need for an additional complementary facility to compensate for the export earnings shortfalls of developing countries, bearing in mind the needs of those countries which are most dependent on commodity exports, particularly the least developed among them;

(b) The nature of an additional complementary facility;

(c) Sources of finance for an additional complementary facility;

(d) The operational rules and modalities of an additional complementary facility; and

(e) The relationship of an additional complementary facility to existing facilities and intergovernmental organizations.

In conducting its analysis the expert group should examine, inter alia, the nature and causes of export earnings instability, the role and impact of existing facilities, the impact of export earnings stabilization on commodity markets, the financial and economic costs of stabilizing export earnings, and the possible stabilizing influence of commodity agreements and the Common Fund for Commodities. It should, in so doing, take due account of relevant studies and suggestions made by the UNCTAD secretariat, other competent intergovernmental organizations, and interested Governments, as well as previous intergovernmental consideration of the issues involved, particularly the discussions in the Committee on Commodities. The expert group may wish to draw upon the expertise of the staff of the IMF and of other international bodies;

4. Invites member countries to transmit to the Secretary-General of UNCTAD, prior to 31 December 1983, any suggestions and proposals they may have concerning the above and related issues;

5. Instructs the expert group to complete its work not later than 30 September 1984;

6. Requests the Secretary-General of UNCTAD to transmit the report of the expert group to a special session of the Trade and Development Board, not later than 31 December 1984, and instructs the Board to decide upon requisite follow-up action, including the convening of a possible negotiating conference for an additional complementary facility.

Brussels, october 1983.

Extension of the Stabex scheme on non-ACP LLDCs

(Commission of the European Communities)

I. BACKGROUND

1. The Paris Conference on the Least Developed Countries (1 - 14 September 1981) invited "developed countries to study ways and means of helping the least developed countries to offset the damaging effect of loss of foreign exchange earnings arising from fluctuations in the latter's exports of primary commodities to them" and to report to UNCTAD VI (cf. para 83 of the Substantial New Programme of Action).
2. The European Community replied by stating its willingness to "examine in a constructive spirit the most appropriate means of meeting (this request) particularly by studying what arrangements could be made and how to extend to the least developed countries not party to the Lomé II Convention (1) dispositions similar or equivalent to those of Stabex".

II. STUDY OF AN EEC SUPPORTED SCHEME

a) Commodity exports of non-ACP LLDCs to EEC

3. Detailed time series on exports by the countries under review of those commodities covered by or close to the EEC Stabex system and on the export structure and exports to the Community (as measured by EEC imports) have been examined for a period covering the years 1974 to 1981.

4. An analysis of these data shows that :

(i) These countries' exports to the Community are in general rather modest, with Bangladesh, Haiti and Afghanistan as the only regular and meaningful suppliers and the two Yemens as marginal ones. The exports of Nepal, Bhutan, Laos and the Maldives are practically nil.

(ii) As shown in Annex I, table 1, non-EEC markets are more important for their exports. Only Haiti/coffee registers an EEC share of exports of more than 50%. For other important Stabex products, this ratio is below 30%.

(1) Afghanistan, Bangladesh, Bhutan, Haiti, Laos, Maldives, Nepal, Yemen AR (North) Yemen PDR (South). As for the 27 UN least developed that are parties of the Lomé Convention, the Community is already granting Stabex benefits in respect of its own imports. Moreover, for 8 of them, the Stabex system covers also exports to the rest of the world: Burundi, Cap Vert, Comores, Ethiopia, Guinea Bissau, Lesotho, Rwanda and Western Samoa.

(iii) Of the Stabex products, only 5 are actually supplied by these countries (coffee, cocoa, cotton, tea, hides and skins).

(iv) Of the category of products "close" to Stabex, raw jute (Bangladesh) stands out for its importance. Fresh and dry fruit (Afghanistan), fish (Bangladesh), spices (Nepal), essential oils (Haiti) could also be considered for inclusion; however, the Community does not import them in any significant quantity from these countries.

b) A Community Stabex for the non-ACP least developed countries

5. On the assumptions of :

- a coverage of exports to the Community only,
- the present structure of commodity imports by the EEC from the countries in question and the relative stability of this structure,
- the present coverage of the EEC Stabex (except for jute and jute products which are included in the simulation. (1)

- the application of the scheme to all the 9 countries in the same way,
- the shortfalls (1) could amount to a total of 90 to 115 million US dollars (2) over 5 years, on the basis of either a five year average for 1974/81 or the five year period 1977/81.

