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THE IMPACT OF WESTERN EUROPEAN INTEGRATION ON AFRICAN TRADE AND DEVELOPMENT

61-01454

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FOREWORD

The Secretariat of the Economic Commission for Africa is greatly indebted to various bodies for the help provided in the preparation of this report. The European Economic Community supplied factual information and statistical data requested and the Secretariat of GATT made available valuable references and comments. The E.C.A. has also drawn on assistance from other members of the United Nations family in particular the Secretariat of the Economic Commission for Europe. In spite of these contributions, the Secretariat of the E.C.A. assumes full responsability for the contents of the report.

The statistical data presented in the report serves mainly illustrative purposes. Numerous inconsistencies in African statistics also in the European sources used make if frequently impossible to regard these data as no more than indicators of orders of magnitude.

This report is based on material available up to October 1960 although efforts were made to insert last minute information on certain current problems. A supplementary information paper including material up to the end of 1960 may be submitted to the <u>ad hoc</u> committee on the effects of Economic groupings in Europe on African Economies, scheduled to meet at the end of January 1961.

EXPLANATORY NOTES

The designations employed and the presentation of the material in this Report do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country or territory or of its authorities, or concerning the delimitation of the frontiers of any country or territory.

The following symbols have been used throughout this Report:

... = not available or not pertinent;

– = nil or negligible;

* = estimate by the Secretariat of the Economic Commission for Africa.

In referring to combinations of years, the use of an oblique stroke - e.g. 1958/59 - signifies a twelve-month period (say from 1 July 1958 to 30 June 1959). The use of a hyphen - e.g. 1954-1958 - normally signifies either an average of, or a total for, the full period of calendar years covered (including the end years indicated).

Unless the contrary is stated, the standard unit of weight used throughout is the metric ton. The definition of "billion" used throughout is one thousand million. Minor discrepancies in totals and percentages are due to rounding.

Introduction

1) Under Resolution 7 (II) the Economic Commission for Africa at its second session requested the Executive Secretary to "study and appraise the effects of economic groupings in Europe on industrialization in Africa, intra-African trade and Africa's economic development in general and to recommend measures necessary to offset any prejudicial effects of such economic groupings (and) to convene in 1960... an ad hoc committee of representatives of members and associated members to examine the above studies prepared by the Executive Secretary on the impact referred to and to report back to the Commission".

2) This request followed consideration of the subject by the Commission at its second as well as its first session and examination of a study on the impact of the European Economic Community on African trade (E/CN.14/29) presented by the Executive Secretary to the second session. The present report is designed to inform the Commission of recent developments within the Western European groupings of concern to African countries, and to take the analysis given in the Executive Secretary's previous report a stage further in response to the above resolution.

3) It should be borne in mind that substantial improvements in the quantity and quality of African statistics would be required before any thorough and comprehensive study of the questions raised in resolution 7 (II) could be undertaken. There is, however, an even more important obstacle to a satisfactory evaluation of the impact of Western European integration programmes as they stand at the present time. The treaties, conventions and protocols establishing the European Economic Community and the European Free Trade Association constitute little more than a formal framework within which the actual policies to be pursued still remain to be worked out in many important fields, including some which are of capital importance for the questions considered in this report. Moreover, even where policy has been laid down in the basic instrument, considerable scope for interpretation and negotiation remains. There is also uncertainty about the future composition of the Western European

trade groupings, and particularly as regards the associate membership of the newly independent African countries included within the scope of the Treaty of Rome. Nor can the possibility be excluded of important changes resulting from efforts of the two present groupings to reach an accommodation with one another.

4) Given these important elements of uncertainty, the most that can be attempted at present is a very tentative indication of the consequences for Africa of the Western European integration programmes as they are currently envisaged, on the assumption that there will be no major changes in full or associate membership of the two groupings. It is suggested below that no immediate direct consequences of major importance for African countries appear likely as a result of the establishment of the European Free Trade Association as it is conceived at present. The present report is, therefore, focussed almost exclusively on the implications for African economies of the evolution of the European Economic Community following upon a review of recent developments of concern to African countries.

I. RECENT DEVELOPMENTS IN THE INTEGRATION OF WESTERN EUROPE

5) Previous United Nations and other reports have reviewed the main provisions of the Treaty of Rome, which established the European Economic Community (EEC), and of the Stockholm Convention, which is the basic instrument of the European Free Trade Association (EFTA)[1]. The following discussion therefore concentrates on recent developments in the actual implementation of the Treaty of Rome as it affects African countries. It also indicates the reasons why EFTA does not, for the time being, appear to have any significant direct implications for African countries.

Progress of the European Economic Community

6) Recent developments within the EEC may be divided, for convenience, into two main groups: developments relating directly to the special ties established under the Treaty of Rome with certain associated African countries; and developments of broader scope which nevertheless have significant implications for African countries.

7) The principal developments affecting the special ties with associated African countries include the following:

A. The gaining of independence by most of these countries.
B. Negotiations with Tunisia.
C. EEC efforts to elaborate a common agricultural policy.
D. Developments affecting establishment rights.
E. Changes in tariffs and quotas.
F. Financial aid operations

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[1] See, for instance, the report submitted to the Economic Commission for Africa, early this year on the impact of the EEC on African trade (E/CN.14/29), Economic Bulletin for Europe, Vol.11, No.2, part 4, and Vol.12, No.2, pp. 22-25, Economic Commission for Europe, GATT annual reports and special papers including, in particular, the Report of the Working Party on the Association of Overseas Territories with the European Economic Community, Geneva 1958 as well as the three annual reports on the activity of the EEC, the Bulletin de la Communauté économique européenne, published by the EEC, Revue de Marché Commun, Editions techniques et économiques, Paris, Economic Bulletin for Latin America, Vol. III, No.1, pp.9-50.

8) The most important developments of a general character of concern to African countries include the following:

G. The agreement on a common external tariff for "List G" commodities.

H. The decision to accelerate the application of provisions for adjustment of tariff and quantitative restrictions.

I. Negotiations with Greece and Turkey.

The significance of these various developments is considered below.

A. African Associate Membership and Independence

9) It seems clear that the Implementing Convention of the Treaty of Rome was not drawn up to deal with a situation - such as it exists at present or will exist in the near future - in which the associated African countries would have acquired autonomy in their political and economic policies. The African countries derived their membership from their special ties with the metropolitan powers.

10) On the other hand, there is no provision in any of the Treaty documents whereby the associate membership of dependent territories would cease when they gain independence[1]. The position taken by the EEC authorities was that newly independent countries remain associated with the EEC as long as they have not explicitly announced their desire to discontinue such association. No decision of this type had been announced by any of the newly independent African states up to

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1/ If this had been the intention of the Treaty, the inclusion of the Trust territories of the Cameroons and Togo among the associated countries and territories would have had little meaning, since it was known at the time the Treaty was signed that the particular relations those countries had with France would cease to exist in 1960. In another case - that of the Italian Trust Territory in Somaliland - it was recognized that the particular links with Italy would be discontinued in December 1960; and the authorities then in charge in the country were given the opportunity through a "declaration of intention" to <u>ratify</u> association of the country with the EEC, implying that association could be maintained after independence had been acquired.

December 1960[1]. Some of them have been reported as anxious to see the EEC propose revisions in the Treaty and Convention to take account of the changed political situation[2]. After consultations with the governments of the newly independent countries, the EEC authorities have apparently decided against any such revisions for the time being.

11) At its meeting of 18th-19th October 1960, the Council of Ministers discussed the problems relating to the associated membership of African territories and countries having attained independence. The Ministers reached agreement on the two following points: (i) Member States agree to maintain, for the time being and until such time as new provisions are made, the association of countries and territories which so desire. Formal requests to that effect have been addressed to the Community by the following countries: the Republic of Togo, the Republic of the Ivory Coast, the Central African Republic, the Republic of Congo (formerly French), the Republic of Gabon, the Malagasy Republic, the Republic of Chad and the Republic of the High Volta: (ii) the Council recognizes that practical arrangements for the relations between the Community and countries and territories having attained independence should be established. Such arrangements should, in particular, relate to the submission of investment projects, the establishment of representatives at the Community and the organization of meetings in which such representatives will participate and which will also be attended by the

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1/ The Cameroons Government informed the EEC in January 1960 that it wished to remain associated under Part IV of the Treaty pending other arrangements. As regards Guinea, EEC authorities reported early 1960 that they were studying forms of collaboration with that country. See Journal officiel des Communautés Européennes, 29th February, 1960, p. 507.

