NEW ARRANGEMENTS FOR COMMODITIES: POSITIONS AND PROPOSALS

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	UNCTAD	Group of 77	United States	Sweden	EEC	UN resolution
Approach to Negotiations	Seeks agreement on the basic elements of the integrated programme, including commitment to the common fund and arrangements for the priority commodities. Detailed negotiations on individual commodities to take place after this consensus formulated.	Agreement should be reached at UNCTAD IV on the implementation of an integrated programme for commodities.	Proposes a separate producer/consumer forum for each commodity. Compensatory finance, rather than price stabilisation agreements, to remedy export income instability.	Supports a comprehensive commodity policy: believes this is reconcilable with commodity-by-commodity approach.	UNCTAD IV should agree on an 'overall approach' to major LDC export commodities. However no mention is made of the common fund, and commodity agreements are to be on a product-by-product basis.	UNCTAD IV must decide on measures to improve markets for LDC export commodities, and particularly on the applicability of the integrated programme.
Priority Commodities	10 'core' commodities—ie major stockable commodities for which LDCs are the dominant exporters(1)—plus meat and bananas, wheat and rice, wool, iron ore and bauxite.	Those comprising the major part of LDC exports.	Action needed on food grains, copper. Current or forthcoming action on tin, coffee, cocoa and sugar supported.	None specified.	Notes that proposals have been made at the MTN for wheat, maize, rice and sugar: copper, zinc, lead, cotton and wool remain for action.	Those 'of export interest to the developing countries'.
Commodity Arrangements: aims, price policy, methods	Seeks fairer distribution of benefits from commodity trade, and better functioning of commodity markets. Maintaining real prices an objective but may not be attainable: price targets must allow for shifts in supply and demand. Indexation proposals are being further studied. International stocks the primary technique for many products, supplemented by supply management and multilateral commitments. Agreements to provide for improved access to DC markets.	Aims to support prices and improve LDC terms of trade. Methods are international stocks and market intervention arrangements, and multilateral trade commitments. Indexation proposals for further study.	Aims for 'efficiency, growth, stability' in each market. Supports use of buffer stocks to stabilise while avoiding direct price fixing that distorts the market.	Aims at stable, fair and remunerative prices. Stocking arrangements the most suitable method.	Primarily a means to reduce price fluctuations. Fair and remunerative prices an objective, but no commitment to indexation. Prices must encourage long-term equilibrium. Promising mechanisms are (i) international buffer stock schemes with or without fixed floor and ceiling prices (ii) purely financial schemes of levies and payments, without physical stocks. Supply and purchase commitments impracticable for DCs. Sources of finance include levies on transactions, international bodies, and producer/consumer subscriptions.	Arrangements aiming at 'stable, remunerative and equitable prices', and promoting supply/demand equilibrium, are to be decided upon. Methods are international stocking and 'other forms of market intervention', including supply/purchase commitments where possible. Indexation to be further studied.
Common Fund	To be the source of funds for commodity organisations and, exceptionally, to intervene in non-organised markets.' Country subscriptions proportional to share in trade, perhaps additional OPEC subscriptions. Loan capital from governments, international institutions, and the market. Voting allocation somewhere between UN and IMF patterns.	Its creation endorsed.	Not mentioned.	No explicit mention.	Not mentioned.	'Adequate international financing facilities' for commodity arrangements to be decided upon.
Compensatory Finance	Complementary to earnings stabilisation by commodity agreements. IMF's resources should be adequate: necessary improvements to present facility include (i) compensating either commodity export shortfall or total export shortfall, whichever is the larger (ii) compensating on the basis of *real* export earnings (iii) increasing the grant element, and linking repayment to export recovery (iv) more flexible processing of requests, and relaxation of the balance-of-payments test.	Existing facilities to be 'substantially improved'.	Preferred to earnings stabilisation in commodity agreements. 'Development security facility' comprises IMF facility (some increase in the amounts that can be drawn: slight liberalisation, in calculation of shortfall) plus a trust fund to make grants and concessionary loans to the poorer LDCs (see below).	