COMMISSION OF THE EUROPEAN COMMUNITIES

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Brussels, 24 March 1975

COMMUNICATION FROM THE
COMMISSION TO THE COUNCIL

on the Community's and Member States'
participation in the United Nations
Conference concerning negotiation of
the 5th 1975 Tin Agreement

Recommendation for a
COUNCIL DECISION

on the negotiation of the Fifth
International Tin Agreement

(submitted to the Council by the Commission)

Commission Communication to the Council

INTRODUCTORY NOTE

The renewal of the Fourth International Tin Agreement, which expires on 30 June 1976, is to be negotiated under UNCTAD auspices at a conference to be held in Geneva from 20 May to 20 June 1975. The Preparatory Committee, set up by the International Tin Council, has drawn up a draft of a Fifth Agreement which, together with alternative proposals, will be submitted to the Conference as a working paper.

The purpose of this communication is to indicate the broad lines of the Community's position in the negotiations to be conducted at the Conference.

In view of the urgency of this matter, this document must be studied and a decision taken as soon as possible, certainly before the beginning of the negotiations (20 May), by a suitable procedure commensurate with this urgency.

1. All the Member States are parties to the Fourth Tin Agreement adopted on 15 May 1970. The Community, which signed and approved the Agreement on 27 January 1971 and 22 March 1972, respectively, also participates but has no voting rights.

2. The objective of the International Tin Agreement is to stabilize the tin market so as to:

   (a) provide for adjustment between supply and demand and alleviate serious difficulties arising from a surplus or shortage of tin;

   (b) prevent excessive fluctuations in the price of tin;

   (c) safeguard and help to increase the earnings of the producer countries;

   (d) ensure an adequate supply at equitable prices for consumers.

3. Accordingly, the Agreement contains the following provisions:

   (a) a buffer stock, the maximum target of which, in the case of the Fourth Agreement, is equivalent to 20 000 metric tons of tin metal;

   (b) a price intervention system with floor and ceiling prices;

   (c) buffer stock regulations which govern operations by the Buffer Stock Manager (BSM) in the context of the relationship between the market price for tin and the intervention prices;

   (d) export control measures;

   (e) measures to be taken in times of shortage.

4. The new Agreement is aimed particularly at strengthening cooperation between producer and consumer countries to help the developing producer countries obtain the resources necessary for faster economic growth and social development, while taking account of the interests of consumers. Consequently, the main issues at the forthcoming negociations will include the following;

- the price intervention system, in particular the fixing of the floor price;
- the size and financing of the buffer stock, especially the compulsory financial participation by the consumer countries;
- management of the stock, and in particular the possibility or otherwise of the manager intervening in the middle sector[1];
- export control and the fixing of the stock levels of tin to be reached before a control period may be declared;
- measures to be taken in periods of shortage and how they can be made more effective.

5. These matters directly affect the volume and terms of trade in tin and, taken as a whole, constitute commercial policy measures for the purposes of Article 113 of the EEC Treaty. Negotiations on these matters must therefore be conducted in accordance with the provisions of Article 113.

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[1] The range between the floor and the ceiling price is divided into three sectors. At present the buffer stock manager may buy and sell tin in the upper and lower sectors. He may only intervene in the middle sector if specially authorized to do so by the International Tin Council, which is composed of representatives of all the contracting parties.

6. Only if the problems in question are properly exposed can the objectives of the Agreement be achieved and the interests of producers and consumers be guaranteed. Since the Member States at present control 45 % of the total votes of the consumer countries in the Tin Council, the Community can play a decisive part in the search for effective and balanced solutions.

Apart from the commercial implications of these problems, attention should be paid to their impact on supplies to industries of the Community - the Community is almost totally dependent on imported tin, and its imports represent 35 % of total world trade in this commodity - and on the economic growth of the developing producer countries.

The Commission working paper(1) presented to the Council Working Party on Commodities on 15 January 1975 set out various approaches to the problems in question.

a) Price intervention system

The Commission feels that the three sectors of the range between floor and ceiling price should be better distributed so that the middle sector is once again an area where the price might fluctuate freely.

b) Buffer stock

- Size. The current maximum target for the buffer stock is 20 000 metric tons of tin It would be realistic to increase this to 20 % of the volume of world trade(around 35 000 metric tons).

  Experience and market trends have shown that the current maximum target is insufficient to fulfil the aims of the Agreement.

(1) R/185/75 (COMER 30)

- Financial aspects. The preamble to the Agreement refers to co-operation between producer and consumer countries, but at present, this community of interests is not reflected in the respective financial contributions of these two categories of countries. Apart from the significance of this problem for the Community's development policy, it is clear that the interests of the consumer countries would be better safeguarded if they agreed to make financial contributions towards the stock(1).

  The non-participation of consumer countries in the financing of the stock may prevent them from participating in its management and indeed might further encourage the producers to conclude an agreement between themselves.