2/ Action of the EEC on these matters was supported in particular by M. Ramizason, representative of the Republic of Madagascar in the EEC Assembly, but was officially rejected by the EEC Commission as being too slow and cumbersome a solution. See Journal Official des Dommunautés Européennes, 11th May, 1960, 770/60.

representatives of the Commission and of the Council of Ministers.

12) It should be noted that the Implementing Convention of the Treaty of Rome has little more than another two years to run. There will therefore be opportunities for introducing changes into the present arrangements when the new Convention comes up for negotiation before and during 1962.

B. <u>Negotiations with Tunisia.</u>

13) The terms of association contemplated in EEC's recent negotiations with Tunisia may well throw light on the position of the newly independent associate members after the expiration of the present Implementing Convention. Little is known, however, about these negotiations, which had in any case apparently not reached an advanced stage when they were interrupted early in 1960. It will be recalled that a "declaration of intention" was issued by the Six in 1957 announcing their readiness to consider some form of association for Tunisia as well as for Morocco and Libya. The singling out of these countries from third countries in general, for which possibilities of association are envisaged in Article 238 of the Treaty, was not, apparently meant to imply obligations of any kind either on the part of the EEC or of the three countries concerned. The purpose of the declaration was merely to make known the favourable disposition of the EEC towards negotiations for the association of these three countries.

14) It is, of course, impossible to determine in detail how these countries might be affected by association with the EEC as long as nothing is known about the conditions on which such association would take place. As far as their position as exporters is concerned, it may be worth bearing in mind that both Tunisia and Morocco enjoy at present preferential tariff treatment for their exports to France. Practically the total of such exports are within the limits set by quotas fixed for the individual

commodities entered duty free or are subject to suspended duties[1]. Even if Tunisia and Morocco were to remain outside the EEC, France would be under no obligation to undertake any changes in her tariff policy towards these countries. According to a special protocol annexed to the Rome Treaty, the customs treatment applicable on 1st January 1958 to imports into France of goods originating in and coming from Tunisia and Morocco and to imports into Italy of goods originating in and coming from Libya need not be amended. Any change in the position of Moroccan and Tunisian exports in the French market may therefore come about largely through the special arrangements to be established in connection with a common agricultural policy.

15) Adjustments in tariff policy required under the Treaty to eliminate discrimination among the Six would concern Tunisia only. No tariff preferences are granted to French products in Morocco, but Tunisia accords duty free entry or preferential tariff treatment to the bulk of imports from France[2].

C. The problem of a Common Agricultural Policy

16) The intention of the EEC countries to speed up the establishment of a common market for industrial products, which will be discussed below, contrasts markedly with the limited progress made so far in implementing the Treaty provisions for a common agricultural policy. Two proposals have been recently (December 1959 and June 1960) submitted to the EEC Council by the EEC Commission, which is charged under Article 43 of the Treaty with preparing proposals concerning the working out and putting into effect of the common agricultural policy. These documents

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1/ In the case of Morocco, it has been suggested that these preferences are important only for a few selected commodities namely fish, sardines, fresh vegetables, citrus fruit, olive oil, hides and skins, conserves, wine and carpets. See Mohamed Lahbedi, Maroc et Marché Commun, Economie Contemporaine, 16th June, 1959.

2/ Most agricultural commodities and capital equipment are exempt from duties while finished consumers goods enjoy preferences. For details see Journal Officiel de la République Française, 1st October, 1959.

contain valuable information on the methods contemplated for implementing this policy and the modifications to be made in existing national policies, but do not include sufficient detail on the level of protection envisaged to permit an assessment of the probable impact on import patterns[1]. Moreover, they do not go into the question of the treatment of African producers or exporters beyond general statements stressing "the need to introduce measures permitting a harmonious development of trade between member states and associated countries", etc.[2] As far as fats and oils and tobacco are concerned - fields in which EEC agricultural policy may affect the interests of African tropical producers - no proposals have as yet been elaborated.

17) In its memorandum early in 1960 proposing a speeding up of the implementation of the Rome Treaty, the Commission pointed to the need for corresponding action in the field of agriculture in order to preserve the balance of the Treaty. A specific time-table for consideration of the common agricultural policy was agreed upon which was intended to bring some progress by the end of 1960.

1/ In the more recent paper the Commission has proposed that all imports of cereals, dairy products, and sugar, into the Community should be subject to variable import levies in place of customs duties. These levies would have the effect of raising the prices of the imported products to the domestic target price levels. The effectiveness of the levies on cereals, dairy products, and sugar would be ensured by a system of import licences which would be granted on the basis of quantities required. For pigmeat, poultry and eggs, a system of variable import levies would also be instituted. These levies would be based on the differences of prices for imported and domestic feeding grains. In the case of pigmeat, poultry and eggs the levies would not entirely replace customs duties; small rates of duties are envisaged for these products. Fruits, vegetables, and wine, would be subject to common rules of competition with the external tariff as the only means of protection. It may be of interest to note, that production in the EEC area, including the French overseas departments more than exceeds consumption for sugar and wine, while in wheat and coarse grains it falls short of the latter by some 5 to 10 per cent and 20 per cent respectively.

2/ See Propositions concernant l'élaboration et la mise en oeuvre de la politique agricole commune en vertu de l'Article 43 du traité instituant la Communauté Economique Européenne, CEE, Bruxelles, 30th June 1960.

The first steps towards harmonizing agricultural legislation in the member countries, especially in relation to plant and animal health regulations were to be taken by that time.

18) Concrete proposals have now been submitted by the Commission to the Council of Ministers under which there will be a first move towards narrowing the price-spreads for wheat and coarse grains within the European Economic Community. For the 1961/62 crop year, the Commission proposes specific increases and decreases; these are changes of less than 3 per cent of existing prices. The Commission also proposes specific increases and decreases for sugar. A first move toward price adjustment for sugar within the Six is also proposed to take place in 1961/62.

19) Special consideration has been given by the EEC to policies affecting tropical products. A meeting of experts was called in Brussels in June 1959 to study the marketing of tropical products, and to consider proposals made by the French Government concerning co-ordination of French and Belgian stabilization funds for tropical products and the establishment of long-term contracts benefiting associated overseas producers. A second meeting has taken place in April 1960. Some of the member governments of EEC seem to be in favour of stabilization measures for tropical products on an international rather than on an EEC scale[1/]. It is thought highly unlikely that anything like a comprehensive policy including all the more important tropical crops can realistically be expected, or that such a policy will in fact be extended to more than one crop, namely ground-nuts, which is extremely important to some of the associated countries and for which the Treaty of Rome does not provide preferential tariff treatment.

1/ It will be noted that whereas there are specific provisions in the Treaty documents relating to financial aid and preferential tariff treatment for the associated countries, there are no provisions stating explicitly that these countries will benefit from special agricultural arrangements.

D. Establishment rights[1]

20) The position is also far from clear in respect of the provisions on establishment rights. Little more is, in fact, known at present than three years ago when the Treaty was signed about what is contemplated by way of extension of establishment rights to associated African countries. From the formal provisions of the Treaty and the Implementing Convention, it seems clear that associated overseas countries are to eliminate progressively existing restrictions on the freedom of establishment of nationals and companies of the six member states. It is worth noting that whereas up to four years are allowed under Article 54 of the Treaty for laying down the general programme for the abolition of restrictions in EEC countries on freedom of establishment, the Council is charged under Article 8 of the Implementing Convention with determining the particulars of the extension of such rights to the Six in the associated overseas territories in the course of the first year. The urgency attached to the provisions on abolition of restrictions in associated countries contrasts with the absence of any provisions whether in the Treaty or in the Implementing Convention for the extension of reciprocal benefits to the associated countries[2].