6. For analytical purposes, it may be interesting to note that if the EEC were to cover the exports of these countries to all destinations (similar to the derogation applied to the ACP least developed countries which export mainly to non-EEC markets), the cost would vary between about 160/210 million US dollars according to the basis chosen.

However it should be noted that such a decision would be discriminatory vis à vis those least developed ACP countries presently not covered by such a derogation.

1) cf. simulations in annex II

2) by way of comparison, Community assistance to the non-ACP least developed countries amounted to MECU 57.2 (1981) and 69.9 (1982); cf. annex I, table 2.

Finally from a practical point of view such a mechanism would be difficult to operate, as it would be based on export statistics alone which are rarely sufficiently up to date.

c) Appraisal and conclusions

7. The application of a Stabex "style Lomé II", or a close variant thereof, would provide to the non-ACP least developed countries the advantages of the Lomé mechanism: compensation in grant form for commodity earning shortfalls on a product by product basis; automatic application; speedy disbursements, etc.

However, the analysis shows that the system would apply in a rather uneven way: only three LLDCs' exporters out of nine would be covered (3), leaving the other six at best as episodic cases:

8. In order to cover the needs of non-ACP least developed countries, the participation of their developed trading partners other than the EEC would therefore be required.

As shown in tables 7 and 8 of Annex II, such a participation:

- will not only allow the broadening of the coverage of LLDC non-ACP countries both in terms of the number of beneficiaries involved (7 countries with the exception of Bhutan and Maldives) and in terms of the total amount of shortfalls concerned (160 to 210 million US dollars instead of 90 to 115 million US dollars),
- but it will also increase the financial compensation for losses of export earnings for the 19 LLDC ACP countries covered under the normal terms of the present Stabex system (up to some 490 to 580 million US dollars, assuming full participation by the other potential donors included in the simulation)

9. Total shortfalls by importing countries (as shown in tables 3 and 8) amount for a five-year period to:

3) Afghanistan, Bangladesh and Haiti: cf simulations in annex II.

a total of some 660/860 million US dollars for EEC (1)
a total of some 270/340 million US dollars for USA
a total of some 140/160 million US dollars for Japan
a total of some 40/50 million US dollars for Nordic States
a total of some 40/50 million US dollars for Switzerland
a total of some 20/25 million US dollars for Austria
a total of some 20/25 million US dollars for Australia
a total of some 20/25 million US dollars for Canada
a total of some 10/12 million US dollars for New Zealand

(1) Out of which a total of some 570 to 750 million US dollars is already covered by the existing Stabex scheme.

ANNEX I (à l'annexe III)

Estimated share of EEC in total exports by product, %

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1980</u>	<u>1981</u>
<u>Haiti</u>					
coffee	62	66	65	68	n.a.
cocoa	3	1	15	n.a.	n.a.
<u>Afghanistan</u>					
cotton	n.a.	35	24	10	3
hides and skins	n.a.	7	18	7	11
<u>Bangladesh</u>					
tea	100	50	22	n.a.	n.a.
jute	31	31	27	20	15
processed jute	21	8	0	6	4

sources : - International Financial Statistics - October 1982

- Handbook of International Trade and Development Statistics (UNCTAD), 1980 and 1981

- Yearbook of International Trade Statistics (UNO), 1978

- OSCE

COMMUNITY ASSISTANCE TO THE NON-ACP LEAST DEVELOPED COUNTRIES (commitments)

Commitments

in US \$

Country	1978	1979	1980	1981	1982
Afghanistan	0.73	0.58	-	-	-
Bangladesh	37.11	31.10	58.82	54.65	46.46
Bhutan	-	-	-	0.02	3.42
Haiti	3.52	0.22	8.21	6.18	7.55
Laos	2.93	6.40	-	0.04	-
Maldives	-	-	0.23	0.59	-
Nepal	3.99	0.03	5.32	0.39	1.85
Yemen AR	0.92	3.43	-	1.98	6.39
Yemen PDR	2.62	-	0.14	-	2.45
Total	51.82	41.96	72.72	63.85	68.16

All Community assistance is in grant form and stems mostly from the food aid and Non-Associates' programmes with minor assistance coming also from the NCO, emergency aid and trade promotion programmes.

