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COMMODITIES AND STABEX

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COMMODITIES AND STABEX

IN THE BEGINNING WERE PRIMARY PRODUCTS...

Such an obvious statement might well be the beginning of an economic treatise and would in itself be sufficient to justify the importance the world attaches to this question. The adjective underlines the fact that prosperity is founded on primary products. But sometimes the foundations can slip.

This is not a new problem. Back in 1948, the Havana Charter recognized the perversity of the raw material markets : "...The conditions under which some primary commodities are produced, exchange and consumed are such that international trade in these commodities may be affected by special difficulties such as the tendency towards persistent disequilibrium between production and consumption, the accumulation of burdensome stock and pronounced fluctuation in prices. These special difficulties may have serious adverse effects on the interests of producers and consumers, as well as widespread repercussions jeopardizing the general policy of economic expansion..."

What is new is the importance the question took on in the seventies. The trigger was the oil crisis of 1973, when, for the first time in history, developing countries which exported one particular raw material succeeded in forcing on the industrialized countries something which decades of negotiations had failed to manage, namely a price which they considered to be remunerative. The newly independent Third World had realized that, if it wanted to jump on the world trade roundabout, the precondition for rapid economic take-off, then it should stop selling its raw materials at knock-down prices. These, obviously, were all it had to finance its growth in the short term.

A fair price, terms of trade which were not constantly deteriorating, was a vital demand for the developing countries.

Fair prices and guaranteed supplies were the main concern of the consumer countries after the war in the Middle East.

There had to be a dialogue. There was going to be one, but it soon became apparent that, although the aim of stabilizing the markets remained the same, there were many different situations. Who were the consumers ? Who were the producers What was the product hierarchy ? What systems of regulation should be used ? These were just some of the questions that occurred. The variety of situations threatened to prevent the commodity problem from being globalized as the countries of the Third World wished.

Almost 10 years of North-South Dialogue have, alas, confirmed that it is difficult to achieve really satisfactory results. Optimists will feel that the Integrated Programme for Commodities and the new product agreements are a partial success and pessimists that they are a partial failure. The pragmatic will look at the results - they are slender and the basic problem has not been solved. The markets in fact still fluctuate as much as they ever did and the experts now agree that, one or two exceptional cases apart, the developing countries' income is on the decline.

The consequences are cause for concern to us all. Many developing countries are threatened with financial suffocation and the risk of chain reactions on the banking system in the industrialized world is not a negligeable one.

In this context, the real meaning of the various devices the European Community has introduced to stabilize the export earnings of its developing partners becomes clear. Although its action is only partial and not intended to solve the problems as world level, it does have the merit of existing and being one possible avenue for more general international action.

PART I

COMMODITIES : THE KEY TO DEVELOPMENT IN THE THIRD WORLD

I. WORLD TRADE IN COMMODITIES

"... any product of farm, forest or fishery or any mineral, in its natural form or which has undergone such processing as is customarily required to prepare it for marketing in substantial volume in international trade."

This is how the Havana Charter describes commodities.

As the figures show, raw materials represent a very important part of world trade - 17 % of the value of total exports from the industrialized and the developing countries in 1980. Add fuel (and oil, therefore) to this and the figure rises to 41 %.

The commonest idea is that raw materials are the Third World, but a look at the structure of trade shows there is more to it than this. In particular, it is wrong to equate the industrialized countries with the consumers of raw materials and the developing countries with the producers. The industrialized countries in fact account for almost two thirds of the value of world exports in this sector. And the export patterns of the different groups of countries are not comparable either. The industrialized countries of the west and the countries of the eastern block do most of their export trade in their own zone. But the developing countries only do a small amount of trade with each other and the bulk of their export trade, overall, is with the industrialized countries of the west.

So the developing countries tend to be equated with the suppliers of raw materials not because they dominate the world markets, far from it, but because they are the only ones to be preponderant suppliers of the other two, particularly the western group.

Another important aspect of North-South trade is this. The developing countries are very large importers of food products and their dependence on the countries of the west has increased considerably in this respect, particularly as far as cereals are concerned.

<u>The North's market dominance</u>

The picture of the world raw material trade we have just painted can be completed by the data for individual products. Calculations made on the basis of a statistical note produced by UN experts in preparation for the extraordinary general assembly in April 1974 made it possible to measure the importance of each of the three big groups of countries on the different markets. Although this note dates back a relatively long time, its conclusions are still valid. The 66 products on the UN lists can be divided into three categories :

1) The developing countries dominate the markets (18 products for which they account for more than 60 % of world exports) - crude oil, coffee, sugar, rubber, cocoa, tin, tea, bauxite, groundnuts, palm oil, coconut oil, jute, groundnut oil, copra, sisal, tin ore, palm kernel oil and palm nuts.

2. <u>The developing countries have an appreciable market</u> (10 products for which they accounts for 30-60 % of world trade) - petroleum products, copper, cotton, fruit, iron ore, timber, oilseed cake and meal, copper ore, untreated fertilizer and manganese ore.

3. <u>The industrialized countries of the North dominate the markets</u> (37 products for which they account for more than 60 % of world trade) - wheat, wood pulp, pressed wood, aluminium, coal, maize, beef and veal, wool, fish, soya, tobacco, nickel, rice, milk, leather, cheese, butter, wine, barley, pigmeat, nickel ore, fur, animal oils and fats, lead, zinc, sheepmeat, bacon, soya oil, poultry, zinc ore, eggs, olive oil, lead ore, flax, linseed, cottonseed oil and linseed oil.

Note that the 66 products include chrome ore, where the eastern block countries dominate the market, with 40 % of exports. The other products for which the eastern bloc accounts for more than 15 % of world exports are coal, flax, pressed wood and timber, untreated fertilizer, cotton and manganese ore. The eastern bloc's most important import products, relatively speaking, are palm nuts, linseed, cotton, sugar, barley, wheat, linseed oil, wine, untreated fertilizer, rubber and poultry. The table based on UN expert statistics shows that the industrialized countries of the North tend to have an important hold on the various world markets.

II. THE VITAL IMPORTANCE OF COMMODITIES TO THE THIRD WORLD

The developing countries' dependance in the commodities sector was inherited from the colonial era. That is a fact. These countries were confined to the role of purveyors of raw materials to the industries in the metropolis and prevented from developing their own processing industries, which might have represented unwanted competition.

With independence, came the Third World's desire for technology and to develop its own commodities. It wanted to industrialize.

More than a quarter of a century after decolonization, the record is far from satisfactory. The Third World as a whole is still largely under-industrialized, it has a considerable external debt, it has been unable to ward off famine properly and its share of world trade in manufactures is still small. It is still, in fact, largely dependent on its raw material exports.

These provide most of the developing countries' foreign exchange and much of the national budgets as well, via the taxes levied on export products. This means that any major drop in earnings may have dramatic consequences on their economy.

It goes without saying that the developing countries are anxious to maintain their purchasing power - which conditions all their development possibilities. A very old debate, reflecting this concern, hinges on the notion of the improvement or the deterioration of the terms of trade.

The concern of the industrialized countries - some of which, like the countries of the EEC and Japan, are dependent for a large part of their raw materials on external sources - is to ensure that their industries are supplied regularly and at a reasonable cost.

Here we are at the heart of a contradiction in relations between the developed and the developing countries. Although the former have bitter memories of the record prices of 1973-1974 and are anxious to maintain raw material prices at levels which do not threaten the balance of their external accounts or their growth, the latter, in theory, have only one way of avoiding financial suffocation and that is pushing up their export earnings, which, as we know, are almost 80 % dependent on their commodity sales.

III. NOT ALL IN THE SAME BOAT

Developing countries depend on commodities for their export earnings - that is the traditional picture and it will be a true one for a number of years to come. However, things have evolved over the past decades, which is fortunate. It is increasingly necessary to make a distinction between two groups of developing countries - those that are off to a good start and exporting more and more processed products (even if, in certain cases, their financial situation *vis-à-vis* the outside world is still extremely precarious) and those that now make up the group of least-developed countries for which commodities, and particularly agricultural products, are almost the only source of export earnings.

As the World Bank underlines in its 1983 report : "Developing countries can no longer be caricatured as exporters of primary products and importers of manufactures. Some have even become significant exporters of capital goods, accounting in all for about 6 percent of the world's total.

These changes should not obscure the fact that for many developing countries - particularly the poorest - primary products still dominate their exports. Many countries are still highly dependent on one export commodity; coffee still represents almost 90 percent of Burundi's recorded exports and more than 50 percent of Colombia's. Other examples include cocoa in Ghana (70 percent), sugar in Mauritius (more than 65 percent) and copper in Zambia (more than 70 percent)."

To say that, for these countries, and all the others in comparable situations, any drop in the world price of these products is catastrophic, is self evident. If coffee prices slump or there is a vast cocoa harvest in the world, then Burundi and Ghana are in dire straits. There are some insurances, such as the EEC's Stabex and the IMF's compensatory financing facility, but they do not cover all the risks. It is difficult, impossible even, to programme growth and economic development in conditions of this kind. And it is also difficult to find creditors willing to cover such risks.

One of the developing countries' main demands is to be able to run their development as flexibly and as reliably as possible.

They failed to organize their demands for many years, but suddenly asserted them after the oil crisis in 1973 and the surge in raw material prices that followed.

The North-South Dialogue was about to see the light of day.

PART II

COMMODITIES AT THE HEART OF THE NORTH-SOUTH DIALOGUE

I. FROM WAR TO DIALOGUE - NORTH-SOUTH IS BORN

A war was all it took...

The war between the Israelis and the Arabs in 1973 was to give rise to that astounding weapon, oil.

For the first time in its history, the industrialized west was going to lose its absolute control over the world economy. The peaceful car-less Sundays of late 1973 convinced the Europeans that nothing would ever be the same again. Account now had to be taken of the countries of the Third World, which burst upon the international political scene in the person of the oil producers.

To all these countries, which had never had any choice but to comply with the interests of the western world, the oil-producers' act of daring was an example. In the space of a few weeks, a group of countries, all of them from the Third World, had managed to succeed where years of negotiations had failed. The developing countries were quick to realize the link between oil, raw materials and development. They knocked at the door of the industrialized west harder than they had ever done before, asking for a settlement and generating a vast movement to reform the way the world economy operated.

