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Economic Committee

PREPARATION OF A SUCCESSOR AGREEMENT TO THE INTERNATIONAL COCOA AGREEMENT, 1986

Proposal submitted by the consuming countries

Financing and prices

A. Financing

1. From the entry into force of the new Agreement, the available cash, the reimbursement of arrears according to the established repayment schedule and the sale of buffer stock cocoa up to 20.000 tonnes per year will ensure the financing of the economic mechanisms of the Agreement. Where a country is in arrears under the International Cocoa Agreement, 1980 and 1986, the reimbursable costs of withholding borne by that country may be deducted from the amount of its arrears.

2. If the financial situation appears likely to be insufficient to finance the mechanisms for the following six months, the Buffer Stock Manager shall so inform the Executive Director. The Executive Director will call for the Council to meet within 20 working days, if necessary in a special session, to examine and to decide on the application of an export levy to be applied by exporting members after reviewing the financial situation. The levy will enter into force on exports on condition that 75 per cent of the arrears due have been reimbursed.

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If it appears to the Buffer Stock Manager that the conditions in point (2) do not any more apply, he shall so inform the Executive Director. The Executive Director will call for the Council to meet within 20 working days, if necessary in a special session, to decide on the suspension of the levy.

If at any time 25 per cent or more of the levies due had not been received, the economic clauses of the Agreement would automatically be suspended. As soon as these levies have been received, the economic clauses of the Agreement will automatically be reintroduced.

3. The proposed financing system is based on the following hypotheses:

- (a) The monthly flat rate for reimbursement is established at 6 USD per tonne;
- (b) The maximum quantity for withholding is 350.000 tonnes for the duration of the Agreement with a ceiling of 200.000 tonnes during the first year; the withholdings will take place in instalments of 50.000 tonnes;
- (c) The Buffer Stock Manager shall not purchase any cocoa.

B. Prices (SDR's)

Upper intervention price	1.300
Median price	1.100
Lower intervention price	900.