Source : Community annual reporting to DAC.

Annex II (à l'annexe III)

Results of an ex post simulation for a comprehensive LLDC Stabex

Introductory Note

1. The results of the simulation thereafter presented are based on time series of imports by product and exporting/importing countries, as provided by UNO/GATT statistics.
2. "Nordic Countries" comprise of Norway, Sweden and Finland, taken together.
3. All figures are denominated in current 1000 US dollars, cif.
4. Indicated years refer to years of application. In the last two columns of tables 3 to 5, shortfalls are indicated over 5 years, on the basis of either a five-year average for 1974/'81, or the five-year period 1977/'81.
5. The simulation does not include the possible effects of thresholds, neither dependence nor fluctuation. (2% each for LLDCs).
6. The simulation does not include either the possible effects of changes in the trade pattern of the countries under review.

LIST OF LLDC

Afghanistan - 3	Guinea - 2	Sao Tome and Principe - 2
Bangladesh - 3	Guinea Bissau - 1	
Benin - 2	Equatorial Guinea - 2	Sierra Leone - 2
Bhutan - 3	Haiti - 3	Somalia - 2
Botswana - 2	Laos - 3	Sudan - 2
Burundi - 1	Lesotho - 1	Tanzania - 2
Cap Vert - 1	Malawi - 2	Togo - 2
Tchad - 2		
Central African Rep. -2	Maldives - 3	
Comores - 1	Mali - 2	Uganda - 2
Djibouti - 2	Nepal - 3	Upper Volta - 2
Ethiopia - 1	Niger - 2	Western Samoa - 1
Gambia - 2	Rwanda - 1	Yemen Nord (AR) - 3
		Yemen South (PR) - 3

Total : 36 countries, 27 ACP, 9 non ACP.

- Groupe 1 : 8 ACP countries, all destination coverage (marked -1)
Groupe 2 : 19 ACP countries, EEC coverage (marked - 2)
Groupe 3 : 9 non ACP countries (marked - 3).

Table 2

LIST OF PRODUCTS OF STABEX LOME II.

	CTCI (rev. 2)		CTCI (rev. 2)
1. Groundnuts, shelled or not	222,1	25. Raw sisal	265,4
2. Groundnut oil	423,4	26. Vanilla	075,21
3. Cocoa beans	072,1	27. Cloves - whole fruit, cloves and stems	075,23
4. Cocoa paste	072,31	28. Sheep's or lambs' wool, not carded or combed	-
5. Cocoa butter	072,32	29. Fine animal hair of Angora goats - mohair	-
6. Raw or roasted coffee	071,1	30. Gum arabic	292,2
7. Extracts, essences or concentrates of coffee	-	31. Pyrethrum - flowers, leaves, stems, peel and roots; saps and extracts from pyrethrum	-
8. Cotton, not carded or combed	263,1	32. Essential oils, not terpeneless, of cloves of niaouli and of ylang-ylang	551,3
9. Cotton linters	-	33. Sesame seed	222,5
10. Coconuts	057,71	34. Cashew nuts and kernels	057,73
11. Copra	223,1	35. Pepper	075,1
12. Coconut oil	424,3	36. Shrimps and prawns	-
13. Palm oil	-	37. Squid	-
14. Palm nut and kernel oil	-	38. Cotton seeds	-
15. Palm nuts and kernels	-	39. Oil-cake	-
16. Raw hides and skins	211	40. Rubber	232,01 + 02
17. Bovine cattle leather	-	41. Peas	-
18. Sheep and lamb skin leather	-	42. Beans	-
19. Goat and kid skin leather	-	43. Lentils	-
20. Wood in the rough	247	44. Iron ore (ores, concentrates, and roasted iron pyrites)	-
21. Wood roughly squared or half-squared, but not further manufactured	-		
22. Wood sawn lengthwise, but not further prepared	-		
23. Fresh bananas	057,3		
24. Tea	074,1		

Note : For the purpose of the simulation only those products for which the CTCI classification is indicated above have been considered; the other products are supposed to have only marginal significance, if any.

