

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 52 final

Brussels, 8 February 1983

Report from the Commission to the Council

on the possible inclusion of wood pulp in the list of products covered
by the system for the stabilization of export earnings (Stabex)

COM(83) 52 final

SUMMARY

On 30 November 1981, the ACP Co-Chairman of the Stabex Subcommittee requested that wood pulp be included in the list of products covered by the system for the stabilization of export earnings (Stabex), set up under the Second Lomé Convention.

A report to be forwarded to the Council sets out the reasons for which the Commission considers it inadvisable to include wood pulp in the list of products covered by Stabex.

1. In a letter dated 30 November 1981, the ACP Co-Chairman of the Stabex Subcommittee requested that wood pulp (NIMEXE code 47.01.02 to 47.01.79) be included in the list of products covered by Stabex, pointing out that this product was one of those dealt with in the negotiations for the Second Lomé Convention.
2. Of the ACP States, **only Swaziland** and Cameroon export wood pulp, and the latter country is mentioned simply for the records **since** the product accounts for only a very small percentage of its total exports (some 0.5%).
3. Wood pulp represents on average 16% of Swaziland's exports, including 2% going to Europe (it should be pointed out in this respect that Swaziland is covered for "all destinations"). An examination of the figures for the 1978-81 period reveals that the quantities and values are subject to what are in some cases substantial variations (see Annex), which suggest that the cost of including wood pulp in Stabex would inevitably be considerable - particularly as there is a problem regarding ownership of the firm (see point 5 below) which, if not solved satisfactorily, may jeopardize its profitability in the future.
4. Only one production unit manufactures wood pulp in Swaziland. It produces mainly unbleached chemical deciduous or coniferous wood pulp and is one of the few plants in the world to make this type of product, which is a raw material used in the manufacture of paper and, unbleached, is also employed for making boxes, cement bags and wrapping paper.

If the unbleached wood pulp were bleached it would be possible to obtain more elaborate products but bleaching is difficult in Swaziland as this process requires a lot of water, of which there is not enough in Swaziland, and also presents environmental problems (disposal of the salt).

5. The cost of including wood pulp cannot be assessed without taking into account the financial results obtained by Stabex for 1980 and 1981. These first two years covered by the Second Lomé Convention witnessed two major reductions in transfers to the ACP States, as a result of the shortage of Stabex funds.

In these circumstances, the Commission feels that any request for the inclusion of new products must be examined even more carefully to avoid an excessive increase in the cost of transfers at a time of continuing uncertainty as to how the prices of the most important commodities will move.

6. The unit which produces wood pulp in Swaziland belongs to two companies which wish to dispose of their shares, one because it considers that it has accomplished its task as promoter, and the other because it wishes to withdraw from the wood pulp production sector.

One prospective buyer has come forward, namely a large South African multinational, but negotiations between it and the Swaziland authorities have reached complete deadlock for the foreseeable future.

Since this sale may well go through, the Community must examine the advisability of providing a Stabex guarantee to what might, above all, be a foreign legal person.

7. The market in wood pulp has an oligopolistic structure, which means that the system could be improperly applied. By way of example, the unit values of exports to seven Member States of the Community in 1978 ranged from 153 to 248 emalangeni (Swaziland's national currency).

Indeed, the inclusion of wood pulp (and of manufactures in general) would come up against identical problems to those raised at the time by the inclusion of mineral products in Stabex.

8. By way of conclusion, the Commission proposes, on the basis of the arguments set out under points 5 to 7 above, that the ACP States' request for the inclusion of wood pulp in the list of products covered by the system for the stabilization of export earnings should not be granted.

Statistics on exports of wood pulp from Swaziland1. Quantities¹

	<u>Total</u>	<u>of which to the EEC</u>	<u>of which to the Republic of South Africa</u>
1978	161 429	23 501	30 479
1979	161 266	20 281	35 454
1980	98 626	15 274	57 129
1981	156 566	15 870	26 871

2. Values²

1978	26 732 251	4 031 882 (15.08%) ³	4 858 462 (18.17%)
1979	39 781 620	7 910 218 (19.88%)	7 682 808 (19.31%)
1980	27 617 651	3 727 338 (13.50%)	17 500 106 (63.37%)
1981	45 138 797	4 440 960 (9.84%)	10 278 700 (22.77%)

¹ In metric tons

² In emalengeni

³ The figures in brackets indicate the value as a percentage of the total value.