

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(83) 55 final

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## REPORT FROM THE COMMISSION TO THE COUNCIL

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

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1. In a letter dated 1 October 1981, the ACP Co-Chairman of the Stabex Subcommittee requested that plywood be included in the list of products covered by Stabex, and indicated that this product played a significant part in the economy of the Gabonese Republic.

Since no proper statistics accompanied the request, the governments of the ACP States were called upon to supply some figures, and although the data provided proved rather disparate and even incomplete, the Commission is now able to adopt a position on the possible inclusion of this product among those covered by Stabex.

2. Apart from Gabon, the ACP States which could benefit from its inclusion are mainly Cameroon, Congo and Ivory Coast. It should be pointed out immediately that, in the case of these four states, exports of plywood do not by any means exceed the dependence threshold, which for these countries is 6.5%, since they are not among the least developed. The rates vary between 0.20% and 2.40% (see the ACP States' statistics as set out in the Annex).

The inclusion of this product would therefore have only a limited effect since it would not be possible to request compensation from the system for plywood alone. Unless these states step up their exports of plywood very considerably and this seems unlikely in the foreseeable future the only effect of its inclusion would be to raise the amount of the transfers made for timber products already on the list (wood in the rough, squared or half-squared wood, and sawn wood).

Whereas the Second Lomé Convention provides for the inclusion, under certain conditions, of further products, it makes no provision for amending Article 25(3)(b), which lays down the groups of products in the case of a "block" request. The Commission's Legal Service was consulted about this and considers that although there is no provision for such an amendment it is fully in accordance with the spirit of the Convention, and is covered by Article 26 concerning the inclusion of further products. It is difficult to see the point of including a sub-product in the list unless it could be bracketed with products belonging to the same group.

3. The cost of the inclusion of plywood cannot be accurately estimated in figures. As stated under 2, plywood could be taken into consideration

for a possible transfer only as a sub-product in the "wood products" group, which would then comprise wood in the rough, squared or half-squared wood, sawn wood and plywood. A look at imports of plywood from the ACP States concerned (see Annex: Community statistics) does, however, suggest orders of magnitude for reference levels and random fluctuations, although it should be borne in mind that, as part of the wood products group, these imports would have the effect of either increasing or reducing the final transfer.

4. There is an economic argument in favour of including plywood : those responsible for marketing it in the ACP States concerned claim that its addition to the list would enable logs to be taken into account which are not exportable in that form.
5. The criteria which are laid down in Article 26 of the Second Lomé Convention for considering the inclusion of new products are as follows ;
  - (i) the economies of the ACP States concerned should depend to a considerable extent on these products : if the rates of dependence are examined, it will be seen that plywood does not qualify here (see point 2);
  - (ii) the products in question should be affected by sharp fluctuations : a look at imports of plywood into the Community (see Annex: Community statistics) reveals that Ivory Coast's exports to the Community have been constantly declining, to the point of being negligible in 1981. Imports from Congo are at such a low level that they provide no significant indication as to possible fluctuations. As for the other two countries, Cameroon and Gabon, the following trends emerge :
    1. quantities: downward trend followed by an upward trend for Cameroon; fluctuating between 15 000 and 27 000 t for Gabon;
    2. unit values: distinct upward trend;
    3. earnings: general upward trend.

The first condition is therefore not fulfilled. Neither is the second, except in the case of the quantities for Gabon.

Given present production and marketing structures the inclusion of plywood also raises a specific problem, and this should be taken into consideration. Production of plywood is often controlled by a very small number of firms which, in addition, have their decision-making centres outside the ACP countries. In such cases, Stabex cover could entail the danger of a policy of artificially low prices which would be difficult to control.

6. The question of the inclusion of plywood ought to be examined on the basis of the overall results of the first two years covered by the Second Lomé Convention (1980 and 1981). Is it advisable to go on adding products to the list, and consequently raising the Community's level of commitment higher and higher, at a time when the sum of the requests for transfers exceeds the available resources?

The Commission, which administers the system, does not consider it wise to take on further commitments for products upon which the economies of the ACP States do not vitally depend when funds are short and the trend of prices for certain major commodities is still giving cause for alarm.