On the other hand, the simulation includes

- jute 264.0

- jute products 651.98 and 654.5.

STABEX LLDCs: Total all LLDCs shortfalls by importing countries
 (thresholds not included)
 (000 US dollars)

	1974	1975	1976	1977	1978	1979	1980	1981	74-81 (5 years average)	77-81
1. CANADA	2 381	2 341	2 348	2 128	4 024	7 000	4 324	4 207	17 964	21 684
2. ETATS NORDIQUES	782	4 923	2 986	7 046	9 657	11 564	8 951	15 782	38 551	53 000
3. ETATS-UNIS	41 931	35 370	16 432	25 642	50 008	75 298	70 582	121 037	272 686	342 568
4. JAPON	17 276	32 386	20 088	16 912	21 565	26 554	36 926	57 777	143 425	159 734
5. CEE	48 702	68 154	79 962	84 691	113 740	164 254	148 919	347 855	660 171	859 459
Total	111 072	143 163	121 816	136 419	198 994	284 670	269 702	546 656	1132 797	1436 455

Source : COMTRADE (ONU-GATT GENEVE)

STABEX LLDCs: Breakdown of shortfalls by regions of origin (thresholds not included) (000 US dollars)

Table 4

	1974	1975	1976	1977	1978	1979	1980	1981	74-81	74-81 (5 years average)	77- 81	
1. CANADA												
TOTAL GROUPE 1	14	66	111	146	133	317	468	0	1 255	784	1 064	
TOTAL GROUPE 2	2 338	2 187	2 026	1 629	2 985	5 898	3 684	2 670	23 417	14 635	16 866	
TOTAL GROUPE 3	29	78	211	353	907	785	172	1 537	4 072	2 545	3 754	
TOTAL	2 381	2 341	2 348	2 128	4 024	7 000	4 324	4 207	28 744	17 964	21 684	
2. ETATS NORDIQUES												
TOTAL GROUPE 1	139	351	1 211	1 295	2 696	4 033	3 293	7 458	20 474	12 796	18 775	
TOTAL GROUPE 2	616	3 823	1 656	5 452	6 707	7 133	4 592	6 492	36 469	22 793	30 376	
TOTAL GROUPE 3	28	749	120	299	254	398	1 066	1 832	4 740	2 962	3 849	
TOTAL	782	4 923	2 986	7 046	9 657	11 564	8 951	15 782	61 683	38 551	53 000	
3. ETATS-UNIS												
TOTAL GROUPE 1	31 126	17 756	3 248	3 129	3 118	903	10 244	18 389	87 912	54 945	35 783	
TOTAL GROUPE 2	10 485	13 573	8 842	11 319	45 569	62 472	46 941	82 864	282 065	176 290	249 166	
TOTAL GROUPE 3	320	4 042	4 342	11 194	1 321	11 923	13 397	19 784	66 234	41 451	57 619	
TOTAL	41 931	35 370	16 432	25 642	50 008	75 298	70 582	121 037	436 211	272 686	342 568	
4. JAPCK												
TOTAL GROUPE 1	1 656	2 761	9 013	7 838	8 514	6 392	4 899	5 490	46 561	29 100	33 133	
TOTAL GROUPE 2	14 148	25 754	9 176	7 585	11 103	20 086	24 375	43 981	156 207	97 629	107 130	
TOTAL GROUPE 3	1 472	3 872	1 899	1 489	1 948	77	7 652	8 306	26 715	16 696	19 472	
TOTAL	17 276	32 386	20 088	16 912	21 565	26 554	36 926	57 777	229 483	143 425	159 734	
5. CEE												
TOTAL GROUPE 1	1 203	7 459	14 300	14 228	13 704	10 858	12 412	45 571	119 734	74 833	96 773	
TOTAL GROUPE 2	39 582	42 899	63 045	66 980	92 890	135 534	112 855	241 490	795 275	497 047	649 749	
TOTAL GROUPE 3	7 917	17 796	2 617	3 483	7 146	17 862	23 652	60 794	141 267	88 292	112 937	
	48 702	68 154	79 962	84 691	113 740	164 254	148 919	347 855	1 056 277	660 171	859 469	
AND TOTAL	111 072	143 163	121 816	136 419	198 994	284 670	269 702	546 656	1 812 398	1 132 797	1 436 455	