Seen as complementary to price stabiliation. A scheme proposed, under UN rather than IMF control, which would (i) cover all LDCs, all commodities (ii) compensate for shortfall of nominal earnings below reference level (iii) provide interest free loans, converting to grants, to the poorest (per capita income below $100), increasingly hard loans for the richer (iv) be financed by country contributions or aid-subsidised borrowing (v) provide automatic assistance to avoid interference in economic policy.	(i) For the poorer countries (per capita income below $220 or $300) an arrangement similar to Stabex(2). (ii) IMF facility (available to all countries) to be improved—details not specified.	A substantial improvement in existing facilities is to be decided upon. Note is taken of the American and Swedish proposals, and of special measures for LDCs most in need.
Special Measures for Disadvantaged Countries	(i) For LDC importers in commodity arrangements: sales on concessional terms. (ii) For least developed and MSA countries: exemption from costs of stockbuilding, favourable allocation of export quotas. (iii) Common fund: reduction of, or concessional assistance for, subscriptions of low income countries. (iv) Compensatory finance: all payments to least developed and MSA countries to be grants.	Recommended but not specified.	Compensatory finance: (i) poorest countries (below $200 per capita income) to have compensatory loans turned to grants after five years if unable to repay. (ii) some loans available to poorer countries (below $375 per capita income) at concessionary rates.	See compensatory finance above.	Special treatment for the poorest is an objective. Only detailed proposal is on compensatory finance, see above.	Previous resolution on measures for the MSA countries endorsed(3): call for special measures for the transformation of the least developed. For the only specific reference see compensatory finance above. UNCTAD Secretariat to recommend any special treatment for LDC commodity importers.
Other Issues	Promotion of processing in LDCs: suggestions include (i) reduction of DC trade barriers against processed products: (ii) elimination of MNC restrictive business practices, especially on transfer of technology: (iii) in commodity arrangements: international stocking, expanding quotas and trade commitments for processed forms; funds for R&D, diversification, and DC adjustment assistance.	Diversification of LDC exports, and greater LDC share in transport, marketing and distribution, to be promoted in integrated programme. Access to DC markets to be improved.	Concern for security of supplies and investment in commodity production: (i) countries recently practising export restriction, with high prices, to be ineligible for compensatory finance, (ii) loans from the trust fund to include conditions on access to commodity supplies, (iii) a reciprocal exchange of supply commitments for access to DC markets proposed, (iv) a major effort to expand LDC raw material resources proposed.	Need for MTN action on DC market access. Importance of LDC processing.	Action endorsed to encourage LDC processing, and to improve DC market access for primary and processed products. Concern over export restrictions, and for adequate investment in commodity production.	LDC processing and export diversification and LDC participation in transport, marketing and distribution, to be encouraged. Removal of restrictive practices and of DC trade barriers is urged.
Sources	**UNCTAD** Documents TD/B/C.1/193 to 198, October 1975 and earlier documents there referred to.	**Group of 77** 7th Special Session position paper (A/10003/Add.1 (Part I) Annex I)	**United States** Speech to 7th Specia Session (A/PV 2327, 16-65) and US Executive Directors Statement to the IMF, September 1975	**Sweden** Speech to 7th Special Session (A/PV 2331, 27-45) and paper on Stabilization of Export Earnings (A/AC.176/4)	**EEC** 7th Special Session position paper (A/AC.176/2) and Bulletin of the European Communities Supplement 6/75	**UN Resolution** Resolution of the 7th Special Session (3362, S-VII)

Footnotes

1. *Cocoa, coffee, tea, sugar, hard fibres, jute and manufacturers, cotton, rubber, copper and tin.*

2. *'Stabex' is the export revenue stabilisation scheme, covering a number of primary commodities, agreed under the Lomé Convention between the EEC and the 46 African, Caribbean and Pacific countries. It provides interest free loans or grants when a country's exports of an individual commodity to the EEC fall significantly below the reference level.*

3. *Resolution 3202 of the 6th Special Session, which, inter alia, created a Special fund for the assistance of these countries, and called upon DCs to give them extra concessional assistance.*

Abbreviations

LDC Less developed country
DC Developed country
MTN Multilateral trade negotiations, now in progress (the Tokyo round)
MSA 'Most seriously affected' countries, for which a special programme was adopted at the 6th Special Session (Resolution 3202, S-VI)
MNC Multinational corporation