

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(80) 214 final

Brussels, 29th April 1980

REPORT ON THE OPERATION DURING THE YEAR OF APPLICATION 1978
OF THE SYSTEM FOR STABILIZING EXPORT EARNINGS
SET UP BY THE DECISION ON THE ASSOCIATION
OF THE OCT WITH THE EEC

(Communication from the Commission to the Council)

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1. Article 29 of the Internal Agreement on the financing and administration of Community aid requires the Commission to prepare an annual comprehensive report on the operation of the system for stabilizing export earnings as regards the ACP States and the overseas countries and territories.
2. The Commission presents simultaneously to the Council the fourth comprehensive report on the operation during 1978 of the system set up by the Lomé Convention for stabilizing export earnings.
3. This comprehensive report is concerned with the application for the year 1978 of the system for stabilizing export earnings set up by the Council Decision of 29 June 1976 on the association of the overseas countries and territories with the European Economic Community. It deals with :
 - (i) general developments since the first, second and third reports were drawn up;
 - (ii) the results of the fourth year of application of the system;
 - (iii) the effect of the transfers on the economic development of the recipient countries, and on the development of external trade.

I. GENERAL DEVELOPMENTS

4. An important development since the publication of the third report has been the change of political status for St Lucia, St Vincent and the Gilbert Islands. St Lucia gained independence on 23 February 1979, St Vincent on 27 October 1979 and the Gilbert Islands (now known as Kiribati) on 12 July 1979.
5. Three former OCT have acceded to the Lomé Convention. The Solomon Islands on 27 September 1978, Tuvalu on 17 January 1979, and Dominica on 26 February 1979. A transfer has been accorded to Tuvalu during the year of application 1978.
6. However, pursuant to Article 1 (5) of the Internal Agreement on the financing and administration of Community aid, those ACP States which are former OCT, that have become independent and have acceded to the Lomé Convention under Article 89 continue in the future to be covered by the fund for stabilizing the export earnings of the OCT, provided for in Article 1 (3) (c) of that Agreement.
7. The machinery for cooperation with the countries and territories as described in the reports for 1975, 1976 and 1977 continued to function satisfactorily.
8. In accordance with Article 22 of the Decision, information on the utilization of the resources transferred during 1978 will be drawn up in a separate report, to be presented to the Council at a later date.
9. Reference should also be made to the exchange of views between the Member States and the Commission which, as in 1975, 1976 and 1977, enabled answers to be given to requests for information, and proved very useful and fruitful.

II. FOURTH YEAR OF APPLICATION OF THE SYSTEM

10. The Commission has received three requests for transfers for the year of application 1978 from the OCT appropriation. The three requests were received from two OCT, which have become ACP States through accession to the Lomé Convention under Article 89, namely the Islamic Republic of the Comoros, and Tuvalu.
11. All three applications were admissible since the dependence and fluctuation thresholds provided for by the Decision on the association of the OCT with the EEC had been exceeded under the conditions set.
12. Examination of the trend of total exports from the countries and territories concerned did not show any significant change, and consequently there was no need for consultations within the meaning of Article 21 (4) of the Decision.
13. The overall results for the latest year of application of the Decision are as follows :

<u>OCT</u>	<u>Product</u>	<u>Amount of transfer in EUA</u>
-	-	-
<u>ACP</u>	<u>Product</u>	<u>Amount of transfer in EUA</u>
Comoros	Copra	39,253
"	Cloves	<u>180,299</u>
		219,552
Tuvalu	Copra	<u>48,771</u>
		48,771
		<u>268,323</u>
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14. Both countries concerned received non-repayable transfers. Thus, for 1978 100 % of the transfers were therefore made in the form of grants.
15. The transfers concern two products : cloves 67.2 % and copra 32.8 %.
16. These transfers compensated for falls in earnings resulting from local circumstances (81.8 %) and market conditions (18.2 %).
17. With regard to the reconstitution of the resources, the Commission, in accordance with Article 23 (3) of the Decision, and the practical arrangements embodied in the exchange of letters which takes place on the occasion of each transfer, carried out the necessary investigations in connection with the transfers made for 1975, 1976 and 1977 to OCT which had undertaken to contribute to the reconstitution of the system's resources. Investigations showed that in the case of Kiribati and the Anglo-French Condominium of the New Hebrides, the conditions laid down in the Decision had been met. The Commission has not as yet notified the responsible authorities of the OCT concerned of its findings, due to reconstitution difficulties for the year of examination 1977.

