

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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EUROPEAN COMMUNITY AIDS 12 ACP COUNTRIES

The European Community has recently made the final 1977 transfer to stabilize export earnings of Lome Convention signatories. The transfers, made last year in the form of loans and grants to 12 countries to cover 1976 export earning shortfalls, amounted to 36.3 million EUA or about \$ 40.7 million. In 1976, the loan transfers to cover 1975 shortfalls amounted to 72.8 million EUA for 17 nations, or about \$ 90.3 million. *

The countries aided in 1977 were Benin, Central African Empire, Cameroon, Fiji, Guinea-Bissau, Madagascar, Niger, Sierra Leone, Tanzania, Tonga, Uganda and Western Samoa.

The loan transfer system, called Stabex because it stabilizes the export earnings of primarily single-export countries, covers those nations whose production is essentially limited to one or several of 36 commodities. The commodities list includes such products as copra, tea, groundnuts, cloves and ylang-ylang. The Stabex transfers allow these commodity-dependent countries to continue their economic development even if a drought or other disaster drastically reduces the nations' earnings. Stabex also eases the sensitive relationship between producers and users of raw materials.

Lome Convention signatories encompass 53 nations in Africa, the Caribbean and the Pacific and overseas countries and territories allied to Community member states. They represent a population of more than 271 million, including 19 nations that, according to United Nations criteria, are among the poorest in the world. The European Community is the largest trade partner of the ACP states as a whole -- most are former colonies of the nine member nations of the Community.

According to 1970 figures, the Community absorbed 54 per cent of the Lome Convention nations' exports and supplied 44 per cent of their imports.

* 1 EUA=about \$ 1.12 in 1976, about \$ 1.24 in 1975.

Under the Convention, the ACP states themselves participate in determining the trade and aid stimuli provided by the European Community. The Convention also guarantees virtually free access to the Community market with no reciprocity of trade obligations for imports originating in the ACP.

In 1976 the poorest ACP countries were the main recipients of transfers

More than 75 per cent of the total transfers were made to the least developed states, which are consequently exempted from contributing toward the reconstitution of the system's resources. In 1975 the corresponding figure was 57 per cent. These figures show how important the system is to small producing countries, which are particularly vulnerable to drops in production resulting from a climatic accident or other natural circumstances, and what impact it has on those countries.

In most cases the drop in earnings due to local circumstances has brought the guarantee offered by Stabex into play: almost 80 per cent of the amounts transferred this year stemmed from such circumstances; only 20 per cent were accounted for by losses of earnings brought about by the unfavorable economic situation.

Third installment 1976: Improvements to the Stabex system made at the EEC-ACP Council in Fiji are applied for the first time (see EC Background Note #15, 5/24/77)

Among the transfers agreed for the third installment for 1976, two are the result of amendments made to the Stabex system at the last meeting of the EEC-ACP Council.

Thus Madagascar received a transfer of 1.14 million u.a. to offset the fall in export earnings from cloves (which has been included in the list of products covered, together with gum arabic, wool, mohair, vanilla and ylang-ylang) and Western Samoa obtained compensation of 349,000 u.a. for a drop in export earnings from wood in the rough, consideration being given not only to its exports to the Community but to all its sales, irrespective of destination.

The third transfer decision in the latest installment concerns Uganda (3.6 million u.a.), which recorded a drop in its export earnings from tea and cotton (not carded or combed). This drop is due to the fact that the peasant farmers have abandoned this type of crop in favor of food crops.

Transfers to overseas countries and territories (OCT)

Transfers to overseas countries and territories for the whole of 1976 amount to 3.3 million EUA, broken down as follows :

<u>OCT</u>	<u>Product</u>	<u>Amount of transfer in EUA</u>
Gilbert Islands	Copra	1 083 059
New Hebrides	Copra	327 364
Solomon Islands	Copra	1 273 640
Tuvalu	Copra	64 417
		2 748 480
<u>OCT that have become independent</u>		
Republic of the Comoros	Copra	286 508
Republic of Djibouti	Raw hides, skins and leather	265 328
		551 836
		3 300 316

SYSTEM FOR STABILIZING EXPORT EARNINGS SET UP UNDER THE LOME CONVENTION

Breakdown of 1976 STABEX transfers according to different criteria

1. <u>PRODUCTS</u>	<u>FIRST INSTALLMENT</u>	
	<u>AMOUNTS IN EUA</u>	<u>%</u>
Groundnut oil	6 755 991	18.62
Groundnut oilcake	153 269	0.42
Cotton, not carded or combed	2 750 347	7.58
Coconut oil	1 499 834	4.13
Palm oil	765 576	2.11
Sawn wood	549 807	1.52
Sisal	6 928 151	19.09
Iron ore	3 977 274	10.96
	<u>23 380 249</u>	<u>64.43</u>
	<u>SECOND INSTALLMENT</u>	
Groundnuts	4 442 347	12.24
Cocoa Paste	463 558	1.28
Copra	2 163 265	5.96
Palm nuts and kernels	626 966	1.73
Bananas	72 719	0.20
	<u>7 768 855</u>	<u>21.41</u>
	<u>THIRD INSTALLMENT</u>	
Cotton, not carded or combed	2 249 791	6.20
Wood in the rough	348 993	0.96
Tea	1 399 953	3.86
Cloves	1 139 516	3.14
	<u>5 138 253</u>	<u>14.16</u>
	<u>TOTAL : 36 253 357</u>	<u>100.00</u>
2. <u>PRODUCTS</u>		
- affected by the economic situation	7 477 958	20.61
- affected by local circum- stances	28 809 399	79.39
3. <u>LOANS / GRANTS</u>		
- loans	8 843 125	24.37
- grants	27 444 232	75.63