After handling the most urgent issues, the industrialized countries gradually awakened to the fact that their efforts over the previous 20 years had failed to have the anticipated results. This awakening, it is true, was partly brought about by a fear that the western economies' supply of raw materials was under threat. No group of raw materials producers in the Third World was in a position to repeat the oil-producers' coup, certainly. There is nothing to compare with the world oil market. "Crude" is the strategic raw material par exellence, export supplies are concentated in the Third World and there is no short-term substitute... But the industrialized nations could still not rule out the possibility of anarchic action by other raw material producers who might be quick to capitalize on tension that occurred on a particular market by provisionally reducing deliveries, for example, or announcing major price rises, as Morocco did for phosphates. Although raw material supplies to the industrialized nations could not be totally compromised, it was impossible to rule out certain setbacks.

The surge in raw material prices in 1973/74 also served to strengthen the industrialized nations' fears.

For several months, the developed and the industrialized countries talked but got nowhere. The extraordinary assembly of the UN (April 1974) on raw materials and development was the scene of lively disputes. The declaration on the new international economic order was adopted in the most total confusion. Many industrialized countries, including the USA, Germany and Japan, voted against a text now considered to be the economic creed of the developing countries.

It is true that the declaration contained a vigorous denunciation of the privileges of the industrialized countries. The new international economic order was being called for by a group of nations which felt that they had been over-exploited. The declaration made a number of demands on which the west was going to have reservations - the right to nationalize and have permanent sovereignty over natural resources, an automatic link between the developing countries' export prices and their import prices, raw material producers' associations, elimination of the developing countries' long-standing trade deficit, limitation of competition from synthetic products, cheaper access to western technology and control over the activity of the multinationals.

So in April 1974, the climate of relations between the rich coutries and the poor ones was not always good. And there were other misunderstandings and other skirmishes - in Rome (November 1974) at the UN conference on food, in Dakar (February 1975) at the non-aligned ministers' meeting on raw materials, in Lima (March 1975) at the UNIDO conference on Third World industrialization and in Paris (April 1975), when the preparatory conference for the North-South Dialogue failed. The international community gradually moved towards total deadlock. Yet, although the seeds of confrontation did not completely disappear, reason won through in the end.

Reason first came from the EEC. The conclusion of negotiations between the Nine and 46 countries of Africa, the Caribbean and the Pacific, some of the poorest in the world, was hailed as a success for development cooperation policy in both Europe and the Third World. The Lomé Convention, signed in February 1975, was a milestone in North-South relations. Its regional solutions (they were negotiated, not imposed) were of universal value - take the multilateralization of financial aid, the establishment of industrial cooperation and the guaranteed outlets for sugar producers, not to mention Stabex, the original export earnings stabilization system. But Lomé was not enough to defreeze relations between the industrialized and the poor countries. Much in fact depended on what attitude the

Americans, who had not so far been keen on dialogue, adopted. Washington diplomacy finally changed direction and, in the space of a fortnight, Henry Kissinger, the American Secretary of State, made two key speeches - one in Kansas City on 13 May 1975 and one to the OECD Council in Paris on 28 May. Certainly, Mr Kissinger made no major concessions to the Third World demands. As he saw it, the current economic system, which had enabled record growth to be achieved, had to be preserved. Freedom (of trade, capital transfer, technology and so on) was the basis of the prosperity of the industrialized world and the developing countries could not hope to prosper without it...

The USA, without which "no solution was possible", nevertheless agreed to certain changes in the system to facilitate growth in the Third World. In another speech on development, this time to the extraordinary assembly of the UN in September 1975, Mr Kissinger indeed said exactly what he thought. The anticipated changes should make it possible to meet three of the challenges facing the world economy - those of energy, raw materials, and food.

The Community as mediator

The change in the American attitude fell far short of the Third World's expectations, at least when it came to the terms of the new international economic order, but it did open the way for a dialogue. It is true that the Third World's economic and financial situation had deteriorated considerably since the oil crisis, as they were more affected than the industrialized countries by the rising cost of crude. They went through a serious food crisis. They benefited less from the raw material price surge of 1973/75 than did the rich countries. Whether from necessity or reason, it was time for dialogue. This is why the UN extraordinary assembly in New York on 1-15 September 1975 was a relative success. The compromise resolution adopted in New York was a proof that both camps wanted to find mutually acceptable solutions. The Community, which probably kept more in the background than the USA at the plenary session, made a decisive contribution to drafting the compromise in the sidelines. The Nine, which had coordinated their position, on the basis of a communication from the European Commission, before the assembly, maintained unity throughout, representing a force of conciliation and mediation between the USA and the Third world.

II. HOPES AT NAIROBI - THE INTEGRATED PROGRAMME FOR COMMODITIES

The UN resolution of September 1975 was thought to open the way for a real dialogue on a reform of international economic relations. The compromize recognized all the aspirations of the Third World countries - without, however, accepting implementation of the techniques they suggested in certain fields.

But all the participants had accepted the text and this was the essential thing. This dialogue, which many people now write "dialogue" to show that it has often been a battle of strength, was held in two main fields.

First of all, an attempt was made to find a calmer framework than the UN bodies and one that would in any case be more conducive to reflexion, discussion and practical decision-making. Thus the Conference on International Economic Cooperation (CIEC), to be the symbol of the North-South Dialogue, was organized in Paris in December 1975.

This forum, it was felt, would be a more suitable one for industrialized and developing countries to discuss the new international economic order. Many industrial countries found UNCTAD debates too political to lead to practical, viable solutions. This in particular, was the position of the USA.

The developing countries, for their part, refused to hold the dialogue in the GATT, a body which they felt was almost exclusively for the USA, the EEC and Japan and which had made possible the free trade that they were denouncing.

As well as this relative neutrality, the CIEC should have gained in efficiency from the restricted number and representativity of its 27 participants. Four committees - on energy, raw materials, development and financial and monetary questions - were set up.

The CIEC was a failure. We shall see some of the reasons for this later, but things could probably not have been otherwise and, since the fruitless Cancun conference of summer 1981, the CIEC has lain dormant.

But is the North-South Dialogue really dead? Certainly not, because we still have the traditional framework for discussion, UNCTAD.

The first practical result - the Integrated Programme for Commodities

Of the three UNCTAD conferences held since 1975, it was the Nairobi one (May 1976) that went furthest towards realizing the hopes the developing countries had placed in the new international economic order.

Participants at the Nairobi conference were in fact to adopt, via resolution 93 (IV), the Integrated Programme for Commodities previously presented by the UNCTAD Secretariat in February 1975.

The Integrated Programme covers 18 commodities - bananas, bauxite, tropical wood, cocoa, coffee, natural rubber, cotton and cotton yarn, copper, tin, hard fibres and their products, vegetable oil (including olive oil) and oilseeds, jute and jute products, manganese, iron ore, phosphates, sugar, tea and meat - all exports of considerable interest to the developing countries.

The aims are to :

- keep commodity prices at levels which, in real terms, are remunerative and fair to the producers and fair to the consumers;

- attenuate any excessive fluctuation of commodity prices and stabilize supplies, in the interests of both the producers and the consumers;

- stabilize and increase the purchasing power of each developing country's export earnings;

- boost the developing countries' exports of primary and processed products (access to markets in the developed countries) and make natural products more competitive in relation to synthetic substitutes;

- increase the processing of primary products in the developing countries;

- increase developing country involvement in the transport, marketing and distribution of their commodity exports;

- encourage R & D of problems related to natural products;

- improve market structures for commodities which are important exports for the developing countries.

The Integrated Programe proposes achieving these aims in the commodity sector by a series of international measures that can be applied singly or together, bearing in mind the "characteristics and problems of each product and the special needs of the developing countries". These involve :

- setting up international buffer stocks;

- harmonizing storage policies and setting up coordinated national stocks;

- instituting price arrangements, particularly negotiated price scales that are discussed and adjusted periodically;

- adopting international supply regulation measures, including export quotas and production policies and, where necessary, long-term multilateral supply and purchase commitments;

- improving procedures for information and consultation on the market situation;

- improving and extending compensatory financing facilities;

- improving market access for the developing countries' primary and processed products via multilateral commercial measures, the extension of the generalized system of preferences and trade promotion measures;

- taking international measures to ensure the rapid development of raw material processing in the developing countries;

- taking international measures to increase the developing countries' involvement in the transport, marketing and distribution of their commodities;

- taking measures to encourage R & D of commodity-related problems;

- taking measures to encourage R & D of problems related to any natural products subject to competition from synthetics;

- examining stabilization measures for products that cannot be stored.

Resolution 93(IV) also provided for a negotiating conference on a common fund to finance the various measures of the Integrated Programme and preparatory meetings for international negotiations on the relevant commodities to be called. Negotiating conferences on commodities were also scheduled to take place once these meetings were completed.

The European Community signs the Common Fund

One of the essential aims of the Integrated Programme for Commodities is to stabilize the markets. In most cases, this should involve concluding international product agreements, many of which are mainly concerned with setting up buffer stocks. This brings us to the problem of financing these stocks - and this is where the Common Fund comes in.

It took two years of negotiation to reach the March 1979 agreement on the basic elements of the Common Fund. It took more than a year for negotiators to settle certain technical and statutory problems and reach their final agreement and, on 28 June 1980, 101 countries (there were 109 of them by 1984) initialled the act setting up the Common Fund.

Two "windows", or accounts of roughly the same size, are to be opened.

The first is to contribute to the financing of international buffer stocks (the arrangements for this to be fixed later) and of national stocks that would be coordinated at international level by virtue of international commodity agreements.

The second is to finance measures other than stock constitution - R&D, productivity increases and trade promotion.

The financial resources of the Fund are to come from direct contributions from governments, resources accruing from the association of international commodity agreements with the activities of the Fund, loans, voluntary contributions and the net earnings of the Fund itself.

Direct government contributions to the first window are to amount to $ 400 million, of which $ 150 million to be deposited in cash, $ 150 million made available and $ 100 million callable. Part of the contributions are to be paid to the second window so that this has at least $ 70 million.

The aim for the second window is to reach a total of $ 350 million and the difference between this amount and the direct contribution of $ 70 million (i.e. $ 280 million) is to come from voluntary contributions from member countries of the Fund.

The international product agreements which will be associated with the Fund are to deposit in it 33.3 % of their maximum financial requirements to obtain credit for the other two thirds.

The basic idea behind the Common Fund is that all the commodity markets are not depressed at the same time and that prices that go up will compensate for others going down. So, if the Common Fund is to function properly, the maximum number of international agreements must be concluded in association with it and there must be real risk-sharing.

Some people, remembering that, in 1973-74, practically all raw material prices reached record levels about the same time, and afterwards slumped more or less together, have their doubts about the truth of this assumption.