21) Directives for the extension of establishment rights by associated countries were laid down by the EEC Commission late in 1958[3]. When considering these directives the EEC Economic and Social Committee

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[1] According to Article 52 of the Treaty, such establishment rights include "the right to engage and carry on non-wage earning activities, and also to set up and manage enterprises and, in particular, companies... under the conditions laid down by the law of the country of establishment for its own nations...".

[2] For an interpretation of the relevant provision see Claude Lussen, Docteur en droit, Avocat à la Cour de Paris, "Le Droit d'établissement des ressortissants et Sociétés d'Outre-mer dans la Communauté économique européenne", <u>Revue du Marché Commun</u>, May 1959.

[3] The details of the arrangements contemplated do not as yet appear to have been worked out, since the Commission was recently reported to be examining problems relating in particular to the conditions of entry, stay and expulsion of nationals and companies of the member states in countries and territories having special relations with France. See <u>Troisième Rapport général sur l'activité de la Communauté</u>, May 1960, Chap. V, para. 332.

and the interested member states in consultation with the central and local authorities of the associated countries expressed a desire for the elaboration of directives for the extension of establishment rights by EEC member countries to nationals and companies of associated countries and territories. The Commission declared that it has taken account of this in the last paragraph of the preamble to the directives proper[1].

E. Changes in Tariffs and Quotas

22) In contrast to the vagueness of provisions on policies for tropical products and on establishment rights, the treaty provisions dealing with tariffs and quotas are like those relating to the Development Fund relatively clear and leave little room for differences in interpretation. However, they suffer from the fact that they were conceived in view of a passive association of overseas territories and do not take into account the changes in their political status.

23) The basic rule in respect of both tariffs and quota restrictions (article 132.2) requires that each associated country shall "apply to its commercial exchanges with member states and with the other (associated) countries and territories the same rules which are applied in respect of the European state with which it has special relations".

24) As far as custom tariffs are concerned, the provisions implementing this principle are included in the treaty itself whereas those referring to quantitative restrictions are only considered in the Implementing Convention. This distinction may be of relevance when it comes to the re-negotiation of the Convention.

25) Article 133.2 stipulates the abolition of duties on imports from the other EEC member countries according to the same rhythm and modalities as between member countries. This provision is, however, accompanied in the next paragraph by two qualifications:

(1) Associated overseas countries have the right to levy custom duties designed to promote their economic and industrial development and they may also levy duties of a fiscal nature.

1/ Op. cit. Chap. V, para. 332.

(2) The reduction of duties envisaged applies in principle to the difference existing between the duty applicable to products imported from the member state with which the associated country has special relations and the duty applied to other member states. This qualification also implies (and this is explicitely stated in the next article), that non-discriminatory tariffs remain unchanged.

26) It appears therefore that in fact the treaty does not call for complete dismantling of tariffs on associated countries imports from the Six. The importance of the obligations accepted on behalf of the associated countries and territories by the former metropolitan country depends largely on the status enjoyed by the latter on their markets. In practice, development requirements and financial needs of the associated countries and territories are also taken into account.

27) It is only in the case of former French West Africa that existing régimes of associated countries involve tariff discrimination between EEC member countries[1]. Imports from France are entered duty free whereas those from the other member countries are subject to a customs duty which ranges from 5 to 10 per cent for engineering goods, with the notable exception of automobiles and automobile parts where the tariff is of the order of 20-25 per cent. In textiles and clothing as well substantial preferences (15-20 per cent) are accorded to France. On other products the customs duties applied in these areas are generally

[1] Discrimination in favour of France is more important in the case of Algeria which, together with the other French overseas departments (such as Reunion), constitutes one uniform customs territory with metropolitan France and applies the full metropolitan French tariff which is on the whole substantially higher than those applied in countries of former French West Africa. Only a few selected products such as coffee, tobacco, matches and petroleum carry somewhat lower duties in Algeria than in Metropolitan France. Discrimiration in favour of France is reinforced by the "monopoly of the flag", whereby all Algerian imports and exports have been carried in French ships. A similar system has been existing also for shipping to and from Madagascar. The Rome Treaty makes no reference to any dismantling of this system.

low - on the average some 5 per cent[1].

28) The remaining associated African countries and territories having special relations with France apply non-discriminatory customs tariffs or no customs tariffs and the question of discrimination among the Six in this field therefore does not arise[2]. In some of the areas, (including Former French West Africa), duties exist which are formally fiscal but are closely similar in nature to customs tariffs by virtue of the manner in which they are applied in practice. Since such duties are in any case not discriminatory among the EEC member states, the associated countries are under no obligation by the Treaty to undertake adjustments in them. Finally, the Congo (formerly Belgian) and Ruanda Urundi apply a customs tariff which is completely non-discriminatory.

29) All the associated African countries affected by the Treaty provisions relating to customs tariffs proceeded with the 10 per cent reduction in January 1959 without resorting to the special provisions concerning development needs, and agreement has been reached between the EEC authorities and the associated countries and territories for a further 10 per cent reduction in July 1960, again without exception[3].

30) The customs tariff provisions of the Treaty therefore affect only a few of the associated African countries, which have accounted for no more than about one third of total EEC exports to these areas in recent years. The position is strikingly different in respect of the provisions on quantitative restrictions. Except in the Congo (formerly Belgian) and Ruanda Urundi, quantitative restrictions are extensively applied in

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1/ L'Usine Nouvelle, 16th June 1960.

2/ Discrimination is precluded by special international obligations: trusteeship conventions in the case of Togo and the Cameroons, the Congo Basin Treaty in the case of the four countries of former French Equatorial Africa. (This Treaty formally concerns only part of this area, but in practice, France has extended it to the whole of French equatorial Africa). The Malagasy tariff duty which was suspended during the last war has not since been re-introduced and in the case of the French Somali Coast tariffs have not been applied by unilateral French decision.

3/ According to information available at the time of writing, it would seem that all countries have actually implemented the reduction, except Guinea.

associated African countries. Those in former French West Africa are in fact the only ones among the associated areas having special relations with Franch to have undertaken any liberalization of imports from sources other than the Franc zone[1].

31) In respect of quotas, the Implementing Convention sets three rules for the associated countries; according to the first rule (which is the same as for the member states), the existing bi-lateral quotas have to be transformed into global quotas opened to all member states and have to be increased each year by 20% on the average; according to the second rule, also applicable to member states, if the global quantity does not reach 3% of the national production, such a quota has to be established by the end of the first year of the existence of the treaty and increased to 4 and 5% after the second and third years respectively. After that the quota should be increased by 15% yearly. Since, however, the associated countries do not have a national production for a great number of commodities, the convention has established for them a third rule according to which the quotas for each product have to reach in the first year at least 7% of total imports and have to be increased subsequently by 20% annually. When implementing the provisions of the treaty, the authorities of the French Community have found it difficult to apply the rule referring to national production and limited themselves to the rule of total imports, also in cases when national production is significant. All in all, the increase in import quotas introduced in January 1959 in the countries having special links with France involved an expansion in export opportunities for EEC member countries other than France from 34 to 46 million dollars which was raised to 56 million dollars when the second

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1/ According to information received from the Ministère des finances et des Affaires économiques, Paris, the commodities included in the free import lists established in former French West Africa in 1950 accounted for one-third of total imports from sources other than France in 1957 and more than one half of imports from the OEEC area excluding France. Similar measures were extended in October 1959 to commodities which in 1957 accounted for another 15 per cent of imports from OEEC countries other than France.

round of quota enlargement was undertaken in January 1960[1].

32) Whatever the exact degree of compliance with the Treaty provisions achieved so far by the associated countries and territories, it appears that in the long run substantial scope for additional exports will open up for the five EEC countries other than France in these areas if these provisions are fully implemented. The shift at the expense of French exports could be considerable, although less marked than with price relationships as they existed prior to the French devaluation in 1958. To the extent that they would involve reduction in import costs, such shifts may be welcomed by African importers. Whether these measures are likely to hamper African efforts to industrialize is a matter which will be considered below.

