

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(79) 425 final

Brussels, 25 July 1979

DRAFT OF COUNCIL DECISION

extending the list of overseas countries and territories mentioned in
Decision 76/568/EEC on the association of the overseas countries and
territories with the European Economic Community

(submitted to the Council by the Commission)

COM(79) 425 final

Council Decision
amending Decision 76/568/EEC of 29 June 1976,
on the association of the overseas countries and territories
with the European Economic Community

EXPLANATORY MEMORANDUM

1. Introduction

11. Applications have now been received from the Gilbert Islands, and the Anglo-French Condominium of the New Hebrides for a change of status under Article 23 § 6 of the Council Decision of 29 June 1976.
12. The submission from the Gilbert Islands' authorities was drawn up in January 1978, and was forwarded to the Commission Services, via the U.K. authorities on 23.11.1978. A copy was also sent through the EEC Delegate in Suva, Fiji, on 3.3.1978. No reason has been given by the British authorities for the delay in forwarding this application.
13. Likewise the submission prepared by the authorities of the Anglo-French Condominium of the New Hebrides was received by the Commission Services from the French and the U.K. authorities on 8.11.1978. The case was drafted in June 1978. In November 1978 a delegation from the New Hebrides visited the Commission, and during a meeting with DG VIII officials clarified the arguments put forward in the application.
14. The major points raised in the two submissions are summarized below.

2. The Gilbert Islands

21. The Government of the Gilbert Islands feels that the imminent exhaustion of phosphate deposits in 1979, which at present form the economic base of the country, will constitute "a radical and lasting change, which necessitates the application of special measures" as stipulated in Article 23 § 6 of the Council Decision.
22. Phosphate accounts for 90 % of total exports, and copra for 10 %. On the expiry of phosphate, export revenue is estimated to fall from 16 million Aust. \$ in 1979 to less than 3 million Aust. \$ in 1980.
23. The Gilbert Islands benefit at present from a relatively high per capita GDP (estimated Aust. \$ 624 in 1977) compared with some other developing countries, because of the recent but short term boom in phosphate prices. This figure will be almost halved (estimated Aust. \$ 350) when the phosphate mining finishes, which will place the Gilbert Islands at the same level, or even below, of that of several of the territories receiving Stabex grants.
24. The per capita GDP is not a good indication of the level of national development and wealth, because of the marked disparity of income between

geographical and social groups. Per capita incomes in rural areas are less than the corresponding urban figures.

25. Furthermore, the current per capita GDP includes income accrued from the phosphate mining, which does not enter into the economy, but is accumulated in the Revenue Equalization Reserve Fund (RERF). It is this fund, which the Government will draw upon in order to balance its budget, when the phosphate mining ceases.

The current per capita GDP also takes in the income from expatriate salary supplements. Subtracting these two items, the per capita GDP is below Aust. \$ 540.

26. The Gilbert Islands' per capita GDP is "the result of a special and temporary situation", and does not show the true level of development, which is comparable to that of the other OCT, exempt from the obligation to contribute to the reconstitution of resources.

27. The country lacks other natural resources, which could provide a substitute for phosphate, apart from the sea. Efforts have been "stepped up" to exploit brine shrimps on Christmas Island, and to establish a tuna fishing industry. It will be some years, however, before any significant financial return is seen. Forecasts show that the eventual income from these sources will only partially make up for the phosphate income.

The geographical nature of the Gilbert Islands makes the establishment of new industries both costly and time consuming.

28. The Gilbert Islands received a transfer of 1,083,098 EUA to cover a shortfall in copra export earnings during 1976. 150,000 Aust. \$ of this payment have been accorded, as a short term loan, to "Atoll Plantations", who operate the copra plantations on Christmas Island. The outstanding sum is being held back to finance reconstitution to the Stabex fund. The Gilbert Islands are required to reconstitute 174,972 EUA with respect to the 1976 transfer. As yet the contribution has not been made.

3. The Anglo-French Condominium of the New Hebrides

31. It is believed that forthcoming independence, and the likely associated cut back in financial resources available to the country will make up a "radical and lasting change", as defined in Article 23 § 6 of the Council Decision. Independence is planned to take place in early 1980.
32. In the Council Decision, the New Hebrides are not listed among the OCTs exempted from the obligation to contribute to the resources of the system.
33. The New Hebrides receives sizeable quantities of financial assistance from overseas for budgetary and development purposes. The New Hebridian government intends, that the reliance on overseas budgetary aid should be reduced.
34. The resulting reduction in aid inflow will necessitate stringent budgeting by the Government, as it works at taking on those governmental responsibilities, which are at present carried out by the British and French Residencies.