That perhaps explains the reluctance of some countries, and of the USA in particular, to ratify an agreement which was still not operational at the beginning of 1984. The agreement has in fact to be ratified by 90 countries and they have to represent 60 % of the capital. This means that practically all the big industrialized countries must sign. By 31 March 1984, there were 72 ratifications, representing 44 % of the capital. Five of the Member States of the Community had ratified by this date and the ratification process was under way in the other five countries.

But until the USA makes up its mind to ratify it, the future of the Common Fund will remain uncertain.

III. STABLE MARKETS FOR CONTROLLED DEVELOPMENT - A SIMPLE TECHNICAL PROBLEM

The international commodity markets are suffering from too much instability. This is nothing new, as we have seen, the Havana Charter talked about it in 1947.

Supplies that vary with the conditions of production or the climate - demand that fluctuates according to stocks, the health of the world economy, speculation - ill-adjustment of supply and demand. These are just some of the many reasons for this instability.

What are the answers?

Prices first and foremost - or how to get them under control

Prices, undeniably, are at the heart of the discussions on raw materials. Proof of this is the simple fact that these discussions only really got off the ground after prices soared in 1973-74. There are two aspects to the price problem :

1. Chronic price instability (of varying degrees, according to the market) is deplored by developed and developing countries alike. It prevents the developing countries, whose economies largely depend on the (export and budget) revenue derived from raw materials, from programming their development as they would like. In a way, price variations prevent them from fixing their economic targets. The developed countries which import their products are also afraid of exaggerated price variations, but for different reasons. What they fear is the inflation that sets in after a price rise. Lastly,

unstable prices are a major drawback to both developed and developing countries in that they interfere with the programming of investments in the raw materials exploitation sector. This leads to supply and demand getting out of line, which in turn never fails to produce untimely price fluctuation.

2. The absolute level of prices leads, as one might expect, the Third World and the developed countries to assess the situation differently. For a long time, the Third World complained that its export products were not remunerative enough. But the developed countries - which, let us not forget, account for a large part of the world import trade - tend to want cheap supplies. The two groups have to compromise and agree on prices that are fair to the consumer and remunerative to the producer. Alongside this essential question of prices, the product agreements have a second important purpose, namely to ensure guaranteed supplies for the signatory consumer countries.

There is indeed a whole series of methods for controlling the markets in such a way as to eliminate excessive price fluctuation and define a level that is desirable to both consumer and producer. Product agreements can use quite different techniques. It is reasonable to start talking about a product agreement once there is consultation (regardless of form or degree of constraint) between consumer and producer. The following are the main methods that can be used to stabilize raw material markets :

- <u>Exchanges of information</u> : the minimum requirement. Representatives of the producers and the consumers meet regularly to discuss their most recent information on the prospects of greater supply and demand. There is, properly speaking, no constraint here, but the meetings can at least help to restrict any setbacks.

- Action to encourage demand : the main idea here is to facilitate a product's access to the consumer market. Sales taxes which sometimes over-inflate retail prices and discourage buyers can be reduced or even abolished. Trade promotion schemes can also be envisaged.

- Price observance : producers and consumers define a minimum export price target, which can be revised later if it proves, unrealistics. A price range can also be chosen instead of a simple minimum price. In all cases, such prices are purely indicative in that there are no provisions for a system of intervention to ensure compliance.

- Long-term contracts : A long term contract is a reciprocal commitment by producer and consumer. The producer agrees to deliver certain quantities and the consumer agrees to buy them. This type of contract can also contain a price clause. It can be bilateral (between two States), regional (between two groups of countries) or multilateral (between the majority of producers and consumers). There may be difficulties attached to concluding such a contract, as it is hard to predict supply and demand, particularly in the case of agricultural products. The governments,particularly in the west where private firms have an important part to play, are not always able to respect their commitments fully.

- Export quotas : The principle here is for the producing countries to define export quotas, the size of which will vary according to the trend in the price of the product in question. If prices rise, then the quotas, which are usually defined for each country individually, are gradually expanded or even done away with altogether. If a complete slump is feared, then there may be an embargo. This resolute action on supply means that prices can be maintained within a bracket. It is not necessarily to the advantage of the exporters, which have to shoulder all the economic and social costs of the operation if prices drop;

- Storage policy : the constitution of stocks is no doubt the best way of stabilizing the markets. It an also be very costly - either because the product is expensive (as with copper) or because it is difficult to keep beyond a certain period (as with coffee, cocoa etc). Stocks mean that a price bracket can be maintained. When prices rise, stocks are drawn on, and when prices drop, they are built up. Stocks can be managed on a national or an international basis, although the latter formula offers more guarantees. It is important to choose a price level that is near long-term balance (which can be difficult to define). Target prices that are too high soon lead to the liquidation of stocks, while prices that are too low lead to excessive stock-piling - unless it is agreed that prices can temporarily come out of the bracket and unless the storage policy coupled with an export quota system. Stocks would not normally be expected to be less than the quantities required to provide the members of the agreement with three months' supplies. Buffer stocks, logically speaking, are aimed at defending prices, although a more flexible formula could well be devized. For example, economic contingency stocks, smaller in quantity than the buffer stocks, could help to even out the price curve and the idea would be to eliminate exaggerated differences in prices rather than defend a pre-established level. Lastly, a by-product agreement creating buffer stocks and a price bracket could be completed by provisions to offer the consumer guaranteed supplies. So reserve stocks could be set up alongside the buffer stocks, with a view to palliating any serious inadequacy in supply. There could also be a clause forcing the exporters to deliver to signatories of the agreement as a matter of priority. In case of temporary shortage, export quotas, paid at the ceiling price of the agreement or even slightly higher, could be fixed.

- Financial machinery : there could be export or import duties that could be used for various purposes - to finance buffer stocks, product marketing measures, diversification schemes and so on.

Techniques exist then. They have been listed and they are known. So why not use them and solve the problem of commodities ?

There are three main reasons why it is not so easy to move from theory to practice. The first, and doubtless the most important, is the financial cost of agreements. As we know, the most efficient way of stabilizing certain markets is to set up buffer stocks, but this is a very expensive business and the producers and consumers do not always agree as to the advisibility of running large financial risks.

And when there is also a question of laying down a set of export restrictions, certain industrialized countries are very reluctant about what they consider to be an impediment to the proper working of the market.

Lastly, there are political and strategic factors. These can create upheaval on certain commodity markets and substantially reduce the effectivess of international agreements.

Too few international agreements

Since the Integrated Programme was adopted in Nairobi, a certain number of agreements have emerged or been renegotiated within the framework of the new agreements. They will therefore benefit from the provisions of the Common Fund once it comes into effect.

Some of them provide for buffer stocks, with a view to defending a price level (rubber, tin and cocoa). In other cases (jute and tropical wood, for example) only measures having no direct effect on prices have been introduced.

Lastly, the coffee agreement, which contains a system of export quotas, is not negotiated in UNCTAD.

- Rubber : The agreement on natural rubber was signed at the end of 1979 and is due to expire at the end of 1985. It is currently the only one that works with adequate effectiveness and has no debts.

  It involves a buffer stock financed half by the producing countries and half by the consumers. The idea is to maintain prices in a bracket (which itself contains a semi-automatic price revision mechanism). This means that if the long-term tendency on the market is upwards or downwards, the price bracket must be adjusted to reflect it.

  This agreement has managed to counter-balance all the negative effects of the recession and to stabilize prices as from 1981.

- Tin : The 6th tin agreement was also negotiated under the Integrated Programme. The buffer stocks are financed half by the producers and half by the consumers. This agreement came into force in July 1982 for a five-year period. The international tin market in 1984 is characterized by very large stocks strongly affecting the level of prices. A "mysterious operator", in reality the government of one of the producers belonging to the agreement, speculated and brought about a huge drop in prices between February and June 1982 and the situation was made worse by large-scale fraud.

  So, two years after the agreement came into force, the members are faced with the problem of stock financing.

- Cocoa : The third cocoa agreement, due to expire on 30 September 1984, is faced with a fairly similar situation. The stock intended to keep prices within a bracket is no longer operational. Faced with a price drop and the prospect of intervention buying that ought to have followed, the members of the agreement preferred to suspend stock management operations. So the stock has virtually never functioned. Furthermore, the USA, still the biggest consumer, and Ivory Coast, the leading producer since Ghanaian production collapsed, are not members of the agreement.

  A new conference was due to begin in Geneva in May 1984 to negotiate a further agreement. The Community was to try and persuade Ivory Coast to join an arrangement that might include a system of export quotas.

  The cocoa agreement reflects the spirit of Nairobi, i.e. it tends to provide high price brackets so as to ensure that the exporting countries' earnings rise. This idea, which is satisfactory from an ethical point of view, does not always fit in with basic market trends and the buffer stocks do not have the financial means of defending price levels that are too artificial. The trend that currently seems to be emerging, as the rubber agreement illustrates, is towards semi-automatic price bracket revision machinery geared to the long-term situation on the market.

- Coffee : This product is the most important export, after oil, for the economies of the developing countries.

  There has been a coffee agreement for 20 years. It involves stabilizing prices through export quotas, with no buffer stock. The USA, setting aside its principles for political and strategic reasons, is a party to this agreement, the principal producing members of which are the countries of Latin America, particularly Brazil and Columbia. Washington in fact fears that the economies of these countries may slump.

The other major producing members are the African countries of OAMCAF.

The coffee agreement, unlike the other product agreements, is negotiated in London.

The eastern bloc countries do not belong to the agreement - which has led to the emergence of a double market with prices that are half the official ones. This obviously amounts to partial failure.

- Jute and tropical wood : These two products are now the subject of agreements. One of them (jute) has come into force on a provisional basis and the other is open for signing and ratification.

  These agreements have been concluded within the framework of the Integrated Programme, but they do not contain any price stabilization machinery. Only R & D schemes, export promotion and other attendant measures are covered. They are therefore eligible for the second window of the Common Fund.

The terms of trade - the spectre of indexation

Raw material prices are the experts' nightmare and, in spite of what has sometimes been highly sophisticated investigation, it has been practically impossible to detect any long-term trend since the beginning of the century. Prices evolve so chaotically that no-one can say with any certainty what they are going to be. Yet, as we have seen, the price of raw materials is, in a way, what is really at stake in the North-South Dialogue.

It is impossible to talk about the trend in raw material prices without mentioning the discussion on the terms of trade. In technical language, the terms of trade are the relationship between the price of exports and the price of imports.

A government's aim is to find out whether this relationship is developing favourably or not varying at all. If this is the case, then its purchasing power will have increased or been maintained. If the relationship is deteriorating, then it will have to sell larger quantities of its products to maintain its purchasing power. This will mean a deterioration in the terms of trade.