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18. In 1977, the authorities of Kiribati and the Anglo-French Condominium of the New Hebrides were informed that the conditions for reconstitution had been fulfilled. Kiribati was expected to reconstitute 174,972 EUA with respect to the 1976 transfer. Pending a decision on their application for a change of status under Article 23 § 6 of the Decision, the Kiribati authorities have not at the present time made the contribution available to the fund. The New Hebrides was required to reconstitute a total amount of 1,430,863. EUA, that is 1,103,499 EUA with respect to the 1975 transfer and 327,364 EUA with respect to the 1976 transfer. The British authorities have reconstituted 50 % of the total requested, but no contribution has been forthcoming from the French authorities. The matter has been raised with the French authorities who have informed the Commission Services that they will reconstitute their contribution at the start of the fiscal year 1980.
19. The applications which were submitted from the two territories in 1978 for a change of status under Article 23 § 6 of the Decision have been examined within the official community framework. It has been agreed that from 1 January 1979 Kiribati and the Anglo-French Condominium of the New Hebrides are added to the list of territories at Article 23 paragraph 5 of the Decision, for the years of application 1978 and 1979. With regard to the transfers received in previous years, the Commission Services, in accordance with Article 23 (3) of the Decision and with the practical arrangements laid down in the exchange of letters, will make the necessary investigations and notify the National Authorities of the outcome.
20. The four late requests, received from Kiribati, the Solomon Islands and Tuvalu, for the year of application 1975, which were initially turned down, have now been accepted, and the transfers carried out, by analogy with the solution given to a similar problem for the ACP States.
21. In accordance with Article 20 (3) of the Decision, the unexpended balance at December 1979 for the year of application 1978 is as follows :

4,000,000	EUA	1978 allocation
+ 3,731,677	"	1977 carry over
+ 776,565	"	repayment received
+ 1,630,641	"	expected repayments
- 268,323	"	amount of 1978 transfers
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9,870,560	EUA	

This amount will be carried forward automatically and added with effect from 1 January 1980 to the amount available for the year of application 1979.

III. EFFECT OF THE TRANSFERS ON THE ECONOMIC DEVELOPMENT OF THE RECIPIENT COUNTRIES AND ON THE DEVELOPMENT OF EXTERNAL RELATIONS

22. Article 29 of the Internal Agreement on the financing and administration of Community aid stipulates that the Commission's annual report shall indicate in particular the effect of the system on the economic development of the recipient countries and on the development of external trade.
23. The same article also stipulates that the Commission shall forward to the Member States the reports, which it receives. The 1978 transfers in favour

of the OCT were carried out in May and June of 1979. At the present time, not one of the recipient countries has forwarded a report to the Commission.

The Commission will transmit to the Member States the reports on the utilization of the funds transferred, as soon as they are in its possession.

Breakdown of STABEX transfers for 1975, 1976, 1977 and 1978
according to national currency requested by the OCT

National currency	Amount transferred in EUA					Proportion of total in %				
	1975 (1)	1976 (2)	1977 (3)	1978 (4)	(1)+(2)+(3)+(4)	1975 (1)	1976 (2)	1977 (3)	1978 (4)	(1)+(2)+(3)+(4)
French Franc	1,658,697	879,200	1,260,556	219,552	4,018,005	41.9	26.6	86.2	81.8	44.7
German Mark	139,650	-	-	-	139,650	3.5	-	-	-	1.6
Pound Sterling	2,161,609	2,421,155	202,714	48,771	4,834,249	54.6	73.4	13.8	18.2	53.8
Belgian Franc	-	-	-	-	-	-	-	-	-	-
Dutch guilder	-	-	-	-	-	-	-	-	-	-