33) While associated countries are clearly authorized to maintain tariffs on imports from the Six in the interests of their economic development, no similarly specific authorization is given for quantitative restrictions. However, there are also no provisions in the Treaty documents that explicitly forbid the associated countries to apply quantitative restrictions on their imports from EEC countries. It may have been considered unlikely that the associated countries would resort to such restrictions so long as their commercial policies were under the direction of the metropolitan countries.

34) Again, there is no provision in the Treaty documents precluding the associated countries from discriminating against the Six and in favour of third countries. Such discrimination was, however, ruled out for other reasons. In the case of the French territories which applied customs duties on imports from countries other than France, the obligation not to discriminate <u>among</u> the Six meant that extension of tariff free treatment to the other EEC members, and thus indirectly safeguarded them against discrimination in favour of third countries.

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[1] <u>Troisième rapport général sur l'activité de la Communauté</u>, Brussels, May 1960, Chap. V. para. 322.

Special international obligations had the same effect in the other French territories as well as in the Belgian dependencies. Clearly, however, all this is subject to change with the transition of the associated countries to independence.

F. Financial Aid Operations

35) The implementing Convention determines the contributions to be made by each of the member states for aid to the associated countries, as well as the manner in which the funds are to be distributed and the timing for payment of grants. The way in which the 581 million dollars to be granted to the associated areas in the period 1958-62 is to be shared by them differs considerably from the recent pattern of external public investment (largely by the present or former metropolitan country). It can be seen from the data below that the grants are to be heavily concentrated in countries and territories having special links with France. The average annual contribution to be made by the Development Fund to these areas amounts to nearly one-half of the average annual inflow of public foreign capital during the post-war period, whereas the corresponding proportion is no higher than 15 per cent for the Congo and Ruanda-Urundi.

(millions of EPU accounting units[b])

Associated countries and territories having special ties with:	Total gross investment in post-war years[a], annual averages: Public – Foreign	Public – Local	Private	Total	Development Fund grants, annual averages for period 1958-1962
France	215	89	271	575	102
Belgium	45	68	187	300	6
Italy	2	-	1.7	3.7	1
Netherlands	5.8	-	..	5.8	7
Total	267.8	157	459.7	884.5	116

Source: La Communauté économique européenne et l'investissement dans les pays associés. J. Nodrasi, Revue du Marché commun, June 1959.

[a] For areas related to France: 1946-57; to Belgium: 1950-56; to Italy 1954-60; to the Netherlands: 1953-58.

[b] Equivalent to United States dollars.

36) The geographical pattern established in the Implementing Convention (Annex B) for the disbursement of Development Fund grants is, however, not as yet closely reflected in the projects accepted by the Commission or approved by the Council. As of the end of June 1960, and in terms of authorizations to contract payments, more than 15 per cent of these projects were accounted for by the Congo and Ruanda-Urundi (See Table 1) as against some 5 per cent agreed upon for the years 1958 and 1959 in the Implementing Convention.

37) Nor have the original plans been closely adhered to as far as the total of operations under the Development Fund is concerned: less than one-half of the grants originally planned for 1958 and 1959 had, in fact, been authorized by mid-1960. The difficulties experienced by associated countries in preparing promptly suitable projects, elaborated in the detail required and properly integrated into coherent development programmes, are reported as the main factor making for delay in operations during the early stages. More recently, it has been possible to speed up activity in this field to a considerable extent[1/] and modifications in procedural arrangements are contemplated by the EEC Commission with a view to securing more prompt action in the future.

38) The decision taken in July 1959 to increase the share of funds authorized for economic projects from the one-third fixed in November 1958 to 70-75 per cent has resulted in greater priority being given to this type of investment in recent authorizations. Fully four-fifths of authorizations granted during the period February-June 1960 relate to projects considered as economic. It can be seen from the data below[2] (Table 2) that infrastructure predominates heavily in the projects authorized so far. This is reported to be mainly in consequence of the tendency for associated countries to concentrate on this type of

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1/ More than one-third of the total authorizations granted by the end of June 1960 were granted in the five-month period February-June 1960.

2/ Table 2 includes also associated countries and territories outside Africa and is therefore not strictly comparable with Table 1.

Table 1

The European Development Fund

Projects approved in African countries and territories as of 30 June 1960

(Thousand EPU accounting units)[a]

	Projects approved by the EEC Council or accepted by the EEC Commission			Projects approved by the permanent Commitee	
	Authorizations[b]			Authorizations[b]	
	Social Projects	Economic projects	Payments effected	Social projects	Economic projects
Congo (Léopoldville)	2,054	7,330	161	-	-
Ruanda-Urundi	830	1,056	18	374	-
Cameroons	331	4,457	8	-	-
Central African Republic	531	179	-	-	-
Comoros	81	-	1	-	-
Congo (Brazzaville)	457	5,752	-	-	-
Ivory Coast	2,886	600	-	-	-
Somali Coast	741	-	2	-	-
Dahomey	990	-	1	87	-
Gabon	1,018	-	3	-	4,052
Upper Volta	1,625	665	-	-	-
Madagascar	1,257	10,248	1,258	-	1,950
Mauretania	1,793	154	-	396	-
Niger	2,781	4,509	11		
Senegal and Mali	461	5,064		4,680	9,531
Tchad	3,226	2,977	3	1,864	
Togo	201	459	2	-	1,500
Somalia (former Italian Somaliland)	1,950	-	4	-	-
Total for African countries and Territories	23,213	43,250	1,470	7,401	17,033

Source: The European Economic Community, direct communication.

a Equivalent to United States dollars.

b The data show total cost of projects excluding administrative expenses.

Table 2

The European Development Fund

Projects approved as of 30 June 1960 by the

Council or the Permanent Committee

by type of project

(Million EPU accounting units)[a]

	Approved		Total	Number of Projects
	by the Council	by the Permanent Committee		
Education	8.9	0.4	9.3	18
Helath	7.8	6.6	14.4	28
Hydro-electricity	10.6	-	10.6	8
Town planning	3.6	-	3.6	6
Miscellaneous studies	6.0	0.4	6.4	5
Transport and communications	26.0	16.1	42.1	26
Agriculture	11.5	0.7	12.2	12
Other	0.1	0.2	0.3	2
Total	74.5	24.4	98.9	105

Source: The European Economic Community, direct communication.

NOTE.- The data show total cost of projects excluding administrative expenses.

a Equivalent to United States dollars.

investment in the projects they present to the Development Fund, a tendency which is quite understandable in view of the rules of the Fund which stipulate that economic projects should be of general interest and directly linked to the execution of development programmes. Directly productive investment is normally financed through metropolitan sources and the EEC Fund is intended chiefly to complement such investment. The Fund authorities apparently maintain, however, that there is no objection in principle on their part to schemes involving directly productive investment, provided that the presentation of the project fulfils the necessary requirements.

G. Agreement on "List G" tariffs[1/]

39) The negotiations among the Six regarding the common external tariffs to be applied to imports of commodities contained in List "G" of the Rome Treaty ended in March 1960 and brought agreement in respect of all the commodities listed other than petroleum and petroleum products. The arithmetic average of the agreed tariffs amounts to 10 per cent as against an arithmetic average of 11 per cent for the national EEC tariffs relating to these commodities in January 1959. For the commodities of most direct interest to African producers - namely, vegetable oils, tropical woods, cocoa products and metals - the external tariff tends, metals apart, to exceed somewhat the arithmetic average of national tariffs effectively applied. Of the seventeen protocols established in the agreement, authorizing the EEC Commission to allow quotas for imports from third countries at reduced or zero tariff duties,

1/ List G is one of the seven lists given in Annex I of the Treaty of Rome and refers to tariff headings in respect of which duties under the common customs tariff were negotiated between the member states. Of the six other lists of products (Lists A-F) List F refers to tariff headings in respect of which duties under the common customs tariff were fixed, generally as an arithmetic average of national duties, at the time of the signing of the Rome Treaty while List A refers to tariff headings for which a special rate of duty was taken into account for France for the purpose of calculating the arithmetic average. Lists B, C, D and E enumerate tariff headings in respect of which it was decided that the common customs tariff would not exceed 3 per cent, 10 per cent, 15 per cent and 25 per cent respectively.

seven relate to products of some importance for African countries (tropical wood, cork, aluminium, magnesium, lead, zinc and ferro alloys). These quotas are officially to be considered as temporary measures designed to facilitate adjustments during the transitional period and are to be periodically reviewed by the EEC Commission.