For many years, the developing countries have maintained that the industrial products they import from the developed countries are increasing more than the raw materials that they sell and that their purchasing power is waning accordingly.

Some people contest this. Inadequate statistics and methods of calculation mean that it can often be difficult to measure the advantages to one or other of the camps from trends in raw material prices and different studies which the UN, the World Bank and UNCTAD have commissioned from experts have not always come to similar conclusions. It is in any case impossible to generalize a trend. Conclusions may be very different from one export product, one country and one period to another. However, it does appear that the high growth in the industrialized countries recorded over the decades has been largely to the detriment of the developing countries that produce raw materials.

Rather than embark upon a debate that leads nowhere, it is more interesting to find out how the terms of trade between North and South should evolve from now on and how we can manage to maintain direction. The Third World began the indexation battle, with a view to preserving their purchasing power in comparison with the industrialized countries, back in 1974. They considered this to be the absolute expression of the ideas of the new international economic order as applied to the trade in raw materials. Its role was to ensure that, from one year to another, they could obtain an identical quantity of goods with the earnings accruing from selling a sack of coffee or a crate of bananas.

The technique of indexation is no doubt the one most disputed by a large number of the countries of the west. They look upon it as an infernal machine which causes inflation, leading the whole world economy almost to disintegration. At a time when the industrialized countries are fighting an all-out battle against inflation and when certain of them have abandoned indexation of the wages of their own nationals, it is easy to understand that the debate on this subject should have been shelved, in spite of the fact that the basic problem is still there.

PART III

THE COMMUNITY AND COMMODITIES IN THE LOME CONVENTION

Defence of prices, indexation, fabourable trends in the terms of trade - all aspects of a debate aimed at ensuring that the developing countries can defend, if not improve, their export earnings and thus programme the orderly development of their economies.

A world-wide dialogue is going on and the new international economic order is under way. Be it cause or consequence, the world economic crisis has prevented satisfactory implementation of all the aspects Of the Integrated Programme for Commodities. And, as we have seen, the one or two product agreements concluded over the past few years do not really amount to a convincing result, particularly since, for many of the poorest Third World countries, which export one or few commodities, a drop in the price of these products is a permanent threat to their very existence.

So, in this context, the full meaning of what the Community has done to remedy this state of affairs becomes clear.

As soon as it was introduced in 1975, at the centre of the debate on the new international economic order, the system to stabilize the commodity export earnings of the EEC's partners in the Lomé Convention was hailed as an exemplary contribution to solving the problem of raw materials. This system, now known as Stabex, covers agricultural exports from the Third World and benefits more than 60 of its countries. That is to say that, in spite of its regional nature, it concerns a large number of the developing countries involved in the North-South Dialogue, including the majority of the least developed countries.

The Lomé Convention also contains a system to guarantee the purchase, at fixed prices, of sugar produced by the member countries - which is far from being negligeable in the case of a product that is so vital to some of them.

Lastly, in 1980, Lomé II introduced a system known as Sysmin, aimed at helping mineral exporting countries to palliate any accidental drops in production that adversely affected their export earnings.

I. STABEX - A COMMUNITY INITIATIVE IN TEMPORE NON SUSPECTO

In the spring of 1973, important negotiations between the Community and the Third World were being prepared, as talks on extending the convention of association between the EEC and the States of Africa and Madagascar, the Yaoundé Convention, were due to start in August of that year. The Convention had been expanded to include those countries linked, in the Commonwealth, to the United Kingdom - which had joined the European club on 1 January 1973 - so now a total of more than 40 developing countries were involved.

In early 1973, the European Commission brought out a memorandum which consituted its credo for the forthcoming convention of association.

A new chapter appeared in the Community's cooperation policy, dealing with the stabilization of export earnings. It said, in particular, that financial aid alone was not enough to generate an adequate rate of growth in the Third World. The reasons for this were known. They included the fact that aid was only effective if applied to economies showing a minimum of stability. It also only had an effect on economic growth in the medium and the long term, although this growth could well be stimulated in the short term by increasing and regularizing export earnings.

Then followed an analysis of the international community's ability to act along these lines. The memorandum said that the problem of stabilizing export earnings in the countries which produced commodities seemed to call for solutions on an international scale. The international agreements on products concerning the developing countries (coffee, tin, sugar and wheat) had not, however, worked very satisfactorily so far. First of all, few products had become the subject of international agreements, in particular because the consumer countries were not unanimously in favour of this formula. And there were difficulties when it came to the operation of the agreements and the fact that their aims were, essentially, only to stabilize prices.

So the memorandum said, it would be wrong to count on concluding international agreements alone. The prevailing approach in this field, together with the limitations of existing agreements, meant that it was unlikely that agreements of the kind that would provide an overall answer to the problem of stabilizing the developing countries' export earnings could be produced within a relatively short time.

The point of these statements becomes very clear today when it is remembered that they were made before the oil crisis of 1973 and before all the manoeuvring on commodities that followed.

The point of the Community's action is also very clear. No-one can suspect it of demagogic considerations aimed at guaranteeing its commodity supplies and obtaining the good will of the countries of the Third World. Its essential aim was to establish a system that would provide effective help for countries linked to it by association agreements.

But Brussels had no intention of placing itself outside the natural framework of the international dialogue. The Community was anxious to seek a solution in as open a framework as possible, said the memorandum, and it had always systematically marked its preference for international agreements. Here, its position of principle was unchanged. More explicitly, the European Commission said that the association machinery for the stabilization of export earnings should :

- not interfere with the free working of the markets;
- not create barriers to international trade;
- be compatible with any world agreements that exist for the same products and not impede the conclusion of further international agreements.

So much for the background. What was the system to be?

II. STABEX AND ITS MACHINERY

The Commission formulated one main idea in its memorandum of 1973. On the European side, it was felt that any sums transferred to compensate for reduced export earnings ought to be channelled into the sector which had made the loss or was destined to diversify its exports. The Commission thought, for example, that Stabex transfers might well be used to boost the productivity of industrial export crops, to replace them by food crops in certain cases and, at all events, to help improve the balance of trade.

The Kingston negotiations decided otherwise. The Community had to abandon this principle, which it felt to be a most worthwhile one, and left the ACP countries completely free to use the transfers as they saw fit. Emphasizing this fact is already responding to the criticism levelled at Stabex - which is sometimes accused of artificially maintaining certain export crops to the detriment of food crops.

It is worth noting that Lomé II, without going as far as establishing the principle of compulsory allocation to particular sectors, did force the ACP recipients to explain what they did with the transfers. And one of the things in which EEC development commissioner Edgard Pisani really believes is getting the ACP partners in the negotiations for renewal of the Lomé Convention in 1984 to agree that discipline in the matter of allocation of Stabex transfers is absolutely vital. The Community in fact feels - and here it is with the general trend as far as the guiding principles of development aid are concerned - that transfers must be used in a way that is part of a coherent strategy leading to self-sufficiency in food in the developing countries.

In spite of the fact that the principle of compulsory allocation was dropped during the course of the first two Conventions, it is reasonable to suggest that the Stabex system, as set up in 1975, has worked satisfactorily overall. Only minimal adjustments were made in Lomé II. We shall analyze the advantages and the limitations of the system later.

It should not be forgotten that Stabex is only for agricultural products, exports of which represent a significant percentage of the external resources of the recipient countries.

47 products ...

If the soundness of an export earnings support system is to be judged by the trends in the number of products covered, then Stabex is a clear success. There were 29 on the list in Lomé I, 44 when Lomé II was signed and three more products have been added since.

It is most important to remember that these 47 products represent most of the agricultural commodities which the ACP Group export (the figure is, in reality, 46, because iron ore is still covered by Stabex). The two main exceptions are sugar, for which there is a special protocol - we shall discuss this later - and tobacco, for which no decision has yet been taken.

In February 1985, when the next Convention is due to take effect, iron ore will join the other mineral products in the special minerals system.

Details of the products eligible for Stabex payments are set out in Annex 1.

... and more than 60 ACP States

The Stabex system covers the export of more than 60 countries of Africa, the Caribbean and the Pacific (ACP) which are members of the Lomé Convention. This means that almost half the developing countries in the UN are concerned. They include the majority of the least developed countries (LDCs) on the Geneva organization's lists, which, as we shall see, benefit from very favourable treatment under Stabex.

The Community's aim is to enable all its ACP partners to benefit from the possibilities offered by the Stabex system. In view of both the vast range of products covered by Stabex and the sugar protocol, the number of potential beneficiaries is high and, over the period 1975-82, 45 ACP countries received at least one transfer.

Financial aspects - loans and grants

A global amount of 550 million ECU was allocated to the Stabex system for the five years of Lomé II. So 110 million ECU is available, on average, each year.

Drops in ACP export earnings can be compensated for by loans (that are repaid once earnings rise again) or by simple grants in the case of the least developed countries. This is where the system differs considerably from the International Monetary Fund's compensation system (the main lines of which are set out in the next part), which demands that all loans be repaid. A total of 30 ACP States are exempt from repayment of transfers.

The Stabex fund is divided into five annual parts. Every year, the amount available is therefore one fifth of the whole, plus a possible 20 % substracted from the following year's allocation.

The risks insured : sickness and unemployment

Stabex does not aim at generating economic effects of its own. The idea is simply to inject into the relevant ACP country an amount of money that would normally have come from the market had not deficient production or the economic situation, or a combination of the two, prevented this.

The commonest comparison is with a conventional insurance policy where the payments in themselves have no effect. So, over the period of Lomé I, 47 % of transfers were paid over as "unemployment insurance" (whereby the system protects the ACP States against loss of earnings due to a poor economic situation) and 53 % as "sickness insurance" (losses due to local circumstances).

The drop in export earnings - compared to what?

Statements of variations in export earnings, particularly downwards, have to be made with reference to something. In the case of Stabex, two things come into the calculations :

- a period of four years preceding the year in question is used to establish a country's average export earnings;

- as to the destination of exports, the question is to decide whether to base calculations on exports to all destinations or just on exports to the EEC. The general rule with Stabex is to look at just the exports to the EEC, although, for all of the ACP countries, which, because of their geographical situation, do not have the EEC as a natural outlet, exports to all destinations are taken into consideration.