Aggregate transfers for 1975, 1976, 1977 and 1978

1. Breakdown by OCT (in EUA)

OCT	Product 1975	Product 1976	Product 1977	Product 1978	Amount 1975	Amount 1976	Amount 1977	Amount 1978	Total
Belize	Sawn wood	-	Sawn wood	-	139,650	-	202,714	-	342,364
Comoros	Copra	Copra	Copra Cloves Ylang-ylang	Copra Cloves	298,304	286,508	367,784	39,253	991,849
							552,547	180,299	732,846
							170,596		1,895,291
Djibouti	Raw hides, skins and leather	Raw hides, skins and leather	Raw hides, skins and leather	-	256,894	265,328	169,629	-	691,851
Kiribati	Copra	Copra	-	-	1,200,321	1,083,098	-	-	2,283,419
New Hebrides	Copra	Copra	-	-	1,103,499	327,364	-	-	1,430,863
Solomon Islands	Copra Wood in the rough	Copra -	-	-	138,502	1,273,640	-	-	1,412,142
			-	-	761,245	-	-	761,245	
									2,173,387
Tuvalu	Copra	Copra	-	Copra	61,541	64,417	-	48,771	174,729
TOTAL					3,959,956	3,300,355	1,463,270	268,323	8,991,904

2. Breakdown by product

Product	1975		1976		1977		1978		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cloves	-	-	-	-	552,547	37.8	180,299	67.2	732,846	8.2
Copra	2,802,167	70.76	3,035,027	92.0	367,784	25.1	88,024	32.8	6,293,002	70.0
Raw hides, skins and leather	256,894	6.49	265,328	8.0	169,629	11.6	-	-	691,851	7.7
Sawn wood	139,650	3.53	-	-	202,714	13.8	-	-	342,364	3.8
Wood in the rough	761,245	19.22	-	-	-	-	-	-	761,245	8.5
Ylang-ylang	-	-	-	-	170,596	11.7	-	-	170,596	1.9
T O T A L	3,959,956	100.00	3,300,355	100.00	1,463,270	100.00	268,323	100.00	8,991,904	100.00

Products	1975	%	1976	%	1977	%	1978	%	Total	%
suffering from economic situation	1,316,443	33.24	551,836	16.72	202,714	13.85	48,771	18.2	2,119,764	23.6
suffering from local circumstances	2,643,513	66.76	2,748,519	83.28	1,260,556	86.15	219,552	81.8	6,872,140	76.4
T O T A L	3,959,956	100.00	3,300,355	100.00	1,463,270	100.00	268,323	100.00	8,991,904	100.00

3. Nature of transfers

	1975	%	1976	%	1977	%	1978	%	TOTAL	%
Grants	1,516,486	38.30	1,889,893	57.26	1,260,556	86.15	268,323	100.00	4,935,258	54.9
Loans	2,443,470	61.70	1,410,462	42.74	202,714	13.85	-	-	4,056,646	45.1
T O T A L	3,959,956	100.00	3,300,355	100.00	1,463,270	100.00	268,323	100.00	8,991,904	100.00

4. Utilization of annual instalments

	1975	%	1976	%	1977	%	1978	%	TOTAL	%
Disbursements	3,959,956	99.00	3,300,355	82.51	1,463,270	36.58	268,323	6.70	8,991,904	56.20
Reconstitution	-	-	61,133	1.53	-	-	715,432	17.90	776,565	4.90
Balance	40,044	1.00	760,778	19.02	2,536,730	63.42	4,447,109	111.20	7,784,661	48.70
Annual instalment	4,000,000	100.00	4,000,000	100.00	4,000,000	100.00	4,000,000	100.00	16,000,000	100.00

5. Reconstitution

1978/1979

OCT	Product	Year in respect of which the transfer was made	Requested amounts for reconstitution (in EUA)	Amounts reconstituted (in EUA)
New Hebrides	Copra	1975	1,103,499	551,750
"	Copra	1976	327,364	163,682
TOTAL			1,430,863	715,432 ^{*)}

*) Situation as at October 1979 - 50 % only of amounts requested have been reconstituted.