H. The accelerated implementation of certain Treaty provisions

40) A decision to accelerate the implementation of the Treaty provisions concerning the progressive abolition of internal tariffs and quantitative restrictions and the gradual establishment of the common external tariff was adopted in May 1960 by the EEC Council. This decision introduced the following changes into the original Treaty provisions:

i) Reduction of customs duties applied to imports from EEC members and associated countries and territories:

41) The three stages of reduction foreseen in the Treaty of Rome (i.e. by 10 per cent on 1st January 1959, 1st July 1960 and 31st December 1961) were to result, by 31st December 1961, in a 30 per cent cut in the tariffs applied on 1st January, 1957. Those arrangements have now been replaced by a time schedule designed to achieve a reduction of 50 per cent in the course of this period. This reduction is to take place through an additional cut of 10 per cent on 31st December, 1960, while the third round of reductions scheduled for 31st December 1961 may involve a cut of 20 per cent instead of the originally planned 10 per cent provided that the EEC Council gives its approval before 30th June 1961.

42) While the Treaty of Rome itself makes no distinction between agricultural and non-agricultural commodities as far as the timing of tariff reductions is concerned, the Decision of 12th May 1960 provides for only a 5 per cent cut in internal tariffs on non-liberalized[1]

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[1] The terms "non-liberalized" and "liberalized" here relate to the long-standing programme for the reduction or elimination of quantitative restrictions among all Member countries of the Organization for European Economic Co-operation (OEEC).

agricultural commodities on 31st December 1960 compared with the 10 per cent for industrial commodities. As far as liberalized[1] agricultural products are concerned, the Member States have confirmed that no supplementary tariff cut should be carried out and that the internal tariff treatment of such products should be that provided for in the original provisions of the Rome Treaty[2].

43) Agricultural commodities as listed in Annex II of the Treaty include a number of tropical products[3]. These products are generally liberalized in most EEC countries and are therefore not affected by the acceleration in the reduction of internal tariffs. The major exception is France where liberalization was not extended to tropical products (other than cocoa beans). Imports into France of such products from the Congo and Ruanda Urundi and from Somalia would benefit from the additional 5 per cent tariff cut. In addition, in some other EEC countries oilseed and vegetable oil imports are not liberalized and would be also subject to the acceleration. In any case, the benefit of this measure for associated countries is very small because of the maintenance of quantitative restrictions.

44) Whereas in the case of the tariff reductions undertaken on 1st January 1959 the EEC Council decided that the Six Member states would provisionally extend such reductions to third countries enjoying most-favoured-nation treatment[4] the decision of May 1960 provides that

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[1] The terms "non-liberalized" and "liberalized" here relate to the long-standing programme for the reduction or elimination of quantitative restrictions among all Member countries of the Organization for European Economic Co-operation (OEEC).

[2] This interpretation has been given by the Commission of the EEC in reply to a parliamentary question by Mr. Vredeling.

[3] The only conspicuous exception is tropical wood, not considered as an agricultural product by the Rome Treaty.

[4] To the extent that they did not result in tariffs lower than those contained in the common external tariff provisional extensions to countries enjoying most-favoured-nation treatment were made in full for industrial commodities and to "a very large extent" for agricultural commodities (<u>Troisième rapport général sur l'activité de la Communauté</u>, May 1960, Chap. V, para. 315.

the member states shall be entitled to extend the national reductions to third countries, within the limits of the common external tariff and with respect to industrial as well as non-liberalized agricultural commodities[1]. This concession for non-liberalized agricultural commodities is for the present of limited practical importance given the fact that these imports are in any case controlled through quotas.

ii) Tariffs applied to imports from third countries:

45) The Rome Treaty provides that the national tariffs of the Member States shall be progressively adjusted to the level of the Common External Tariff if the difference between the national duty rates as applied on 1st January 1957 and the corresponding rates of the Common Tariff exceeds 15 per cent. This approximation is to be carried out through a 30 per cent reduction, on 31st December 1961, in the difference between the national tariffs applied on 1st January 1957 and the Common Tariff, followed by a second cut of 30 per cent on 31st December 1965, and full adoption of the Common Tariff by the end of the transitional period on 31st December 1969. No progressive approximation will be made for those national duty rates the 1st January 1957 level of which does not differ by more than 15 per cent from the rate provided for in the Common Tariff. For such items the Common Tariff rate will be put into force when the first step towards the establishment of the Common Tariff is made.

46) According to the decision of May 1960, these calculations are to be based on the rates of the common external tariff reduced by 20 per cent. It was also decided that the first step towards the establishment of the common tariff will be advanced by at least one year and is to take place no later than 31st December 1960. The approximation to the common external tariff will be made on the basis of the common external tariff reduced by 20 per cent, providing that the duties to be applied are not thereby reduced to a level below that shown in the common external tariff. A member state may request that the approximation shall be effected on the basis of the full common external tariff for the particularly sensitive

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[1] So far (October 1960) the Benelux countries are the only ones to have availed themselves of this possibility which affects 111 items of the Benelux tariff.

commodities of List G. The decision to reduce the common external tariff is a provisional one and it is only after the 1960-61 GATT negotiations that the size of the reduction will be decided upon in the light of concessions obtained from other GATT countries.

47) The accelerated transition to the common external tariff will not apply to agricultural commodities whether liberalized or not. The decision to exclude agricultural commodities again applies to all those listed in Annex II of the Treaty, including those tropical commodities there listed.

iii) Elimination of quantitative import restrictions:

48) Here again a distinction is made between agricultural and industrial commodities. For the latter only, complete suppression of all quantitative restrictions by the six EEC countries on imports from one another and from the associated countries and - on conditions of reciprocity - on trade with third countries will be undertaken with the shortest possible delay and in any case not later than the end of 1961. This procedure compares with the considerably slower one provided for in Article 33 of the Treaty according to which global quotas were to be increased by 20 per cent annually as from the year of entry into force of the Treaty. In the case of commodities for which quotas were negligible or non-existent, a quota equivalent to 3 per cent of national output of the State concerned was to be established in 1959 and increased to 4 and 5 per cent in 1960 and 1961 respectively and by 15 per cent annually thereafter, so as to attain at least one fifth of national output by the end of the tenth year. For agricultural commodities, for which it has been difficult to secure implementation of the Treaty provisions from the very start[1], those provisions have been retained with only minor modifications: first, quotas slightly bigger than those envisaged in the Treaty are to be established in the case of

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[1] The Federal Republic of Germany, in particular, has not been applying to certain agricultural products the quota changes required by the Treaty, maintaining that a common agricultural policy has to be adopted before existing controls can be dismantled.

commodities for which existing quotas are negligible; secondly, quotas for other agricultural imports are to correspond to the level of imports actually effected in the years 1955-57 augmented by 10 per cent in each of the years 1959, 1960 and 1961.

iv) Economic development of associated overseas countries and territories:

49) The decision on acceleration makes no particular reference to the position of the associated countries and territories. However, the accelerated implementation of the Rome Treaty is apparently intended to apply to the six member countries only while the implementation of the customs union provisions of the Treaty by the associated countries and territories will be undertaken in conformity with the procedure foreseen in the original Treaty documents. As concerns the position of associated African countries as exporters it is of interest to note that the "Declaration of intention concerning internal acceleration" which was annexed to the decision of 12th May 1960 contains the following statement:

> 'The Council attaches particular importance to the economic development of the associated overseas countries and territories and will ensure that the measures necessary to enable these countries to draw the fullest benefit from their association will be taken'.