Dependence thresholds and trigger mechanisms

A product is eligible if, the previous year, it represented 6.5 % of total export earnings to all destinations (2 % in the case of the least-developed, land-locked and island countries). This provision was devised to ensure that the system keeps close to reality (in other words, to prevent a complex system from being used to cover exports of a product that has become of only minimal importance) and to make it possible to give an advantage to the countries that need it the most. A country is entitled to a transfer if there is a drop of at least 6.5 % (2 % in the case of the least-developed, land-locked and island countries) as compared to

The IMF and export earnings - the compesantory financing facility

The IMF set up its compensation scheme for drops in export earnings in 1963. It was not really operational in its original form and the arrangements for implementation were considerably liberalized in 1975 and 1979. Since these reforms, it has been widely used.

It is combined with the IMF's food facility.

The aim is to provide financial compensation for IMF members whose export earnings have dropped for reasons outside their control.

The beneficiaries are, *de facto*, the developing countries and developed countries "on the fringe" - Iceland and New Zealand for example.

It differs with Stabex in that :

- it is of the balance-of-payment-support type;

- it even takes account of services if the recipient country wishes it to do so and continues to do so for several years after the decision;

- the IMF, with its trigger mechanisms, compensates for a trend in the economy, whereas Stabex can compensate for a structural downward trend in exports the IMF in fact takes the net drop into account (surpluses on certain products make up for losses and the net balance is taken into consideration) while Stabex compensates for losses incurred with one product, even if other products are showing a surplus;

- Stabex transfers are limited by the amount actually available, whereas the IMF transfers are limited by the member countries' quotas. In 1984, the combined amount of the transfer could go as high as 83 % of the quotas. Such transfers are, of course, in addition to the normal quotas;

- the facility does not take any Stabex transfers into account;

- the philosophy behind the IMF scheme is a macro-economic one. It has no connexion with the commodity economy, even though the recipients are the developing countries that export these products;

- the recipient countries have to have a balance of payments problem;

- all transfers have to be reimbursed.

the average earnings from exports to the Community over the four previous years.

Thus Stabex is very much an automatic system.

Use of transfers

Lomé I did not lay down any particular rules on the matter. However, an article in the second Convention provides for transfers to be channelled into the affected sectors or, with a view to diversification, into other productive sectors. As we have already emphasized, when the Community abandoned its demand that its partners should be forced to channel the transfers into particular sectors, it was going against its original wishes, and it is now trying to get its initial idea accepted by the ACP countries in the negotiations for Lomé III. Several decades of aid have shown that transfers are not always used effectively and coherently. In view of the financial problems encountered by the donor countries - and the 10 members of the EEC do not escape these - the latter now expect to have some sort of guarantee that the funds they put into helping the developing countries are wisely used. So more stringent discipline in the future cannot be excluded. This, in any case, is a condition which Brussels has placed on increasing its financial assistance.

Other provisions

A number of provisions of less immediate scope should also be noted :

- the possibility of including new products in the list. But as the list is already largely representative, it cannot be extended much further (products covered by the common agricultural policy pose considerable economic problems and problems of principle to the Community and are therefore virtually impossible to include). Sisal and raw tobacco products are being discussed;

- the possibility of the ACP States choosing between an approach by individual products or by families of products in certain cases;

- the possibility of Stabex also covering trade between the ACP countries themselves. However, certain problems (above all of a customs and statistical nature) are such that this inclusion can only be decided on a case-by-case basis after thorough investigation of each dossier;

- a short reference period whereby the system can intervene when an ACP State undertakes to process a product which has traditionally been exported unprocessed, or starts to export a product of which it is not a traditional producer.

III. AFTER NEARLY 10 YEARS OF OPERATION, THE OVERALL RESULTS ARE POSITIVE

Stabex was presented as a major innovation in international economic relations and it has played the part it was given by Lomé I to the full. Over the five years of Lomé I, it enabled 37 ACP countries to be given 388 million ECU (119 transfers) for losses incurred in their exports of 24 products to the EEC.

And it confirmed the fact that most of the fluctuation in earnings from the products covered could be put down to variations in the volume of exports much more than to price changes.

This was true of Lomé I. But at the beginning of Lomé II, difficulties appeared and variations in the price of the products became much more important, to the point where the funds were inadequate and transfers had to be reduced in 1980 and 1981. Since then, the recovery of some prices and lower reference years have enabled the situation to return to normal.

After the euphoria of the first five years of application, this was a rude awakening. And it showed - if any demonstration was needed - that Stabex remains a system with effects that are of necessity limited and that it does not rule out the need for international solutions, in particular to the problem of price stabilization.

Nevertheless, the Stabex record is positive overall, regardless of the fact that it does not always go as far as the ACP beneficiaries would like.

Lomé I - not all the requests could be met

The 380 million ECU which Lomé I provided for the five years of application was enough to meet all the justified requests for transfers.

There were 32 products on the Stabex list and transfers were made for 24 of them. Details of this are set out in Annex 3.

Almost 40 % of the amount of the transfers were for groundnut products, 16 % for iron ore, 11 % for cotton and 10 % for rough timber (a specific economic problem of 1975, when 99 % of the rough timber transfers were made).

Five products - the three groundnut products plus iron ore and cotton - were behind two thirds of the transfers. There is no rational explanation for this. The causes - local circumstances and short-term economic problems - differ. At most, one can say that it was the Sahel which had greatest recourse to Stabex, particularly for groundnuts and cotton, with 44 % of the transfers. Here, Stabex more or less played the part of exceptional aid following the drought in this area of the world. Local circumstances, often of a natural order (droughts, hurricanes, plant diseases etc), were behind 69 % of the transfers for loss of export earnings and 4 % of it (14 million ECU) was paid out when mines in Sierra Leone and Swaziland closed down. In this case, the Stabex sickness insurance even covered death...

The remaining third, 119 million ECU, was paid over for losses in export earnings incurred through the economic situation in the Community. In 1975, the products were rough timber, hides and skins, cotton and coprah and, in the following years, sisal, iron ore and sawn timber were included too.

<u>Lomé II - two difficult first years</u>

In 1980 and 1981, the first two years of Lomé II, the Stabex system was not in a position to meet all the justified requests for transfers. Far from it.

In 1980, total justified requests exceeded available Stabex funds (123.1 million ECU) and it was only possible to cover 52.8 % overall.

There was an even bigger deficit in 1981. The difference between justified requests and financial availability was 341 million ECU and the theoretical overall rate of coverage was only 24.7 %.

Although an extra effort from the Community made it possible to bring coverage up to 42.8 %, these events showed the fragility of the system when the economy of the main products covered is in difficulties, and also the mechanical effects of the method of operaton. This was an opportunity to think about what was behind these problems.

A study by the European Commission showed that the sudden slump in prices was by far the most significant factor as far as the difficulties of 1980 and 1981 were concerned. The price factor made a decisive appearance in 1980 and increased to explosive proportions during the course of 1981. It had had practically no effect during the five years of Lomé I. The price factor came into play, above all, for coffee and cocoa, because 96 % of all the requests generated by the price drop were for these two products.

The second major cause of the wave of transfer applications was the way the moveable averages worked - the effects of phenomena that had occurred well before,during the period of the first Convention, only became apparent during Lomé II.

The European Commission's study reveals another, more worrying cause rooted in the economies of a large number of ACP States, namely the deterioration of the competitive position of the ACP countries for some of the commodities covered by the system. This deterioration can largely be put down to the inadequate export performances of many of these countries.

Between 1970 and 1980, only two Stabex products, tea and coffee, showed increases in exports to the EEC. Cocoa stagnated and all the others declined, some of them, such as groundnuts, groundnut oil and meal, hides, skins and timber, very rapidly.

In spite of very favourable trade arrangements on the EEC market, the ACP share declined to the benefit of the industrialized countries and the developing countries of of Latin America and Asia. The tables in Annex 4 illustrate this disquieting trend.

In the coffee sector, Latin American losses are the direct consequence of very hard frosts on the Brazilian plantations. The improved ACP share of the cotton market reflects the decline in Asia - the Asian nations process an increasing amount of their cotton themselves. The same goes for hides and skins, but in terms of volume exported, the ACP countries are not doing as well as before with these two products. The African countries have improved both their production and exports of tea.

But in other sectors, the ACP record is not really a good one.

International competition is not the only reason for this, even bearing in mind that, faced with the efforts of Asia and Latin America, Africa has not developed policies that are likely to increase its share of the international markets.

In Africa, the weakness of the past decade seems to be in production above all. A detailed analysis of the causes of this phenomenon would be outside the scope of this document, but it is now an established fact - which has been underlined by many studies by international organizations, the World Bank in particular - that the general causes of this deterioration are the same as those which led to the critical situation in African agriculture, namely the effects of political strife, drought, the low priority which many governments and aid donors put on agriculture, debatable investment choices, excessively low official prices to the producer, and so on.

In other words, an increasing part (and not a small one either) of Stabex has, from the very beginning, been paid over, not to palliate the negative effects of short-term economic phenomena, but to cope with the consequences of situations of a more structural nature.

Will the system be able to bear the costs in the future, given that, because of its very machinery, this particular factor will probably be of increasing importance relative to other factors that trigger applications?

Requests arising from sudden drops in prices should, of course, gradually fade out and the tendency for prices to stagnate should also help bring down the reference level of the main products. But one thing is clear and that is that all the protection systems in the world cannot solve the fundamental problem of competitivity in any field.

IV. MINERAL PRODUCTS - PRESERVING PRODUCTION CAPACITY WITH SYSMIN

When the negotiations for renewal of Lomé I took place, the ACP and EEC partners called for a system of export earnings stabilization for mineral products along the same lines as Stabex. The mining sector is indeed of particular interest to certain of the ACP countries, which often have no significant export possibilities other than their mineral resources (this is true of, for example, Mauritania, with its iron ore).

The European Commission had not in fact excluded minerals from the proposals it made on Stabex when it brought out its memorandum in 1973 prior to the opening of the first Lomé negotiations. It was later on that Member States came out in favour of withdrawing mineral products from the sytem.

Helmut Schmidt relaunched the idea in a speech in Lusaka, when he suggested extending Stabex to include copper. So it was difficult for the Commmunity not to provide some sort of machinery to insure the ACP countries against drops in mineral export earnings, particularly since the mineral-producing countries were penalized as regards compensation for agricultural products (mineral products representing an important part of total exports and agricultural products not representing a large enough percentage to qualify for Stabex).

The mining sector has characteristics of its own. The Stabex system could not be extended to products for which it was not suitable (iron ore will be struck off the Stabex lists in 1985) and the result is a system which is aimed at preserving export earnings but which works completely differently - although the fact that it looks like Stabex means that it is difficult to understand and not very popular.