STABEX LLDCx Breakdown of Shortfalls by regions of origin

TABLE 4 bis

(10008)

(Thresholds not included)

	1974	1975	1976	1977	1978	1979	1980	1981	1974-1981	1974-81 5 yr. av.	1977-1981
AUSTRIA											
TOTAL GROUP 1	35	170	564	741	1096	802	1410	2262	7080	4425	6311
TOTAL GROUP 2	258	343	1169	1066	3885	4284	4656	3082	18744	11715	16974
TOTAL GROUP 3	156	188	50	145	58	390	718	673	2381	1488	1987
TOTAL	449	701	1783	1955	5043	5476	6784	6017	28205	17628	25272
SWITZERLAND											
TOTAL GROUP 1	35	119	332	656	913	678	372	557	3662	2289	3176
TOTAL GROUP 2	3901	2826	3625	4357	3580	9225	12072	13105	52691	32931	42339
TOTAL GROUP 3	212	1754	246	910	554	929	2025	2340	8920	5606	6758
TOTAL	4148	4699	4203	5923	5047	10832	14469	16004	65323	40826	52273
AUSTRALIA											
TOTAL GROUP 1	17	40	71	23	10	7	54	182	404	252	276
TOTAL GROUP 2	418	4511	3536	4996	4031	2942	2533	4646	27613	17258	19148
TOTAL GROUP 3	91	631	1374	1132	315	284	177	338	4342	2713	2246
TOTAL	526	5182	4981	6151	4356	3233	2764	5166	32359	20223	21670
NEW ZEALAND											
TOTAL GROUP 1	165	731	161	492	330	187	99	1023	3188	1992	2131
TOTAL GROUP 2	302	690	1138	179	1436	1563	2107	2498	9913	6196	7783
TOTAL GROUP 3	0	126	0	0	354	333	626	455	1894	1183	1768
TOTAL	467	1547	1299	671	2120	2084	2832	3976	14995	9371	11682
GRAND TOTAL	5590	12129	12266	14700	16562	21625	26249	31163	140882	88048	110897
- TABLE 4	111072	143163	121816	135419	195994	284670	259702	596656	312398	1132797	1436455
GENERAL TOTAL	116662	155292	134082	151119	215556	306295	296551	577819	1353286	1220845	1547352

STATISTICAL Breakdown of Shortfalls of Group
3 countries by regions of origin

TABLE 570
(1000\$)

(Thresholds not included)

AUSTRIA	1974	1975	1976	1977	1978	1979	1980	1981	1974- 1981	1974-81 5 yr. av.	1977- 1981
AFGHANISTAN	108	112	0	8	8	281	281	277	1075	672	855
BANGLADESH	0	0	6	7	1	90	98	85	287	179	281
BHUTAN	0	0	0	0	0	0	0	0	0	0	0
HAITI	10	42	23	20	11	17	243	205	571	357	496
LAOS	0	0	0	0	0	0	0	0	0	0	0
MALDIVES	0	0	0	0	0	0	0	0	0	0	0
NEPAL	17	13	0	0	2	2	7	15	56	35	26
YEMEN A.R.	21	21	21	21	0	0	89	89	262	164	199
YEMEN P.D.R.	0	0	0	92	36	0	0	2	130	81	130
TOTAL	156	188	50	148	58	390	718	673	2381	1488	1987

STABEX LLDCs Breakdown of Shortfalls of Group
3 countries by regions of origin

TABLE 5/7

(1000\$)

(Thresholds not included)