50) So far no official communication has been published on the proposals to be made by the Council in this respect. Unofficial sources, however, report that the Commission of the Community has submitted to the Council certain propositions for implementing the 'Declaration of Intention' referred to above. It is assumed that these propositions will be discussed by the Council of Ministers at its meeting on 15th November 1960. According to these sources the Commission is proposing that the Decision of Acceleration should also be applied to the relations between the Member States and the associated overseas countries and territories. In order to increase the preference enjoyed by the overseas countries and territories the

Commission suggests that Member States should reduce their customs duties on tropical products originating in such territories by a further cut of 30 per cent on 1st January 1961 so that the duties applied on the date will be half of those applied on 1st January 1957. This measure would, however, not be accompanied by any acceleration in the implementation of the common external tariff on tropical agricultural products.

I. Negotiations with Greece and Turkey

51) It is not yet possible to report much of interest to African countries on negotiations for the association of Greece and Turkey with the EEC. Greece approached the EEC officially with a view to association in June 1959 and negotiations began in March 1960. The conditions of association contemplated have as yet (September 1960) not been made public. Agreement has still, apparently, to be reached on the amount of EEC financial aid to Greece as well as on the manner in which tariff duties levied by the Six on Greek tobacco are to be gradually dismantled. Negotiations with Turkey were initiated by the EEC Commission in May 1960, following exploratory consultations. These negotiations are apparently less advanced than those with Greece which are expected to result in the signing of a convention of association by the end of 1960[1].

Implications of the European Free Trade Association

52) The establishment of the European Free Trade Association as presently envisaged does not appear to have any immediate direct consequences of major importance for African trade. In contrast to the Rome Treaty, the Stockholm Convention instituting EFTA provides for no association of African or other overseas countries or territories and no preferential treatment in the field of tariffs, investment or marketing arrangements in respect of any such area, over and above that which already exists. Secondly, the Stockholm Convention calls for

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[1] Le Monde, 8th September 1960.

no changes in tariffs borne by African countries or any other third countries in the markets of the seven member states. Thirdly, trade barriers within EFTA are to be abolished only for industrial goods. Some special agreements apart[1], the only obligation undertaken by the EFTA countries in the agricultural field is consultation with one another on the ways and means by which trade in agricultural products can be expanded.

53) While the direct and immediate impact of EFTA upon African countries is therefore likely to be small, there is no doubt that some adverse consequences may ensue indirectly and in the longer term. The fear has been expressed in GATT that the establishment of EFTA might lead to an extension of the area of effectiveness of the preferences prevailing within the British Commonwealth and between Portugal and its overseas territories. The members of EFTA considered that any such development was likely to be of small consequence, especially since they all import a large range of raw materials free of duty. They conceded, however, that an indirect extension of preferences could occur, though they pointed out that this must arise inevitably in any free trade area or customs union which includes a country granting preferences to territories outside the free-trade area or customs union[2].

54) The member countries have also agreed that EFTA may have an adverse effect on the industries of third countries, but that this likewise is an unavoidable result of any customs union or free-trade area.

1/ Such agreements which have been signed by for example Denmark with the United Kingdom, Austria, Switzerland and Sweden set out the measures to be taken, including the elimination of customs duties in some cases, to facilitate the expansion of trade in agricultural products.

2/ See Report of the Working Party on the European Free Trade Association, GATT document L/1235, Geneva, 4th June 1960.

The complexity of certain provisions in the Stockholm Convention makes it difficult at present to determine to what extent EFTA may tend to discourage the import of processed primary products in favour of the raw products. However, the EFTA countries have given an assurance to GATT that it is their intention to administer the rules on as liberal a basis as possible[1].

II. THE IMPACT OF THE EUROPEAN ECONOMIC COMMUNITY ON AFRICAN OVERSEAS TRADE

55) It was pointed out above that some of the most important policy decisions affecting the position of African countries have yet to be taken by the EEC authorities. In fact, it is only in respect of the customs union part of the Treaty and the provisions for the Development Fund that practical policy has been laid down clearly and in detail. It was further stressed that the existing provisions governing the association of overseas countries and territories run for another two years only and are then subject to a renegotiation which is bound to be affected by the transition of these countries to independence.

56) Any analysis of the impact of the EEC on African economies must therefore be based chiefly, for the time being, on a consideration of the consequences for African trade of the customs union arrangements as they exist at present. It will be recognized, however, that other provisions, such as, for example, those relating to managed marketing arrangements, long-term contracts etc., could mean a great deal more to the export economies of the associated African countries than the simple preferential treatment accorded in the field of tariffs. Nor is it possible for the present discussion to take into account such intangible effects as those which might result from the establishment

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[1] Op. cit. page 3. It was also suggested at the GATT meetings that the need under the original rules for EFTA manufacturers to keep two inventories, one for materials qualifying for area treatment and the other for materials which do not qualify, might induce them, for reasons of convenience, storage space and so on, to dispense with the second category of materials. This could affect purchases of materials from third countries, not only for the production of goods to be exported to other member states but also of those to be exported to the outside world. It should, however, be noted that most of the primary products of direct interest to African countries are included in Schedule III of the Convention, and, as such, circulate freely within EFTA irrespective of their origin. Schedule III includes inter alia coffee, cocoa beans, spices, unmanufactured tobacco, oilseeds, hides and skins, wood, cotton, wool and most non-processed metals and minerals. For these products, therefore, there will be no need to keep double inventories.

of new commercial contacts in a large and dynamic market, or any stimulus to a greater inflow of private foreign capital, that might develop as an indirect result of the common market arrangements.

57) It is also important not to lose sight of the fact that an underlying objective of the EEC is to accelerate the growth of incomes in the area; and any such acceleration, if not accompanied by excessive protectionism, should lead to an expansion in exports of associated African countries, and offset, at least in part, any adverse effects of discriminations upon the non-associated countries.

58) The effects to be traced in the following discussion are those arising from the gradual elimination, during a transitional period of some 12 to 15 years, - or possible loss - starting from the entry into effect of the Rome Treaty in January 1958, of quantitative import restrictions and import duties applied by the Six in trade with each other and with the associated countries and territories and the dismantling by the latter of discriminatory quantitative restrictions applied to imports from the Six and of any practices discriminating among the Six in the field of tariff policy. The impact of these provisions on EEC imports of the principal African export commodities will be considered first. The position of individual African countries in the EEC market will than be analysed. Finally, an attempt will be made to assess the implications of the customs union provision of the Rome Treaty for African imports, intra-African trade and African economic development.

Discrimination and the pattern of EEC imports

59) The elimination of customs duties in trade among EEC countries will give an incentive to importers in the six member states to give priority to purchases from within the area and from associated countries rather than from other sources. This tendency could be reinforced by the discriminatory elimination of quantitative import restrictions. However, except in France, such restrictions are not applied in the EEC countries to the principal African export commodities, but largely to temperate zone agricultural products for which special arrangements in

accordance with the EEC's common agricultural policy will in any case be the decisive factor. The quantitative restrictions applied by France to imports from outside the French Franc zone cover most of the commodities of importance to overseas producers within this zone with the notable exception of metals and minerals, cocoa, palm kernels, copra, cotton and sisal. If those restrictions were to be dismantled under the Rome Treaty, gains in the French market might well accrue to the Congo, Ruanda Urundi and other associated countries outside the Franc zone, as well as to non-associated countries[1/]. Such gains would, of course, be at the expense of producers in the Franc zone.

60) The trade diversion effects of relevance to African countries can be expected to result largely from the association of overseas countries and territories rather than from the creating of a common market among the Six. This is so because most of the primary commodities which are important in African exports to the EEC are either not produced in the latter area, or if so produced, are either admitted free of customs duty or are not likely to be affected greatly by the EEC tariff arrangements. The latter is true of temperate zone agricultural commodities exported to the EEC market in substantial quantities by a few African countries - mainly Morocco and Tunisia. The position of producers in these countries as against that of domestic producers in the EEC will be determined chiefly by arrangements made in connection with the common agricultural policy rather than by the EEC tariff regime. As regards primary commodities subjected to some degree of processing, on the other hand, current trade flows and the future export potential of African countries will be affected not only by the association of overseas countries with the EEC but also by changes in the competitive position in the EEC market of industries like oil-crushing, coffee and cocoa handling and metal processing in the six member countries.

