

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(87) 115 final

Brussels, 20 March 1987

REPORT FROM THE COMMISSION TO THE COUNCIL

on the operation during 1985 of the export earnings
stabilization system set up by the second Lomé Convention
and the Decision on the association of the OCT with the
EEC

1. On 9 December 1976 the Commission presented to the Council the comprehensive report on the operation during 1975 of the system set up by the Lomé Convention for stabilizing export earnings (COM (76) 656 final). Provision is made for the drawing-up of such a report annually in Article 29 of the Internal Agreement on the financing and administration of Community aid; this Article also stipulates that its provisions also apply in respect of the countries and territories.
2. The system for stabilizing export earnings set up by the Council Decision of 29 June 1976 on the association of overseas countries and territories with the European Economic Community was not able to be implemented until after the system applying to the ACP States for reasons connected with the date of adoption of the Decision.
3. This comprehensive report is concerned with the application of the system during 1975 to the overseas countries and territories. Since this was the first year of application, this report cannot cover the effect of the system on the economic development of the recipient countries or on the development of external trade, any more than this was possible in the report for the ACP States. This report will deal with :
 - the machinery for cooperation with the countries and territories,
 - the results of the first period of application of the system.

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I. THE MACHINERY FOR COOPERATION

4. In February 1976, before the Decision on the association of the OCT with the EEC was adopted by the Council, the Commission, in conjunction with the Permanent Representations to the Communities and the relevant authorities of the three member countries which the countries and territories come under, turned its attention to the implementation of the system; it had been agreed that it would enter into force at the same time as the system set up under the Lomé Convention, its first period of application covering the 1975 calendar year.

5. Generally speaking, the organization set up within the Commission for applying the system to the ACP States - that is the relevant departments, equipment (forms, etc.), methods and the search for ad hoc channels to ensure that the system operates rapidly and effectively - was used at the same time for the OCT.
6. On the Member States' side the mechanism for the monthly notification of statistics adopted by the Regulation of 20 January 1976 operated in practice before that date for 1975.
7. Moreover, the procedure for the exchange of views with the Member States on transfer proposals and the provisions of the EDF financial regulation adopted by the Council apply to the OCT in the same way as to the ACP States.
8. Furthermore, measures have been taken, in agreement with the Member States and varying according to the countries concerned, regarding the machinery for cooperation :
 - France preferred the requests for transfers relating to the French overseas territories to be centralized in Paris by the Secrétariat d'Etat aux Départements et Territoires d'Outre-Mer. This body has provided the Commission with the list of correspondents responsible for statistical cooperation in each of the territories;
 - in the particular case of the Anglo-French Condominium of the New Hebrides it was agreed that requests for transfers would be presented jointly by the French and United Kingdom authorities;
 - the United Kingdom wanted the UK overseas countries and territories to be entirely responsible both for any requests for transfers and for statistical cooperation;
 - because of the structure of their exports the overseas countries of the Netherlands are not at present eligible under the system;
 - finally, the OCT which have become independent and have acceded to the Lomé Convention continue, as provided for in Article 1 (5) of the Internal Agreement on the financing and administration of Community aid to be eligible for the funds for the stabilization of export earnings provided

for an Article 1 (3) (c) of that Agreement. The same Article also stipulates that the management rules to be applied to these countries are those laid down in Title II of the Convention. At present the countries affected by these provisions are the Comoros, Seychelles and Surinam.

9. Missions have been made to most of the OCT eligible under the system. They have enabled the statistical data for the reference period to be collected and, at least in the case of the United Kingdom OCT and the Comoros, one or more correspondents to be appointed, who are responsible for notifying and crosschecking the statistics and signing requests for transfers and transfer agreements. These missions are to be rounded off in the months to come by visits to the Territory of the Afars and Issas, the Gilbert Islands, Seychelles, the Solomon Islands and Tuvalu.

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II. FIRST PERIOD OF APPLICATION OF THE SYSTEM

10. Following the Decision of 29 June 1976, during the last two months of that year, the Commission received four request for transfers for 1975. One of the requests came from one of the OCT which had become independent and acceded to the Lomé Convention, the Comoros. The other three requests came from the following OCT : Belize, New Hebrides, Territory of the Afars and Issas.
11. These four requests were admissible as they satisfied the conditions regarding the dependence and fluctuation thresholds provided for in the Decision.

Examination of the total exports of the countries and territories concerned did not show a significant change and therefore no consultations within the meaning of Article 21 (4) of the Decision took place.

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12. The overall results for the first year of application of the Decision are as follows :

<u>OCT</u>	<u>PRODUCT</u>	<u>AMOUNT OF TRANSFER in EUA</u>
Belize	Sawn wood	139.650
New Hebrides	Copra	1.103.499
Territory of the Afars and Issas	Raw hides and skins	256.894
		<hr/>
		1.500.043
<u>ACP</u>		
Comoros	Copra	298.304
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		1.798.347

13. Of the four countries concerned, two, viz. the Comoros and the Territory of the Afars and Issas, have received non-reimbursable transfers, while Belize and the New Hebrides will have to contribute towards the reconstitution of the resources made available for the system.

14. With regard to the products covered - sawn wood, raw hides and skins, copra - it is worth noting that the first two already appeared in the case of the ACP States on the list of products whose exports had suffered from the economic trend.

15. In accordance with what has been stated above regarding the applicability to the OCT of the provisions of the EDF financial regulation in particular, the transfers were calculated according to the same method as those intended for the ACP States. In other words, the values resulting from the cross-checking carried out in the national currency of the requesting country or territory, were converted into EUA taking the average value of the currency in question during the reference period for the calculation of the reference level, and by taking the average exchange rate relating to 1975 for the calculation of actual earnings.

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Payment of the transfers was made in the Member State currencies requested by the recipient countries or territories.

16. Overall, the transfers amounted to 1.798.347 ECU - well below the annual amount allocated to the system (4 million ECU). Therefore, in accordance with Article 20 (3) of the Decision the balance of 2.201.653 ECU is carried forward automatically to 1976.