Principles and characteristics of Sysmin

So Lomé contains a new title, on minerals, in which an intervention system for mineral products, Sysmin, plays a central part. The key element in the system is production capacity. The world mineral market is subject to cyclical variations of considerable magnitude deriving from the structure of world supply and the very great sensitivity of this sector to the industrial situation.

So the idea is not to maintain the volume of production at all costs in this field where over-production is by no means rare. This would only increase the imbalance and depress prices further. What it is about is keeping the production or export (this in fact means transport routes) capacity as intact as possible so as to enable the countries in question to take advantage of the situation once balance has been re-established on the market.

As production capacity can be affected not only by accidental and political events, but also by temporary but severe economic slumps, Sysmin covers all these cases. However, unlike accidents, for which rapid technical findings can be established, the effect of economic circumstances (a drop in export earnings, say) on production capacity calls for a thorough analysis of the whole sector. This has to be done to see how far Sysmin can help re-establish economic viability in the sector, where it has been temporarily compromised by circumstances outside the control of the ACP State in question.

Although much of the Stabex machinery comes into play automatically, the same is not true of Sysmin.

The system contains special provisions to avoid assistance being either scattered over too wide an area or concentrated into too small a one. So the only products covered are those which regularly represent more than 15 % of an ACP country's total exports and 10 % in the case of the least-developed, land-locked and island countries. No intervention may amount to more than 50 % of each of the five annual endowments.

There are other provisions to ensure that the system is only used in serious cases (the drop in capacity must be 10 %) and, to restrict its field of application (in particular the list of products covered and the procedure for including new products if need be). When the Convention took effect, the products covered were :

- copper, including associated production of cobalt;
- phosphates;
- tin;
- manganese;
- bauxite and alumina;
- iron ore.

Experience has proved that all these provisions provide a coherent framework for allocation of Sysmin funds, which total 282 million ECU for the duration of the Convention. However, it could be argued that, if this amount were larger, there would be no need to exclude products (nickel, chrome etc) which, although they do not reach the dependence thresholds, still make a considerable contribution to development in the ACP countries.

This regulatory framework cannot be reduced to an automatic process that could well be misused for the benefit of major mining companies. It is known that a certain number of multinationals, whose technical and commercial knowhow means they play an important part on the world minerals scene, would be quite capable of taking advantage of a system that was triggered without any thorough, case-by-case analysis of the sector in question. This is not the aim of the Lomé Convention.

In fact neither the assessment of the damage to the ACP country's production and export capacity nor the analysis of the projects and programmes destined to improve the situation in the mining sector in difficulty is an automatic process. Even the way funds are used - loans on extremely soft terms (special loans are at 1 % over 40 years, with a 10-year grace period) - can vary. The conditions may be applied as they stand if the funds are to go to, say, a training programme, and they may be transformed (two-stage loans to obtain a booster effect) by allocating part of the grant component of special loans to social programmes (housing, health and so on), as mining investments in the strict sense of the term can sometimes cope with financial conditions that are closer to those of the market.

Lastly, when a preliminary analysis reveals a need for conservatory measures, in cases of accidents, for example, advances may be made.

The record so far illustrates the imperfections of the system

Just two interventions financed in four years of operation of Sysmin and five more dossiers under investigation - this modest record is enough to underline the fact that the system calls for improvement, although the interventions, by their very nature, cannot run into large numbers because they have to be concentrated on very serious cases.

Although experience is short, it has shown that a Sysmin contribution to salvage and rehabilitation operations should be fairly substantial if it is to encourage what is often a necessary reorganization of the sector; the schemes in Zaire (40 million ECU) and Zambia (51 million ECU) only represented around 10 % of the total amounts needed, which were enormous.

The EEC-ACP negotiations for renewal of the Lomé Convention should make one or two changes to the Sysmin system. It would be desirable, in particular, to drop certain rules that have been copied from Stabex and which mean that the instrument is not really suitable as it stands.

At all events, Sysmin can only be one of the instruments used to safeguard the means of production. The Lomé Convention has provided other intervention machinery, EIB loans, for example, and private investments. In a communication to the Council in November 1983, the European Commission pleaded in favour of introducing mining strategies in the ACP countries and fitting Sysmin in with a whole series of financial instruments (existing or to be created), mentioning, by way of example, the grants and special loans from the European Development Fund, the EIB's loans and risk capital, ECSC credits, the Community budget, specific agreements and, of course, Sysmin.

V. THE SUGAR PROTOCOL

The members of the Commonwealth Sugar Agreement were particularly worried about it running out, on 28 February 1975, as this meant an end to the quota system from which they benefited for their consignments to the British market. They ultimately found their guaranteee in the Lomé Convention, in the sugar protocol. But as far as the current world economic situation is concerned, this protocol is in some ways an economic aberration and, in the eyes of some, a legal monstrosity.

The sugar protocol was based on an assumption by the Community that a rapid return to economic growth would lead to a rise in the standard of living in the developing countries. And greater purchasing power means higher *per capita* sugar consumption. Even if prices on the world sugar market did not stay at the heights they reached in 1974, the year when Lomé I was negotiated, it was reasonable to expect demand to be sustained with the arrival on the market of a vast reserve of consumers in the shape of the inhabitants of the Third World.

Everything was based on this.

But, as we know, recovery is proving slow and the developing countries are bogged down in unprecedented financial difficulties. In these circumstances, purchasing ACP sugar at guaranteed prices is an economic solution which is open to criticism.

A commitment to purchase and to supply at guaranteed prices

The protocol provides for the EEC to buy 1 225 000 t of cane sugar (white sugar value) from the ACP producers, plus 25 000 t from India, which is covered by identical arrangements, and 54 200 t from two overseas countries and territories, every year.

The Community undertook to buy quantities and the ACP countries, for their part, undertook to supply them. This is the contractual character of the protocol. If an ACP country is unable to deliver its agreed quantity in full then that quantity is reduced for each subsequent delivery period and the shortfall may be redistributed amongst other suppliers. The ACP country in question may still claim reasons of force majeure, i.e. circumstances brought about by causes outside the control of the exporting country and which are not the result of its reducing its own production or withdrawing its own sugar supplies. If the Commission accepts the claim, the country's quota is not reduced.

Although the sugar protocol was annexed to Lomé I and then Lomé II, each of which was established for five years, it runs for an unspecified period. This gives it an existence of its own, in a way, in spite of the fact that one of its articles enables the parties to denounce it after five years, subject to two years' notice.

Prices on the world sugar market are badly depressed and the development of the production of artificial sweeteners, both in the Community and in other major consumer countries, such as the USA, has helped make the situation worse.

Add to this the investments made rather too readily in sugar production in certain ACP countries swelling supply still further (in some cases with the help of Member States of the EEC), and you have some idea of the unfavourable economic situation facing ACP sugar exports made outside the EEC's guaranteed purchase arrangements or other bilateral supply contracts.

Given current low world prices, the sugar protocol is still vitally important for certain of the ACP countries, particularly Mauritius and Fiji, whose economies are based almost solely on sugar. Is this to the Community's crédit? Some ACP countries do not think so and they blame the EEC for depressing prices on the world market by exporting its own surplus.

The basic legal contradiction in the protocol

Sugar is a regular bone of contention between Brussels and its ACP partners. The dispute is based on a legal contradiction of no mean proportions. The protocol provides for the guaranteed prices to be indexed to the Community prices which the Ten decide every year within the framework of the common agricultural policy. The system is absolutely rigid here, as it allows for no intervention from outside the Community. As, at the same time, the protocol provides for the possibility of negotiaiton, the way is paved for misunderstandings. How is it possible to negotiate something that is not negotiable ?

The economic side is not so clear-cut either. If the annual price increase cannot be higher than that granted to the European producers, then, if the EEC implements a price policy that restricts production, its effects will automatically be felt by the ACP countries.

In addition, European farmers are achieving far higher yields than their ACP counterparts. So the European farmer will be able to maintain his income by producing more, even if he gets less for his sugarbeet, but the ACP farmer will see his income drop. Will the ACP countries not reach the point where the costs of production are greater than their income?

PART IV

THE SCOPE AND LIMITATIONS OF STABEX

Maligned by some, praised by others, Stabex is probably over-criticised as well as over-praised. The prettiest girl in the world can only give what she's got, the saying goes, and the system cannot be expected to produce miracles for which it is not and cannot be designed.

The EEC's Stabex remains a limited instrument in that no export earnings stabilization system can hope to solve a world-wide problem when its field of application is a regional one.

However, although its financial means have not always been enough for it to meet all the ACP requests, it has given them precious help in sectors hard-hit by problems of production or the economic situation.

And above all, the system has had the merit of exploring an avenue which the international community could follow in an attempt to compensate for the catastrophic variations in the developing countries's foreign earnings.

If immobility is often a comfortable position to adopt, action nearly always leads to criticism. We can look at the different accusations that have been levelled at Stabex to try and analyse in greater detail the role assigned to the system and the limitations imposed on it by its nature.

Stabex and price stabilization

One of the commonest criticisms is that the system does not stabilize the price of the commodities it covers.

But Stabex was not designed to stabilize prices. It was designed to stabilize export earnings. These are of course affected by price movements, but also by the quantities exported. Stabex will in fact compensate for any loss in income caused by a drop in export prices, provided that the effect of this drop on export earnings has not been compensated for by an increase in the quantities exported. And vice versa when the drop in earnings is caused by a reduction in the volume exported.

Stabex and balance of payments deficits

The system was not designed to solve the problem of these deficits and does not claim to be a substitute for the IMF in this matter.

Stabex and the terms of trade

It is not the sytem's role to alter the terms of trade in the recipient countries' favour. Furthermore, the difficulties of defining and measuring any trend in the terms of trade are well known and even if it were possible to overcome them, it would probably not be a good idea to index the transfers.

The system has not reduced the gap between the per capita GNP in the ACP States and that in the EEC

This is a very general demand to make of a system that only applies to a restricted area of the economy of the ACP countries. Moreover, the system is only one aspect of Lomé policy. The question of knowing how to measure the effect of

Stabex on the development gap would therefore be a difficult one to answer.

The system is intended to support "the stability,profitability and sustained growth", of the ACP economies (Lomé Convention, Article 23(1)) on the assumption that these aims are threatened by the instability of export earnings from products covered by the system. However, it does not guarantee the realization of these objectives, however desirable that may be.

<u>The system neglects commodities that are important to the ACP countries</u>

The system includes almost all the agricultural export products that are of importance to the ACP countries. Tobacco is the exception. Mineral products are also excluded, but, as we have seen, they pose problems of a different order and are covered by Sysmin.