7. By way of conclusion, the Commission proposes, on the basis of the arguments set out in 5 and 6 above, that the ACP States' request for the inclusion of plywood in the list of products covered by the system for the stabilization of export earnings should not be granted.

COMMUNITY STATISTICS

Community imports of plywood (Nimexe 44.15-20 to 80) originating in Cameroon, Congo Ivory Coast and Gabon.

		<u>Quantities (tonnes)</u>	<u>Values (1 000 ECU cif)</u>	<u>Unit values (ECU/tonne)</u>
1. <u>Ivory Coast</u>	1976	3 281	1 886	575
	1977	2 889	2 066	715
	1978	1 582	950	601
	1979	1 217	798	656
	1980	689	470	682
	1981	467	385	824
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2. <u>Cameroon</u>	1976	4 888	2 336	478
	1977	3 329	1 718	516
	1978	3 152	2 077	659
	1979	2 769	2 061	744
	1980	4 005	3 028	756
	1981	3 805	3 069	808
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3. <u>Gabon</u>	1976	21 825	13 561	621
	1977	15 657	10 730	685
	1978	22 660	14 811	654
	1979	27 649	18 644	674
	1980	18 874	16 012	848
	1981	23 043	19 159	831
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4. <u>Congo</u>	1976	168	84	500
	1977	28	18	643
	1978	71	49	690
	1979	424	276	651
	1980	710	527	742
	1981	156	144	923
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1. Information supplied by the United Republic of Cameroon

Exports of plywood, in tonnes

1978	:	3 694
1979	:	3 905
1980	:	5 347
1981	:	11 794

Dependence on exports of plywood (as a % of the total value)

1978	:	0.31%
1979	:	0.32%
1980	:	0.39%
1981	:	0.41%

2. Information supplied by the People's Republic of the Congo

	<u>Total exports (CFAF '000)</u>	<u>Exports of plywood (CFAF '000)</u>	<u>Dependence (%)</u>
1979	108 333 000	2 602 083	2.40
1980	202 591 000	4 313 038	2.13
1981	not available	not available	....

Production of plywood (m3)

1979	not available
1980	4 045
1981	3 004

### 3. Information supplied by the Republic of the Ivory Coast

#### 1. Production

The official statistics issued by Ivory Coast's Ministry of Forestry do not include the production of plywood. The figures below come from an estimate by the timber producers' trade organization.

Production of plywood (m <sup>3</sup> )	<u>1979</u>	<u>1980</u>	<u>1981</u>
	41 745	47 889	45 612

Four firms produce plywood in Ivory Coast. About a quarter of the output is exported, mainly to Senegal and Nigeria, which account for over half the foreign sales. For two years the domestic market has been badly hit by problems in the building trade (activity has declined by 25%).

#### 2. Exports

Exports of plywood account for only a small share of total timber sales, largely dominated by trade in logs.

The following table contains the customs statistics for exports of plywood, logs and all products sold by Ivory Coast.

Year	Plywood		Logs	All products sold by Ivory Coast	Plywood as percentage of total exports
	Volume (m <sup>3</sup> )	Value in CFAF millions	Value in CFAF millions	Value in CFAF millions	
1978	19 456	1 689.7	52 878	524 382	0.3%
1979	14 929	1 305.8	67 589	534 847	0.2%
1980	16 210	1 856.8	not known	580 312	0.3%
1981	19 397	2 743.6	73 755	689 298	0.4%
1982 (1)	9 231	1 341.3	39 440	-	-

(1) 6 months

With regard to the destination of plywood exports, the EEC accounted on average for 17% of exports in volume terms over the last three years; Senegal and Nigeria absorbed over half Ivory Coast's sales.



4. Information supplied by the Gabonese RepublicProduction (in m3)

1979	:	71 200
1980	:	72 829
1981	:	70 523

Exports (1980)

	<u>Quantities (tonnes)</u>	<u>Value (CFAF millions)</u>
France	20 259	4 876
FRG	2 419	613
BLEU	317	109
Netherlands	2 973	753
Italy	516	179
United Kingdom	124	36
Denmark	33	9
Total EEC	26 641	6 575
Total for all destinations	41 682	10 019

Dependence

1.84% (1980)