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BC-DEVELOPMENT-STABEX

ACP STATES SLATE EC FAILURE TO RAISE STABEX FUNDS

BRUSSELS, July 20 (Reuter) - The ACP Group of 69 developing countries criticised on Tuesday the failure of European Community foreign ministers to increase funding for a scheme to stabilise commodity export earnings (STABEX).

"The ACP Group expresses profound regret at the inability of the General Affairs Council of July 19-20 to adopt the European Commission's proposals aimed at reducing the deficit in the STABEX cover for 1992," a statement said.

STABEX is one of the key aid mechanisms for African, Caribbean and Pacific (ACP) countries in the Lome Convention.

EC ministers rejected a Commission proposal to cover 50 percent of the 764 million Ecus of ACP STABEX claims in 1992 and asked the committee of permanent representatives (COREPER) to find a solution.

The 1992 allocation of 330 million Ecus was sufficient to meet only 43.2 percent of STABEX claims by ACP commodity exporters.

The Commission, strongly backed by France, sought to transfer unused funds from the SYSMIN scheme for mining products but Britain blocked the proposal.

Britain argued that STABEX benefits mostly wealthier ACP countries and that there were higher aid priorities such as the 100-million-Ecu programme to help African countries recover from war and natural disasters.

The two main STABEX beneficiaries are Ivory Coast and Cameroon which received compensation for losses in cocoa and coffee export earnings.

The ACP Group said the proposed transfer of SYSMIN funds would not affect other aid programmes funded under the Lome Convention.

Britain also blocked an alternative proposal to bring forward STABEX funds from future years as this would not address the funding problem.

Development Commissioner Manuel Marin urged STABEX should be given the resources to fulfill its objectives.

It was incoherent for member states to oppose international commodity agreements but support STABEX.

"Member states were taking away with one hand what they were giving with another," he said.

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BC-BUDGET-COUNCIL

TROUBLE EXPECTED OVER SUPPLEMENTARY BUDGET

BRUSSELS, July 20 (Reuter) - The Commission proposal for a 1.8-billion-Ecu supplementary budget for 1993 is likely to run into problems at the Budget Council on Thursday as most countries argue they do not have any money.

Discussion at COREPER level on Tuesday showed there was no qualified majority to approve the increase in member states' contributions, a Council official and diplomats said.

"The Council may as well decide to delay a decision," one diplomat said.

The Commission's proposal, SEC/93/396, which was revised in June as SEC/93/886 to take into account the last devaluation of the peseta and the escudo, faces strong opposition mainly from Germany and to a lesser extent from Britain and Greece.

Germany argues it cannot pay its share of about 30 percent of the total and contests the Commission's estimates of the needs of the Community in the farm sector, another diplomat said.

Britain favours waiting until later in 1993 to get a better idea of farm expenditure.

Almost all of the 1.8 billion supplementary budget -- 1,447 million Ecus -- are needed to cover the cost of monetary realignments, the Council official said.

Farmers in strong currency countries like Germany are protected against competition arising from devaluations in other EC states by the so-called switchover mechanism which raises food and farm prices in the countries which depreciate their currencies.

But when it comes to cover the costs of the mechanism, strong currency countries suffer the most since contributions to the EC budget are calculated in Ecus as a proportion of gross domestic product.

If the value in Ecus of Germany's national income goes up because the mark is comparatively stronger, its contribution also rises.

The Commission's proposal is supported by Spain, Italy, Portugal and Ireland, diplomats said.

The remaining 350 million Ecus in the supplementary budget are to cover the Community's share in the creation of the European Investment Fund and new budget lines to increase nuclear safety in the former Eastern and Central European countries, the Council official said.

There are only two budget councils scheduled for the second half of 1993, the second being on November 15.

Ministers will also have a debate on the Commission's first draft of the overall 1994 budget of 70.2 billion Ecus.

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