

ing the amount of individual country contributions have been suggested. For example, contributions might be based on per capita incomes of member countries or upon the volume of exports of primary commodities. However, it would be expected that industrial countries would bear the bulk of the financial burden of the losses incurred by the Insurance Fund while low income primary producers would be the principal net recipients.

For example, assuming a 5-percent noncompensable fluctuation in export proceeds and a 50-percent compensation of short-falls from the previous 3 years' average export earnings, compensation to the low-income primary countries would have averaged \$383 million per year over the 1953-59 period; \$85 million per year would have been paid to the industrial and high-income primary producing countries. With contributions based upon export proceeds, low-income primary producing countries would have paid \$142 million per year, thereby deriving a net benefit of \$241 million annually. On the other hand, industrial and high income primary producing countries would have paid in \$326 million per year and sustained a net loss of \$241 million.

Compensation could take the form of outright grants or of credits repayable when exports rose above the 3-year moving average. A loan scheme would have pronounced advantages over grants. Under a system of grants, a country could, by manipulating its stocks, conceivably generate a fluctuation from which it might benefit. In addition, since substantial repayments could be expected under a loan system, the net cost of the insurance scheme would be greatly reduced. However, under a loan plan a country experiencing a long downward trend in export proceeds might receive a substantial amount of compensation which would never be repaid, while a country whose export trade fluctuated would receive short-term assistance but no net compensation over a period of years.

If an insurance program based on loans had been initiated in 1953 and assuming a 5-percent noncompensable fluctuation and 50-percent compensation for short-falls from the previous 3-year average of export earnings, total loans would have been \$2.7 billion and repayments about \$1 billion with substantial additional repayments scheduled out of existing loans. Although an insurance fund of this kind would represent a net cost to industrial countries of the world, there would be important offsetting benefits. In addition to greater stability in the demand for their own exports, industrial countries would also gain from greater stability in prices paid for primary products and the avoidance of periodic shortages in the world supply of important commodities. In addition, the costs of promoting economic development in the backward countries of the world would be reduced. Finally, an adequate and well-functioning insurance scheme would reduce the demand for international commodity agreements and, in many cases, would encourage countries to improve efficiency and reduce costs of production of primary commodities, thus making for lower prices and a better allocation of world resources.

It should also be mentioned that an exchange insurance program modeled after the United Nations experts' plan was proposed for Latin America at the Punta del Este Conference in August 1961. In principle, the Latin American proposal is the same as the U.N. ex-