SWITZERLAND	1974	1975	1976	1977	1978	1979	1980	1981	1974- 1981	1974-81 5 yr.av.	1977- 1981
AFGHANISTAN	12	0	0	0	34	376	905	618	1945	1216	1933
BANGLADESH	0	666	212	833	30	29	330	0	2100	1312	1222
BHUTAN	0	0	0	0	0	0	0	0	0	0	0
HAITI	123	1047	0	53	102	244	569	1464	3602	2251	2432
LAOS	0	0	0	0	0	0	0	0	0	0	0
MALDIVES	0	0	0	0	0	0	0	0	0	0	0
NEPAL	1	1	3	3	3	2	0	3	16	10	11
YEMEN A.R.	76	40	26	15	0	0	0	4	161	101	19
YEMEN P.D.R.	0	0	5	6	385	278	221	253	1148	717	1143
TOTAL	212	1754	246	910	554	929	2025	2340	8972	5607	6760

STABEX LI.DCs Breakdown of Shortfalls of Group
3 countries by regions of origin

TABLE 7/0

(1000\$)

(Thresholds not included)

P.05

	1974	1975	1976	1977	1978	1979	1980	1981	1974-1981	1974-81 5 yr. av.	1977-1981
AUSTRALIA											
AFGHANISTAN	64	64	4	0	0	0	0	0	132	82	0
BANGLADESH	1	540	1324	1076	309	264	166	320	4000	2500	2135
BRUTAN	0	0	0	0	0	0	0	0	0	0	0
HAITI	1	1	1	1	0	0	0	13	17	11	14
LAOS	0	0	0	0	0	0	0	0	0	0	0
MALDIVES	0	0	0	0	0	0	0	0	0	0	0
NEPAL	3	16	42	54	6	20	11	5	157	98	96
YEMEN A.R.	17	6	0	0	0	0	0	0	23	14	0
YEMEN P.D.R.	5	4	1	1	0	0	0	0	11	7	1
TOTAL	91	631	1374	1132	315	284	177	338	4340	2712	2246

STABEX LI.DCs Breakdown of Shortfalls of Group

STABEX LLDCs Breakdown of Shortfalls of Group
3 countries by regions of origin

TABLE 5/9
(1000\$)

(Thresholds not included)

NEW ZEALAND	1974	1975	1976	1977	1978	1979	1980	1981	1974-1981	1974-81 5 yr. av.	1977-1981
AFGHANISTAN	0	0	0	0	0	0	0	0	0	0	0
BANGLADESH	0	126	0	0	354	333	626	455	1894	1184	1768
BHUTAN	0	0	0	0	0	0	0	0	0	0	0
HAITI	0	0	0	0	0	0	0	0	0	0	0
LAOS	0	0	0	0	0	0	0	0	0	0	0
MALDIVES	0	0	0	0	0	0	0	0	0	0	0
NEPAL	0	0	0	0	0	0	0	0	0	0	0
YEMEN A.R.	0	0	0	0	0	0	0	0	0	0	0
YEMEN P.D.R.	0	0	0	0	0	0	0	0	0	0	0
TOTAL	0	126	0	0	354	333	626	455	1894	1184	1768

STARFX LLCs: Breakdown of shortfalls of group 3 countries
by importers and by regions of origin (summary) (thresholds not included)

Table 6

(000 US dollars)

	CANADA		ETATS NORDIQUES		ETATS UNIS		JAPON		CEE		TOTAL	
	5 years average 74/81	77/81	5 years average 74/81	77/81	5 years average 74/81	77/81	5 years average 74/81	77/81	5 years average 74/81	77/81	5 years average 74/81	77/81
AFGHANISTAN	0	0	67	92	2 342	3 671	1 890	2 667	21 734	29 973	26 033	36 403
BANGLADESH	1 730	2 742	640	1 092	11 034	14 260	7 639	8 046	38 354	46 603	59 717	72 743
BUTHAN	0	0	0	0	0	0	0	0	0	0	0	0
HAITI	745	983	1 229	1 594	23 880	34 851	555	758	14 532	22 252	40 941	60 438
LAOS	0	0	0	0	699	780	2 154	2 981	257	323	3 110	4 084
MALDIVES	0	0	0	0	0	0	0	0	73	82	73	82
NEPAL	0	0	9	6	2 725	3 141	356	226	8 446	7 657	11 536	11 030
YEMEN AR	0	0	393	586	452	609	2 382	3 241	1 994	2 761	5 221	7 197
YEMEN PDR	69	29	307	479	319	307	1 721	1 553	2 902	3 286	5 318	5 654
TOTAL	2 544	3 754	2 265	3 849	41 451	57 619	16 697	19 472	88 292	112 937	151 949	197 631