1/ See para. 83-86

61) The external EEC tariffs are shown in Table 3, together with the national tariffs existing prior to the establishment of the EEC, for the principal products of interest to African countries. As already mentioned, these tariffs cannot be considered as final, but may be reduced by up to one-fifth or possibly more, depending on the outcome of the 1960-61 GATT negotiations. Nor can anything definite be said about the exact length of the transitional period preceding the full implementation of the EEC tariff regime and the position of associated African countries during this period. The decision taken in May 1960 to accelerate implementation of the Treaty, may be followed by similar steps in the future. The consequences for African trade may, on the other hand, be delayed if steps similar to those taken in 1959 to extend reductions in internal tariffs to all GATT members were to accompany future adjustments in internal tariffs.

62) It can be seen from Table 3 that oilseeds and kernels, textile fibres and most metals - all commodities which are fairly important in African exports - are to be admitted duty free into the EEC market. The main impact of the external tariff established for manganese, aluminium and cocoa products lies in the future, since these commodities are not as yet exported in significa quantities by African countries. The same is true of tea, and, the Federation of Rhodesia and Nyasaland apart, to a lesser extent also of tobacco. Africa accounts for a substantial proportion of world exports of the remaining commodities shown in Table 3 ranging from one fifth or more in coffee and citrus to anything from one half to two thirds in the cases of cocoa, tropical wood, groundnut oil, palm oil and palm kernel oil[1]. As can be seen from Table 4, Africa depends heavily on the EEC market for such exports. This dependence is marked among the African countries associated with the EEC; of the commodities mentioned above it is, in fact, only in

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1/ For detailed data on the statistical position of African production and exports see International Action for Commodity Stabilization and the role of Africa (E/CN.14/68)

TABLE 3

The EEC external tariff and national tariffs in the EEC member countries as of 1.1.1957 for selected commodities
(Percentages)

	National Tariffs as of 1.1.1957[a]											EEC
	Benelux			W. Germany		France			Italy			Tariff
	Legal	In force[b] A	In force[b] B	Legal	In force	Legal	In Force[b] A	In Force[b] B	Legal	In Force[b] A	In Force[b] B	
Cocoa beans	10	0	0	10	10	25	0	0	5	0	0	9
Coffee, raw	8[b]	0	0	26	26	20	0	20	50	10.4	10.4	16
Tea	15	10	10	52^+	52^+	30	0	30	80	0^+	50^+	18
Bananas	15^+	0^+	15^+	5^+	0^+	20	0	20	40	0	36^+	20
Sugar, raw	57	57	57	65	-	110	0	0	105	-	105	80
Tobacco leaf	8^+	8^+	8^+	32^+	32^+	State Monopoly						30[c]
Groundnuts	0^+	0^+	0^+	0^+	0^+	10	0	0	8	0	8	0
Copra	0	0	0	0	0	10	0	10	0	0	0	0
Palm nuts and kernels	0	0	0	0	0	10	0	10	0	0	0	0
Groundnut oil, crude	5	5	5	(6 (0 i.u.	(5 (0 i.u.	18	0	18	25	0	18	(10 (5 i.u.
Palm oil, crude	0	0	0	(6 (0 i.u.	5 (0 i.u.	15	0	0	0	0	0	(9 (5 i.u.
Palm Kernel oil, crude	5	5	5	(6 (0 i.u.	(5 (0 i.u.	15	0	0	10	0	9	(9 or 10 (5 i.u.
Cocoa mass and paste			10		35			25			21	25
Cocoa butter			6		35			25			25	22
Cocoa powder (unsweetened)			10		30			25			22	27
Idem, containing 60 per cent or less sugar			18		30			30			30	30

TABLE 3 (Cont'd)

The EEC external tariff and national tariffs in the EEC member countries as of 1.1.1957 for selected commodities (Percentages)

	National Tariffs as of 1.1.1957[a]											E E C
	Benelux			W. Germany		France			Italy			Tariff
	Legal	In force[b] A	In force[b] B	Legal	In force	Legal	In Force[b] A	In Force[b] B	Legal	In Force[b] A	In Force[b] B	
Cotton, wool, jute, sisal, hemp - raw	0	0	0	0	0	0	0	0	5-6	0	4-6	0
Common wood (other than coniferous) - rough	0	0	0	0	0	10	0	0	10	0	7	5
idem, sawn, sliced or peeled	0	0	0	0	0	18-20	0	0	12-18	0	11	10
Veneer sheets and sheets for plywood	6	3	6	4	3	15-25	0	15-25	25	0	16	10
Copper - unwrought	0	0	0	0.5	0	0-20		0-20	3.5		1	0
Lead "	0	0	0	5	0	8	0	8	20	0	13	6+
Zinc "	0	0	0	5	0	12	0	0	15	0	4	4+
Tin "	0	0	0	0	0	0	0	0	0-2	0	4	0
Cobalt "	0	0	0	0	0	12		12	0	0	3	0
Tungsten "	0	0	0	5	0	20-35	0	0	8	0	0	6
Aluminium "	0	0	0	12	0-10	20	0	20	35	0	25	10
idem, wire, plates and sheets	6	6	6	18	14	20	0	20	40	0	27	15, wire 19
Manganese - " "	6			0		22			20			10

Sources: GATT, Report of the Working Party on the Association of Overseas Territories with the European Economic Community, including Commodity Trade Studies, Geneva, 1958, and information obtained from the GATT Secretariat.

a For cocoa products data relate to duties in force on 31 December 1958.

b A - tariffs effectively applied to imports from former overseas territories.
B - tariffs applied to imports from other sources

c But not less than 29 Accounting Units (US dollars) and not more than 42 Accounting Units per 100 kgs. net.
\+ Ad valorum equivalent of specific duty based on import data for 1958
i.u. Industrial uses.

the case of palm kernel oil and tropical wood that the EEC takes less than two thirds of their total exports. The EEC is also an important market for other African countries, especially for tropical wood, cocoa and coffee.

63) The implications of the external EEC tariff for current or future African exports of processed materials and manufactures will be considered in a later section of the present report dealing with the significance of the EEC for African industrialization. The position regarding sugar, citrus fruits and other temperate zone agricultural commodities cannot be analysed adequately at present since the details of the EEC common agricultural policy which will be the determining factor for these commodities and are not as yet known. There is every reason to expect, however, that such policy will be directed towards a higher degree of self-sufficiency in the EEC market and that important consequences may ensue for the exports of temperate zone agricultural commodities - notable grains and wine - by the North African countries depending greatly on such exports[1].

64) Only in the case of five major commodities - bananas, cocoa, coffee, tropical wood and vegetable oils - does it appear that the EEC tariff regime may have important consequences for existing African trade patterns. Subsequent discussions will therefore focus largely on these five commodities. Before proceeding to this analysis, however, it may be useful to examine recent changes in EEC trade patterns.

65) Between 1957 and 1959 imports by the Six from one another rose from 28.2 to 33.3 per cent of their total imports and from 42.3 to 48.8 per cent of their imports from all the industrialized countries. Over the same period, the share of African countries associated with the EEC in imports by the Six from non-industrialized countries as a whole fell slightly, whereas there was a rise in the share in such imports of the remaining African countries and territories as a group. It should be noted, however, that these percentages are affected by the devaluation of the French franc zone currencies in 1958, which decreased the dollar

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1/ The position of these countries is discussed further below.

value of French imports from overseas associated countries, without increasing significantly the latter countries' exports to other EEC countries. It is particularly in the markets of the Netherlands, Italy and Western Germany that the non-associated African countries did better in terms of the dollar value of exports than the associated African countries as can be seen from the data below relating to imports into EEC countries in 1957 and 1959 (million dollars and percentages):

		Value of imports		Imports from	
		Total	From non industrialized countries[a]	EEC associated African countries	Other African countries
		(Million dollars)		As percentage of imports from non-industrialized[a] countries	
Belgium-Luxembourg	-1957	3,432	913	21.6	13.0
	-1959	3,445	905	23.1	13.2
France	-1957	6,170	3,299	28.2	15.1
	-1959	5,087	2,718	31.0	14.3
Germany Fed. Rep. of	-1957	7,549	2,638	3.5	13.9
	-1959	8,477	2,832	3.4	15.2
Italy	-1957	3,674	1,495	3.6	13.4
	-1959	3,347	1,385	4.8	15.8
Netherlands	-1957	4,105	1,152	3.0	10.2
	-1959	3,939	1,116	4.0	14.0
Total EEC	-1957	24,930	9,497	14.1	13.7
	-1959	24,295	8,957	14.0	14.7

[a] Total less OEEC countries, North America and Japan.