- Operation. The main point at issue here is whether as demanded by the producer countries, the B.S.M. should be allowed to intervene in the middle sector(2).

  This would transform the defence of the floor and ceiling prices into a support of a central price, introducing a degree of rigidity into the operations that would imply far-reaching changes in the nature and the objectives of the Agreement.

c) Export control

These provisions may by their very nature also affect the security of supplies to the importing countries and the Community in particular. By its limitations of stocks in the producer countries export control can involve a fall in production which could have a short- and medium-term impact on the availability of tin on the market. It will therefore be necessary in defining the criteria for its application to make it clear that this is a measure of last resort.

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(1) Consideration will have to be given to the possibility of intervention by certain international financial institutions.

(2) See footnote 1 on page 3.

d) <u>Measures to be taken in periods of shortage</u>

The Commission agrees with the Preparatory Committee that the present provisions are not sufficient to guarantee the consumer countries security of supply in time of shortage. It therefore considers that the existing measures should be strengthened and should include binding provisions similar to those for export control.

Enlargement of the stock together with joint financing on an equal basis would in any case create a situation where shortages would be unlikely to occur.

7. The current provisions on the participation of intergovernmental organizations, which were largely drafted by non-Member states, do not adequately cover the Community's position.

The Commission considers that the text should be amended in order to clarify this position and more adequately safeguard Community interests, while at the same time giving all the contracting parties essential legal security. A new text based on texts already approved in the wheat, coffee and cocoa agreements has already been presented(1).

8. It would also be advisable at the next Tin Conference to have a single delegation comprising the Member States and the Community, with the Commission representative putting forward the Community position on matters for which the Community is responsible.

The draft Council Decision annexed to this document authorizes the Commission to participate in negotiations on matters relating to the common commercial policy, particularly those listed in the annex to the draft, and on the conditions concerning Community's participation in the Fifth Agreement.

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(1) R/185/75 (COMER 30)

Recommendation for
a Council Decision
on the negotiation of the Fifth International
Tin Agreement

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 113 thereof;

Having regard to the recommendation from the Commission;

Whereas the Community signed the Fourth International Tin Agreement on 27 January 1971 and approved it on 22 March 1972 (1) and is a party to the Agreement;

Whereas the said agreement expires on 30 June 1976;

Whereas the Fifth International Tin Agreement is to be negotiated under the auspices of UNCTAD at an international conference to be held in Geneva from 20 May to 20 June 1975; and whereas the Community should take part in these negotiations, which will cover matters relating to its common commercial policy,

HAS ADOPTED THIS DECISION;

Sole article

The Commission is hereby authorized to conduct, on behalf of the Community, the negotiation of the Fifth International Tin Agreement in matters within the Community competence.

The Commission shall conduct these negotiations in accordance with the instructions annexed hereto and in consultation with the Special Committee set up under Article 113.

Done at Brussels,
For the Council
The President

(1) OJ No L 90, 17.4.72 p. 1

Annex to the Recommendation for a Council Decision: Directives for the negotiation of the Fifth International Tin Agreement

1. Intervention prices

The division of the range between the floor price and the ceiling price into three sectors should be achieved in such a way as to reconstitute the middle sector as the area within which the price may fluctuate freely.

2. Buffer stock

(a) Size

The maximum target of the stock should be approximately equivalent to 20 % of world trade (around 35 000 metric tons).

(b) Financial arrangements

The principle of compulsory joint financing of the stock on an equal basis should be adopted.

(c) Operation

A restrictive position should be taken up on the question of allowing the buffer stock manager to intervene in the middle sector.

3. Export control

Amendments should be proposed to the criteria for the application of such control to ensure that this is a measure of last resort.

4. Measures to be taken in times of shortage

This article should be strengthened for the benefit of the consumer countries by the adoption of binding provisions similar to those for export control.

5. Community participation in the Agreement

(a) Article 54 of the draft Agreement should be replaced by the following addition to Article 4, based on the text of the International Coffee Agreement (1973):

"Any reference in this Agreement to a Government, participating country or participant shall be construed as including a reference to the European Economic Community or to an intergovernmental organization having comparable responsibilities in respect of the negotiation, conclusion and application of international agreements, in particular commodity agreements. Accordingly, reference in this Agreement to signature, or to the deposit of instruments of ratification, approval or acceptance, or of a notification of intention to ratify, approve or accept, or of accession, by a Government, participating country or participant is, in the case of such organizations, to be construed as including a reference to the signature, or the deposit of instruments of ratification, approval or acceptance, or of a notification of intention to ratify, approve or accept, or of accession by such an organization.

Such an organization shall not itself have any votes, but in the case of a vote on matters within its competence, it shall be entitled to cast the vote of its Member States and shall cast them collectively. In such cases, the Member States of the organization in question shall not be entitled to exercise their individual voting rights".

(b) It would also be necessary to insert in Article 2 (Definitions) under the heading "Participating country", the words "or an organization referred to in Article 4".