STABEX LLDCs Breakdown of Shortfalls of Group 3 Countries

TABLE 6 bis

by importers and by regions of origin (1 summary)

(Thresholds not included)

(1000 \$)

	AUSTRIA		SWITZERLAND		AUSTRALIA		NEW ZEALAND		TOTAL		GRAND TOTAL (1)	
	5 yr. av. 1974-81	1977- 1981	5 yr. av. 1974-81	1977- 1981	5 yr. av. 1974-81	1977- 1981	5 yr. av. 1974-81	1977- 1981	5 yr. av. 1974-81	1977- 1981	5 yr. av. 1974-81	1977- 1981
AFGHANISTAN	672	855	1216	1933	82	0	0	0	1970	2788	28003	39191
BANGLADESH	179	281	1312	1222	2500	2135	1184	1768	5175	5406	64892	78149
BRUTAN	0	0	0	0	0	0	0	0	0	0	0	0
HAITI	357	496	2251	2432	11	14	0	0	2619	2942	43560	63380
LAOS	0	0	0	0	0	0	0	0	0	0	3110	4084
MALDIVES	0	0	0	0	0	0	0	0	0	0	73	82
NEPAL	35	26	10	11	98	96	0	0	143	133	11679	11163
YEMEN A. R.	164	199	101	19	14	0	0	0	279	218	5500	7415
YEMEN P. D. R.	81	130	717	1143	7	7	0	0	805	1274	6123	6928
TOTAL	1488	1987	5607	6760	2712	2246	1184	1768	10991	12761	162940	210392

(1) Total of table 6 included (Canada plus Nordic states plus USA plus Japan plus CEE)

Table 7 (Revised)

1. Breakdown of group 3 countries' shortfalls by importers (thresholds not included)

	Estimates (million US dollars)	%
EEC	88,3/113,0	54,0/53,8
USA	41,5/ 57,5	25,5/27,4
JAPAN	16,7/ 19,4	10,2/ 9,2
NORDIC	3,0/ 3,7	1,8/ 1,8
SWITZERLAND	5,6/ 6,8	3,4/ 3,2
AUSTRIA	1,5/ 2,0	0,9/ 1,0
AUSTRALIA	2,7/ 2,2	1,7/ 1,0
CANADA	2,5/ 3,6	1,5/ 1,7
NEW ZEALAND	1,2/ 1,8	0,7/ 0,9
TOTAL	163 /210	100 / 100

2. Breakdown of group 3 countries' shortfalls by exporters (thresholds not included)

	Estimates (million US dollars)	%
AFGHANISTAN	28,0/ 39,2	17,2/18,7
BANGLADESH	64,8/ 78,1	39,8/37,2
BHUTAN	- / -	0,0/ 0,0
HAITI	43,5/ 63,3	26,7/30,1
LAOS	3,1/ 3,5	1,9/ 1,7
MALDIVES	- / -	0,0/ 0,0
NEPAL	11,6/ 11,1	7,1/ 5,3
YEMEN AR	5,5/ 7,4	3,4/ 3,5
YEMEN PDR	6,1/ 6,9	3,7/ 3,3
TOTAL	163 /210	100 / 100

TOTAL LLDCs SHORTFALLS (000 US dollars)
(thresholds not included)

74/81
(5 years
average)

1. Shortfalls of LLDC ACP countries

Canada	15 419	17 930
Nordic States	35 589	49 151
USA	231 235	284 949
Japan	<u>126 729</u>	<u>140 263</u>
<u>Subtotal</u>	408 972	492 293
EEC	<u>571 880</u>	<u>746 522</u>
TOTAL	<u>980 852</u>	<u>1 238 815</u>

2. Shortfalls of LLDC non-ACP countries

Canada	2 545	3 754
Nordic States	2 962	3 849
USA	41 451	57 619
Japan	<u>16 696</u>	<u>19 472</u>
<u>Subtotal</u>	63 654	84 694
EEC	<u>88 292</u>	<u>112 937</u>
TOTAL	<u>151 946</u>	<u>197 631</u>