<u>The system, which concentrates on raw materials that are vital to European industry, could encourage ACP dependence on traditional exports to the detriment of their food crops, which would interfere with the ACP aim of diversifying.</u>

Lomé II specifically provides for Stabex transfers to go to diversification projects. In practice, a considerable percentage of the transfers has been used outside the product sector for which they were made.

It is also worth remembering that the decision on how the Stabex transfers are to be used is the responsibility of the recipient country. The argument falls down if we remember that the system also covers products which the Community does not really depend on at all.

Stabex transfers are inadequate to compensate for loss of earnings by the producer or loss of employment in the sector of the product in question. This is a question that can be dealt with at various levels. First of all, it is indeed possible, for technical reasons, for the risk that has been recognized and covered by the system to be smaller than the payment anticipated in the light of the original application for a transfer.

Furthermore, 1980 and 1981 showed that a recognized risk, according to Stabex rules, is not always covered by available funds. However, it should be noted that the crisis of 1980 and 1981 had its origins in what were really exceptional conditions - a considerable price fall coinciding with a drop in the quantities actually exported of two very important export products.

Over and above these technical and financial considerations, the supposed inadequacy of the transfers as sectoral remedies can often be explained by the way the recipient states use them in their economies. If the funds are channelled into diversification, then they obviously are no longer available to the sector in which the loss of earnings occurred. However, it must be emphasized that what we have here is deliberate deflection by the ACP country choosing how the transfer in question is to be used.

"If the ideas - about a new international economic order - that were current at the time when Stabex was invented had been followed up, if there had been an international effort to get on and regulate the markets, then the sytem would have been a quite remarkable instrument because it would have added its guarantee to the stabilization of prices. But Stabex has had to operate with international markets in disorder and today it is being called upon to perform two tasks - providing general stabilization and insuring against short-term economic setbacks - when it was only designed to do the latter , not the former."

This extract from a speech that Edgard Pisani, the European commissioner responsible for the EEC's development policy, made in Berlin in September 1983, only a few days before the opening of negotiations on renewal of Lomé II, gives an exact picture of the situation facing Stabex.

But, to pursue this train of thought, we could well ask what has caused the disorder on the world markets which Mr Pisani mentions. The answer is the instability and unregulated state of the world economy since the early seventies, which gradually led to recession in the industrialized countries of the west, the main customers for the Third World's commodities.

There is no doubt that, had this note been drafted against the background of the growth of the sixties, then the tone would have been quite different and the system might well not have been needed.

As things stand, no instrument can claim to solve the immense problems facing a world currently struggling to develop. And Stabex can only serve the purpose for which it was created. It is one of a number of ways of encouraging a kind of development that is self-sustaining and at the same time competitive.

There is one serious question here. Have not some forms of development aid contributed to the decline in competitiveness of ACP commodity exports that has been recorded over the past decade? When Development Commissioner Edgard Pisani made his speech at the opening of the negotiations of renewal of Lomé II in October 1983, he had no hesitation in saying that : "The real cause of the decline of Stabex is the decline of the ACP productive system".

Without claiming that the system has in any way contributed to this decline (studies exist showing this not to be the case), it would be as well to remember the general rule that instruments of development aid should never be easy answers that encourage slackness and loss of competitiveness in recipient countries.

ANNEX I

1. Groundnuts, shelled or not
2. Groundnut oil
3. Cocoa beans
4. Cocoa paste
5. Cocoa butter
6. Raw or roasted coffee
7. Extracts, essences or concentrates of coffee
8. Cotton, not carded or combed
9. Cotton linters
10. Coconuts
11. Copra
12. Coconut oil
13. Palm oil
14. Palm nut and kernel oil
15. Palm nuts and kernels
16. Raw hides and skins
17. Bovine cattle leather
18. Sheep and lamb skin
19. Goat and kid skin leather
20. Wood in the rough
21. Wood roughly squared or half-squared, but not further manufactured
22. Wood sawn lengthwise, but not further prepared
23. Fresh bananas

25. Raw sisal
26. Vanilla
27. Cloves - whole fruit, cloves and stems
28. Sheep's or lambs' wool, not carded or combed
29. Fine animal hair of Angora goats - mohair
30. Gum arabic
31. Pyrethrum - flowers, leaves, stems, peel and roots; saps and extracts of pyrethrum
32. Essential oils, not terpeneless, of cloves, of niaouli and of ylang-ylang
33. Sesame seed
34. Cashew nuts and kernels
35. Pepper
36. Shrimps
37. Squid
38. Cotton seeds
39. Oil seeds
40. Rubber
41. Peas
42. Beans
43. Lentils
44. Iron ore (ores, concentrates and roasted iron pyrites)
45. Karité nuts and kernels
46. Nutmeg
47. Mace

ANNEX II

THE ACP STATES

ANTIGUA & BARBUDA
BAHAMAS
BARBADOS
BELIZE
BENIN
BOTSWANA
BURUNDI
CAMEROON
CAPE VERDE
CENTRAL AFRICAN REPUBLIC
CHAD
COMOROS
CONGO
DJIBOUTI
DOMINICA
EQUATORIAL GUINEA
ETHIOPIA
FIJI
GABON
GAMBIA
GHANA
GRENADA
GUINEA
GUINEA BISSAU
GUYANA
IVORY COAST
JAMAICA
KENYA
KIRIBATI
LESOTHO
LIBERIA
MADAGASCAR
MALAWI
MALI
MAURITANIA
MAURITIUS
NIGER
NIGERIA
PAPUA NEW GUINEA
RWANDA
ST.CHRISTOPHER & NEVIS
ST.LUCIA
ST.VINCENT & GRENADINES
SAO TOME & PRINCIPE
SENEGAL
SEYCHELLES
SIERRA LEONE
SOLOMON ISLANDS
SOMALIA
SUDAN
SURINAME
SWAZILAND
TANZANIA
TOGO
TONGA
TRINIDAD & TOBAGO
TUVALU
UGANDA
UPPER VOLTA
WESTERN SAMOA
VANUATU
ZAIRE
ZAMBIA
ZIMBABWE

a) The least-developed ACP States

Benin
Botswana
Burundi
Cape Verde
Central African Republic
Chad
Comoros
Djibouti
Dominica
Ethiopia
Gambia
Grenada
Guinea
Guinea Bissau
Lesotho
Malawi
Mali
Niger
Rwanda
Sao Tome and Principe
Seychelles
Sierra Leone
Solomon Islands
Somalia
St Lucia
Sudan
Swaziland
Tanzania
Togo
Tonga
Tuvalu
Uganda
Upper Volta
Western Samoa

c) Island ACP States

Bahamas
Barbados
Cape Verde
Comoros
Dominica
Fiji
Grenada
Jamaica
Madagascar
Mauritius

b) Landlocked ACP States

Botswana
Burundi
Central African Republic
Chad
Lesotho
Malawi
Mali
Niger
Rwanda
Swaziland
Uganda
Upper Volta
Zambia

ANNEX III

STABEX TRANSFERS 1975 - 82

STABEX : Total transfers under Lomé I & II (1975-82 inclusive), in ECU

ACP STATE	PRODUCT	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
BENIN	GROUNDNUTS	464.330								464.330
	COFFEE	1.174.883								1.174.883
	COTTON	4.299.347	2.750.347	2.083.137	880.982	349.246		130.169	877.329	11.370.766
	OILCAKE	1.191.079								1.191.079
	PALM OIL		765.576	1.467.364				254.585	1.614.442	4.102.467
	PALM KERNEL OIL			1.211.826	3.728.394			544.668		5.484.888
	CASHEW NUTS								215.789	215.789
Total		7.129.848	3.515.923	4.762.327	4.609.376	349.246		929.422	2.708.060	24.004.202
BURUNDI	COTTON	965.602								965.602
	HIDES & SKINS	520.053								520.053
	COFFEE						11.023.569			11.023.569
Total		1.485.655					11.023.569			12.509.224
CAMEROON	ROUGH TIMBER	3.601.423								3.601.423
	COCOA PASTE		463.558							463.558
	COFFEE							6.988.461		6.988.461
	COCOA PRODUCTS							10.348.448		10.348.448
Total		3.601.423	463.558					17.336.909		21.401.890
CAPE VERDE	BANANAS			347.712	429.500	429.352	214.764			1.421.328
CAR	COTTON				3.079.660	3.846.980			1.675.896	8.602.536
	COFFEE	353.108					968.396	1.536.796		2.858.300
	SAWN TIMBER		549.807							549.807
Total		353.108	549.807		3.079.660	3.846.980	968.396	1.536.796	1.675.896	12.010.643
COMOROS	COPRA						246.447	290.577	293.528	830.552
	ESSENTIAL OILS						852.402	487.471		1.339.873
Total							1.098.849	778.048	293.528	2.170.425
CONGO	ROUGH TIMBER	7.361.677								7.361.677
IVORY COAST	ROUGH TIMBER	15.000.000								15.000.000
	COFFEE						19.195.390	35.329.724		54.525.114
Total		15.000.000					19.195.390	35.329.724		69.525.114
DOMINICA	BANANAS						2.527.944			2.527.944
	COCONUT PRODUCTS							502.143		502.143
Total							2.527.944	502.143		3.030.087
ETHIOPIA	COFFEE	9.339.684						968.702		10.308.386
	HIDES & SKINS	5.080.365								5.080.365
Total		14.420.049						968.702		15.388.751
FIJI	COCONUT OIL	615.140	1.499.834				842.296	653.391	788.481	4.399.142
GABON	ROUGH TIMBER	6.703.311								6.703.311

