

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(75) 294 final  
Brussels, 11 June 1975

INTERNATIONAL ACTION ON STABILIZATION OF EXPORT EARNINGS

(Supplementary Commission Communication to the Council)

COM(75) 294 final

## INTERNATIONAL ACTION ON THE STABILIZATION OF EXPORT EARNINGS

(Supplementary Communication from the Commission to the Council)

### Introduction

1. In its Communication of 21 May 1975 on raw materials in relations with the developing countries (COM(75)226) the Commission underlined the importance it attaches to international action aiming at the stabilization of export earnings with the participation of all industrialized countries, including State-trading countries, and other countries with sufficient resources. It outlined the problems involved in defining the methods of application of such a system, which are illustrated by the two alternative approaches described, and stressed how a comparative study of these alternatives was urgently needed.

2. The Commission is now submitting an analysis of two aspects of such a system: its coverage and the practical arrangements. The possibility of additional financial support from the IMF is also discussed.

#### I. System of stabilization of export earnings

##### A. General aims

3. The production of and trade in raw materials are traditionally characterized by sharp fluctuations in price and quantity, which considerably affect the economies of the countries dependent on them.

4. This phenomenon, which can be observed even in the case of products covered by international agreements, affects all the developing countries which are producer-exporters or consumer-importers of raw materials, and the poorest among them are the hardest hit. Generally speaking, it often involves:

difficulties with development planning,  
disastrous effects for the internal equilibrium of public finances,  
adverse effects on the balance of payments.

5. As regards the poorest of the developing countries, any disturbance of their "external economy" involves them, precisely because of their poverty, in very serious economic and social difficulties.

6. To help tackle these problems, the Commission considers it necessary that the measures to be taken should include the rapid adoption, internationally of the principle to take supplementary action to stabilize export earnings.

Such action, which should be so devised as to take special account of the least developed countries' interests, should not

- (i) interfere with the free play of market forces;
- (ii) erect international trade barriers;
- (iii) impede the functioning of existing international agreements nor the negotiation of new ones.

#### B. Coverage

7. In its recent communication the Commission pointed to the importance of deciding, when determining coverage, which countries and which products would be covered by the system, these two aspects being closely linked.

8. The two annexed tables contain certain basic elements:

Table 1 summarizes the distribution of the developing countries' exports according by continents and by group of commodities which can be stocked;

Table 2 is a list of developing countries and their main commodity exports.

#### Recipient countries

##### 9. First approach

Selected products could be used as a criterion for identifying the recipient countries. The only recipient countries would then be those that exported the selected products. The country's position in the GNP league should be considered so that the various arrangements benefit the least developed countries; and special advantages could be envisaged for countries handicapped by geographical factors.

##### 10. Second approach

Countries in the greatest need could be given priority in the allocation of available resources. Recipient countries would then be the poorest developing countries in terms of per capita GNP. A ceiling of \$220 or \$300 per capita GNP could be used for instance. 43 countries would be concerned in the first approach and 58 in the second<sup>1</sup>.

#### Products concerned

11. Four basic criteria could be used for selecting the products:

---

<sup>1</sup> 1971 statistics.

the instability of export earnings due to fluctuations in the price and quantity of the products concerned;

the proportion of the exporting countries' total export earnings represented by earnings from exports of the product in question;

the direct or indirect influence of the product in question on the level of employment in the producer countries;

the importance of the products in question for the poorest developing countries.

12. If the level of employment is selected for priority from among these criteria, the list of products to be drawn up would concentrate mainly on tropical agricultural products, for food or industrial use: groundnut products, cocoa, copra, coffee, cotton, palm products, leather, hides and skins, timber, bananas, tea, sisal, sugar, rubber, jute, pepper and pimentos, rice, tobacco, vanilla.

13. On the other hand, if priority is given to the impact of the system on the poorest developing countries, a wider range of products would have to be adopted. If one studies in this connection the list of products contained in the Integrated Programme drawn up by the UNCTAD Secretariat<sup>1</sup>, it is found that many of these are particularly important for the countries in question. For example, on the assumption of an upper limit of GNP \$300 some products account for over 50% of the exports of certain countries below that limit: they include, for example, coffee, sugar, tin, tea, rice, iron, copper and jute. In some cases - jute, sugar, rice and iron in particular - their share can be more than 70%. Moreover, if the share of the market involved is considered, such countries' exports of tea and jute account for over 80% of world exports of these products, their exports of cocoa 65%, of rubber 45%, of tin and hard fibres 38% and 28% respectively.

---

<sup>1</sup>The products concerned number 19: cocoa, rice, wheat and flour, maize, hard fibres, copper, lead, bauxite and aluminium, tin, iron, zinc, rubber, wool, cotton, coffee, tea, sugar, jute and oleaginous products (including oilseeds).