3. Shortfalls of all LLDCs

Canada	17 964	21 684
Nordic States	38 551	53 000
USA	272 686	342 568
Japan	<u>143 425</u>	<u>159 734</u>
<u>Subtotal</u>	472 626	576 986
EEC	<u>660 171</u>	<u>859 459</u>
TOTAL	<u>1 132 797</u>	<u>1 436 455</u>

TABLE 8 bis

TOTAL LLDC's SHORTFALLS
(Thresholds not included)

(1000 \$)

	<u>1974-81</u> <u>5 yr.av.</u>	<u>1977-1981</u>
<u>1. Shortfalls of LLDC ACP Countries</u>		
Austria	16.140	23.285
Switzerland	35.220	45.515
Australia	17.510	21.424
New Zealand	8.188	9.914
Subtotal	77.058	100.138
+ Total table 8 (1)	<u>980.852</u>	<u>1.238.815</u>
GRAND TOTAL	1.057.910	1.338.953
<u>2. Shortfalls of LLDC non-ACP Countries</u>		
Austria	1.488	1.987
Switzerland	5.606	6.758
Australia	2.713	2.246
New Zealand	1.183	1.768
Subtotal	10.990	12.759
+ Total table 8 (1)	<u>151.946</u>	<u>197.631</u>
GRAND TOTAL	162.936	210.390
<u>3. Shortfalls of all LLDC's</u>		
Austria	17.628	25.272
Switzerland	40.826	52.273
Australia	20.223	21.670
New Zealand	9.371	11.682
Subtotal	88.048	110.897
+ Total table 8 (1)	<u>1.132.797</u>	<u>1.436.455</u>
GRAND TOTAL	1.220.845	1.547.352

(1) Canada + USA + Nordic States + Japan + CEE

Brussels,

Mr Gamani COREA
Secretary General of UNCTAD
Palais des Nations
CH 1211 GENEVE 10.

Sir,

We would like to refer to paragraph 4 of UNCTAD Resolution 157 (VI), which invites member countries to forward to you any suggestions and proposals concerning the need for an additional complementary facility to compensate for the export earnings shortfalls of developing countries, and to your note of 12 August on the same subject.

You will of course be aware of the position which the Community took in the discussions on compensatory financing which were held last January in the Committee on Commodities where we both put forward an assessment of Stabex as well as comments on the documents to be considered. It was in the same spirit that we actively took part in the discussions during UNCTAD VI in June 1983 which led to the adoption of Resolution 157 (VI).

In general, the Community considers that mechanisms based on a balance of payments approach or on a product by product approach can be considered as complementary. It is for this reason that, while awaiting with interest the results of the review being undertaken by the Executive Board of the I.M.F. on its Compensatory Financing Facility, we look forward to studying closely as soon as it is available, the analysis that the expert group is due to carry out in accordance with Resolution 157 (VI).

.../...

Although we are ready to exchange views on an overall complementary financing facility, we would like to note at this stage that such a mechanism, embracing "all countries" and "all products" appears to us too global and insufficiently specific. It would also be difficult to put into operation for administrative reasons; it also appears to carry risks of financial non viability which would be difficult to overcome.

On the other hand, the study that we undertook in accordance with paragraph 12 of the Substantial New Programme of Action adopted in December 1981 by the Paris Conference on the Least Developed Countries, and which we herewith forward to you in accordance with paragraph 11 of Resolution 142 (VI), shows that the setting up of a system of compensation for falls in commodity export earnings based on a product by product approach, and limited to agricultural commodities and to the least developed countries, could provide a worthy and realisable objective.

Moreover it is important to ensure adequate participation by the principal importing countries. The Community through the existing Stabex system already meets the requirements of 27 LLDCs and may therefore wish at a later date to make known its position on the question of an extension of the benefits of Stabex to the nine LLDCs which are not parties to the Lome Convention. The Community's position would take into account :

- the effect that the current ACP/EEC negotiations for the renewal of this Convention will have on the form and content of the Stabex system;

../..

- the position that the principal commodity importers may take regarding the setting up of a Stabex-type system of compensation for the LLDCs.

I have the honour to be, Sir, yours faithfully,

For the Commission

For the President of the Council