35. The cuts in aid inflow will have a grave economic impact on the internal economy of the country. A persistent deficit on the balance of payments is likely to occur; the amount of disposable income will decline, thus leading to the closure of shops, restaurants, etc.; and government income as revenue from import duty, business licences etc. will drop.
36. The public debt repayment level operates currently at an acceptably high level. The Government budget is unable to withstand any further debt reliabilities.
37. The per capita figure of 64,000 FNH quoted for 1976 is a misleading guide to the real development level in the country, because much of the wealth is centred on the two urban areas, and is in the hands of non-indigenous personnel. Furthermore, the government sector pays high salaries to a small number of expatriate staff.
38. The rural economy depends on copra as the single cash crop. During the past 25 years, the real world price for copra has fallen.
39. The authorities of the Anglo-French Condominium of the New Hebrides consider that the criteria, which were laid down in the document "The Lomé Convention, measures in favour of the least developed states" (ref. VIII/05/75-E), on which it was decided to exempt certain countries from reconstitution have been fulfilled.
40. The actual situation of the New Hebrides resembles closely that of the territories, which are exempt from reconstitution to the Stabex fund, rather than those which are required to reconstitute.
41. The New Hebrides received Stabex transfers of 1,103,499 EUA for 1975 and 327,364 EUA for 1976, to compensate shortfalls in export earnings from copra. The 1975 payment was used to rebalance the 1976 budgetary programme. The 1976 payment has likewise been incorporated with the budgetary operation for 1978. The New Hebridian government intends to create a development bank, and to introduce a system to regularize and stabilize copra prices, and prices of other coconut products. The New Hebrides is required to reconstitute 1,103,499 EUA for the 1975 transfer, and 327,364 EUA for the 1976 transfer.

CONCLUSION AND DECISION TO BE ADOPTED

1. Both cases are well presented. The Gilbert Islands and the New Hebrides have been allocated additional EDF funds, which are designated for the least developed OCT. The Gilbert Islands will become independent on 12 July 1979 and the New Hebrides in 1980. It is expected that both territories will ask for accession to the Lomé Convention. The Stabex system for these territories will remain governed by the clauses foreseen for the PTOM, but it must be understood that these precedents are not prejudged by the Community's position on the drawing up of the list of Art. 48 of the Convention, even if the Commission Services have a favourable preconceived judgement for the New Hebrides.
2. Additional statistical information for the Pacific area, which may prove useful in any future examination of the applications, is available. Comprehensive comparisons are difficult to obtain, because of the varying sources of information. The sources of information are noted on the documents. The fi-

figures shown in the applications compare favourably with the additional data. In some cases there are differences, which are largely due to the fact that many of the figures for 1976 and 1977 are estimates.

3. The two applications have been acknowledged, and it has been pointed out that these requests must be considered within the official Community framework. A careful examination of the two applications on the basis of the informations and data available have been made and on the spot inquiries have been carried out.
4. On the basis of the foregoing, the Commission invites the Council to include the Gilbert Islands and the Anglo-French Condominium of the New Hebrides under the list of OCTs exempted from the obligation to contribute to the reconstitution of Stabex resources, to take effect from the date of decision. A draft decision is attached for this purpose.

COUNCIL DECISION

extending the list of overseas countries and territories mentioned in Decision 76/568/EEC on the association of the overseas countries and territories with the European Economic Community

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to Council Decision 76/568/EEC of 29 June 1976 on the association of the overseas countries and territories with the European Economic Community¹, as last amended by Decision 79/310/EEC², and in particular Article 23 (6) thereof;

Whereas the economic situation of the Gilbert Islands and the Anglo-French Condominium of the New Hebrides justifies the inclusion of those countries and territories on the list at Article 23 (5) of the said Decision, because of radical and lasting changes that have occurred,

HAS DECIDED AS FOLLOWS:

Article 1

As from 1 January 1979, the following countries and territories are added to Article 23 (5) of Decision 76/568/EEC:

- the Gilbert Islands,
- the Anglo-French Condominium of the New Hebrides.

Article 2

This Decision shall be published in the Official Journal of the European Communities. It shall take effect on the day of its publication.

¹ OJ No L 176, 1.7.1976, p. 8

² OJ No L 72, 23.3.1979, p. 33