ACP STATE	PRODUCT	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
GAMBIA	GROUNDNUTS				2.488.664		3.791.992	2.225.089		8.505.745
	GROUNDNUT OIL					3.999.947	3.191.205	1.440.360	1.615.183	10.246.695
	GROUNDNUT MEAL					1.026.143	1.134.175	529.741	361.036	3.051.095
Total					2.448.664	5.026.090	8.117.372	4.195.190	1.976.219	21.803.535
GHANA	ROUGH TIMBER	5.176.408								5.176.408
	COCOA PRODUCTS							32.776.692	31.160.673	
Total		5.176.408						32.776.692	31.160.673	69.113.773
GRENADA	NUTMEG & MACE							197.531	278.590	476.121
	COCOA								1.318.965	1.318.965
Total								197.531	1.597.555	1.795.086
GUINEA BISSAU	GROUNDNUTS		4.442.437		3.591.506	2.480.509	1.259.747			11.774.199
	PALM KERNELS		626.966				273.919		360.528	1.261.413
	SAWN TIMBER			146.839					88.719	235.558
Total			5.069.403	146.839	3.591.506	2.480.509	1.533.666		449.247	13.271.170
UPPER VOLTA	GROUNDNUTS	685.239		1.169.977	2.890.160					4.745.376
	COTTON	175.936			2.340.590					2.516.526
	KARITE NUTS								1.046.734	1.046.734
Total		861.175		1.169.977	5.230.750				1.046.734	8.308.636
JAMAICA	BANANAS						3.238.995			3.238.995
KENYA	COFFEE						10.032.204	21.054.231		31.086.435
KIRIBATI	COPRA						497.742		1.036.682	1.534.424
LESOTHO	MOHAIR						242.279	354.533	694.147	1.290.959
LIBERIA	IRON ORE				7.586.943					7.586.943
MADAGASCAR	SISAL		1.762.943							1.762.943
	CLOVES		1.139.516							1.139.516
	VANILLA					2.845.088	1.211.202			4.056.290
	COFFEE							3.440.826		3.440.826
Total			2.902.459			2.845.088.	1.211.202	3.440.826		10.399.575
MALAWI	TEA						1.330.961	653.391		1.984.352
	GROUNDNUTS								2.684.355	2.684.355
Total							1.330.961	653.391	2.684.355	4.668.707
MALI	COTTON	1.145.004								1.145.004
	GUM ARABIC		848.489							848.489
	GROUNDNUTS				3.893.154	3.894.154				7.787.410
	GROUNDNUT PROD.						2.551.615			2.551.615
	KARITE NUTS							653.391		653.391
	GROUNDNUT OIL								3.548.554	3.548.554
Total		1.145.004	848.489		3.893.154	3.894.154	2.551.615	653.391	3.548.554	16.534.463

ACP STATE	PRODUCT	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
MAURITANIA	IRON ORE			3.605.602	33.394.848					37.000.450
NIGER	GROUNDNUTS	5.441.294		2.412.379						7.853.673
	HIDES & SKINS	507.747								507.747
	GROUNDNUT OIL		6.755.991	7.383.280						14.139.271
	OILCAKE		153.269							153.269
Total		5.949.041	6.909.260	9.795.659						22.653.960
UGANDA	COTTON	1.748.932	2.249.791	1.287.985	3.125.543	3.806.872				12.219.123
	TEA		1.399.953		3.882.924	3.093.453				8.376.330
Total		1.748.932	3.649.744	1.287.985	7.008.467	6.900.325				20.595.453
PAPUA NEW GUINEA	COFFEE							9.421.513	16.344.445	25.765.958
	COCOA							5.738.012	4.201.081	9.939.093
	COPRA							1.385.695		1.385.695
	COCONUT OIL							1.160.130		1.160.130
	COPRA PRODUCTS								3.604.036	3.604.036
Total								17.705.350	24.149.562	41.854.912
RWANDA	PYRETHRUM				608.802					608.802
	COFFEE						6.555.031	653.391		7.208.422
Total					608.802		6.555.031	653.391		7.817.224
SOLOMON IS	COPRA							723.321	1.726.633	2.449.954
WESTERN SAMOA	COCOA	276.978			780.625		1.222.990	1.170.846	561.805	4.013.244
	COPRA		1.331.544					1.035.401	877.434	3.244.379
	ROUGH TIMBER		348.993							348.993
	BANANAS			99.313						99.313
Total		276.978	1.680.537	99.313	780.625		1.222.990	2.206.247	1.439.239	7.705.929
SAO TOME	COCOA							994.895	2.679.188	3.674.083
SENEGAL	GROUNDOIL				49.882.295					49.882.295
	OILCAKE				15.224.094					15.224.094
	GROUNDNUT PRODUCTS						30.353.160	26.272.999		56.626.159
Total					65.106.389		30.353.389	26.272.999		121.732.548
SIERRA LEONE	IRON ORE		3.997.274							3.977.274
	PLAM KERNELS						947.774			947.774
	PALM KERNELS PR.							1.082.263		1.082.263
	COCOA							53.351	2.447.381	2.500.732
	COFFEE								3.831.246	3.831.246
Total			3.997.274				947.774	1.135.614	6.278.627	12.339.289
SOMALIA	BANANAS	1.296.907					1.423.385	949.211		3.669.503
	HIDES & SKINS	653.238					415.854			1.051.092
Total		1.932.145					1.839.239	949.211		4.720.595

ACP STATE	PRODUCT	1975	1976	1977	1978	1979	1980	1981	1982	TOTAL
SUDAN	GROUNDNUTS			968.825	9.325.911	27.190.125	13.415.560			50.900.421
	HIDES & SKINS	1.658.580								1.568.580
	SASEME SEEDS					2.632.923				2.632.923
	COTTON							10.879.030		10.879.030
Total		1.658.580		968.825	9.325.911	29.823.048	13.415.560	10.879.030		66.070.954
STE LUCIE	BANANAS						1.349.538			1.349.538
SWAZILAND	IRON ORE			3.368.878	5.490.459	4.365.532				13.224.869
	COTTON								3.103.968	3.103.968
Total				3.368.878	5.490.459	4.365.532			3.103.968	16.328.837
TANZANIA	COTTON	1.887.082								1.887.080
	SISAL		5.165.208	8.176.614	5.472.645					18.814.467
	COFFEE						6.254.957	694.174		6.949.131
Total		1.887.082	5.165.208	8.176.614	5.472.645		6.254.957	694.174		27.650.680
CHAD	COTTON				4.671.608	2.664.588	2.539.846		3.593.163	13.469.205
TOGO	COFFEE	2.680.324			946.290					3.626.614
	COCOA								7.115.332	7.115.332
Total		2.680.324			946.290				7.115.332	10.741.946
TONGA	COPRA		831.720						1.685.134	2.516.854
	BANANAS		72.719		244.919				223.173	540.811
	VANILLA					58.632				58.632
	COPRA PRODUCTS						602.239			602.239
	COCONUT PRODUCTS								391.688	391.688
	COCONUTS								365.327	365.327
Total			904.439		244.919	58.632	602.239		2.665.322	4.475.551
TAVALU	COPRAH						14.495	56.606	63.150	134.251
GRAND TOTAL		79.985.880	37.135.935	33.729.731	163.960.618	62.683.544	137.975.905	183.631.758	71.313.642	770.417.013

(1) including a share in the additional 40 million ECU exceptional financing decided by the ACP-EEC Council in Libreville (13 & 14 May 1982)

(2) transfers paid retroactively from the 1982 allocation.

ANNEX 4

STATISTICAL TABLES

Table 1. — EEC imports of main Stabex products from ACP states

(at current values)

Product	Value of imports in current $ '000		Average annual growth rate (%) over the period		
	Average 1971-72-73	Average 1979-80-81	Value	Price	Volume
Wood	466 912	866 910	+ 8.0	+13.0	– 4.4
Raw/roasted coffee	387 738	1 680 821	+20.1	+14.8	+ 4.6
Cocoa (all products)	369 851	1 556 965	+19.7	+19.7	0.0
Cotton	132 139	239 258	+ 7.7	+10.9	– 2.9
Oilcake	106 046	118 946	+ 1.4	+ 7.4	– 5.5
Groundnuts in shell	98 104	30 429	–13.6	+12.9	–23.6
Groundnut oil	94 868	121 651	+ 3.2	+11.0	– 7.1
Fresh bananas	95 146	189 617	+ 9.0	+14.0	– 4.4
Tea	65 058	181 767	+13.7	+10.0	+ 3.4
Hides	52 836	94 462	+ 7.5	+14.1	– 5.7
Palm oil	41 124	76 780	+ 8.1	+11.4	– 3.0
Rubber	38 720	101 801	+12.8	+13.1	– 0.2
Total products listed	2 263 713	6 565 010	+14.2	–	–

Sources: SITC – Rev. 1 – UN Geneva (DG 1).

Table 2. — EEC imports of main Stabex products

(volume)

Products	Imports from ACP			All imports
	Average 1971-72-73 '000 tonnes	Average 1979-80-81 '000 tonnes	Average yearly growth over period (%)	Average yearly growth over period (%)
Wood	4 415 114	3 085 530	– 4.4	–2.5
Raw/roasted coffee	367 066	527 161	+ 4.6	+2.4
Cocoa beans	454 726	450 739	– 0.1	+0.7
Cotton	167 836	132 613	– 2.9	–2.6
Oilcake	862 931	544 412	– 5.5	+6.8
Groundnuts in shell	334 699	39 277	–23.6	–3.5
Groundnut oils	210 225	116 696	– 7.1	–1.5
Fresh bananas	509 448	355 602	– 4.4	–1.3
Tea	65 278	85 069	+ 3.4	–0.8
Hides and skins	29 194	18 193	– 5.7	–4.3
Palm oil	155 503	122 348	– 3.0	+0.9
Rubber	81 624	80 384	– 0.2	–0.1

Sources: SITC statistics – Rev. 1 UN Geneva.

Table 3. — ACP market shares in EEC (9) imports

Trend over decade (volume) %

(a) average 1971-72-73 –
(b) average 1979-80-81

Products		ACP	America	Asia	Total LDC
Wood	(a)	68.4	6.1	24.7	100
	(b)	59.2	6.0	34.2	100
Raw/roasted coffee	(a)	32.6	60.8	3.8	100
	(b)	38.8	54.6	6.3	100
Cocoa – all products	(a)	93.3	5.5	0.1	100
	(b)	86.4	9.9	3.7	100
of which cocoa beans	(a)	95.4	3.3	1.0	100
	(b)	88.8	7.4	3.8	100
Cotton	(a)	32.5	34.9	21.4	100
	(b)	34.5	40.3	15.9	100
Oilcake	(a)	21.9	48.1	27.5	100
	(b)	6.6	66.4	26.4	100
Groundnuts in shell	(a)	89.4	3.1	4.8	100
	(b)	34.6	49.9	10.7	100
Groundnut oil	(a)	69.4	30.5	0.0	100
	(b)	44.7	53.3	1.8	100
Fresh bananas	(a)	25.3	60.7	0.0	100
	(b)	19.5	67.8	0.4	100
Tea	(a)	27.4	3.1	63.6	100
	(b)	38.5	4.3	52.5	100
Hides and skins	(a)	29.4	37.5	20.8	100
	(b)	31.9	24.1	36.3	100
Palm oil	(a)	25.3	0.0	74.6	100
	(b)	18.5	0.2	81.2	100
Rubber	(a)	11.9	0.1	87.8	100
	(b)	11.6	0.1	88.3	100

Sources: SITC statistics – Rev. 1 UN Geneva.