Sources: 1957: Direction of International Trade, Vol.X, No.8. 1959: OEEC. Trade by commodities Series C, Vol. II, 1959.

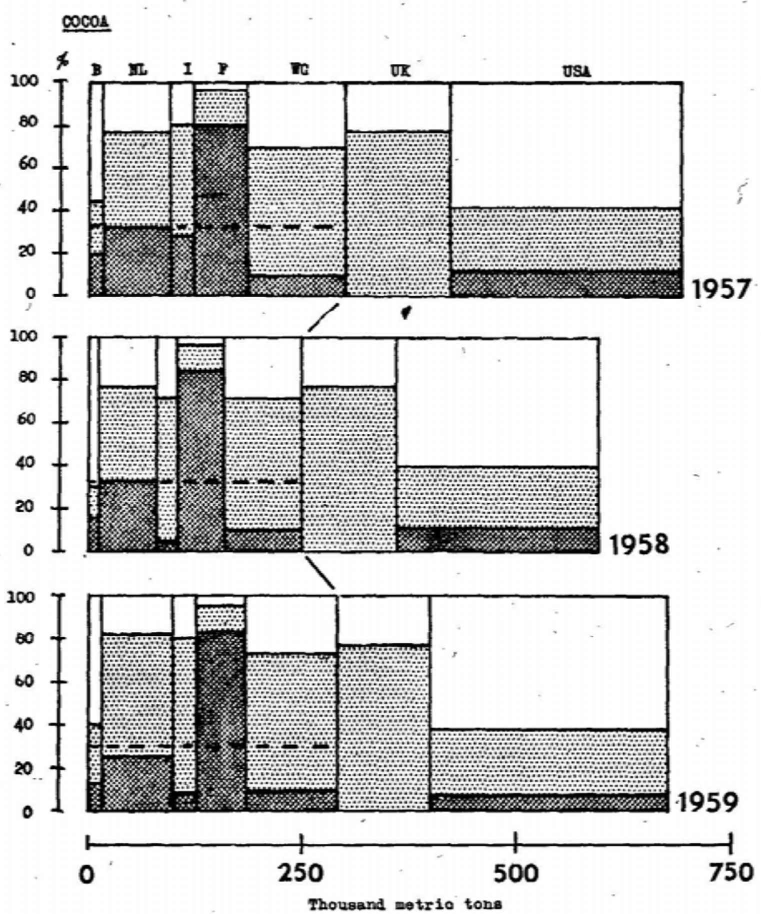
66) Nor do the available data on the dollar value of trade in individual commodities suggest that the EEC associates in Africa have fared better in the EEC market recently than have other African countries. In cocoa there has been a clear shift away from the former to the latter group of exporters, particularly in the Dutch and Italian markets; and the Six as a group took a bigger share of their total cocoa imports from non-associated Africa in 1959 than in 1957 (50 per cent as compared with 45 per cent). In coffee associated African countries have seen their share improve not only in the Italian, but also in the French and Benelux markets. Except in the Benelux area, however, these shifts in imports have thus far, been at the expense of Latin America rather than of the non-associated African countries, and there has been little change in the relative position of the two groups of African coffee producers in the EEC market in recent years. Nor has the general patterns of trade changed much in tobacco or bananas. Bananas are the only commodity in which the associated countries in Africa have made some advance in the western German market. The position of associated and non-associated African countries in the markets of the EEC member states is shown below in graph 1 for selected commodities.

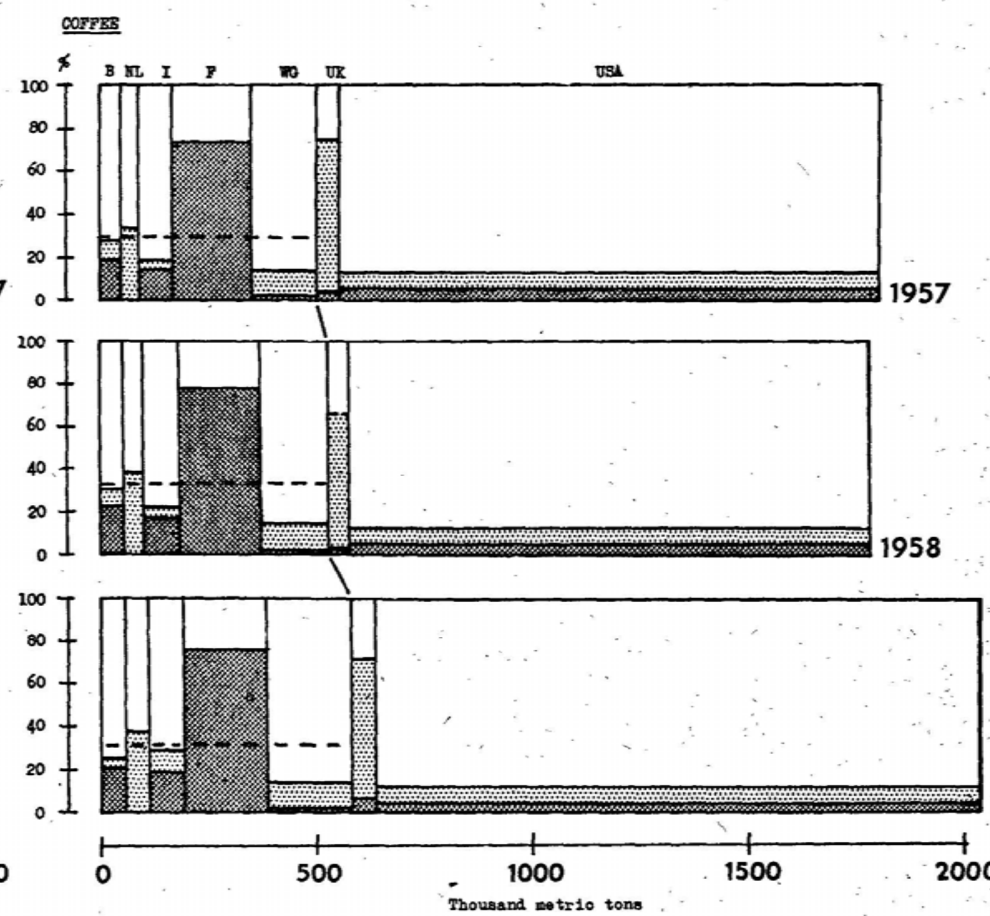
67) Since the Treaty of Rome has only been in operation for a limited period, the developments described above cannot be considered as a suitable guide to the future of such trade. The evaluation of the impact of the EEC on African trade must therefore still be based upon general considerations regarding the modifications which are proposed in the tariff regimes of the EEC countries.

68) In the first place, possible effects on consumer prices and consumption will be examined, and will be shown to be rather limited. There follows an assessment of the extent to which the external EEC tariff provides a stimulus to the expansion of production in the associated African countries or a deterrent to production in the non-associated countries. Finally an attempt is made to indicate the extent to which the existence of consumer preferences in the EEC market for certain

STRUCTURE OF IMPORTS OF SELECTED COMMODITIES INTO EEC COUNTRIES, THE UNITED KINGDOM AND THE UNITED STATES.

(1957 - 1959)





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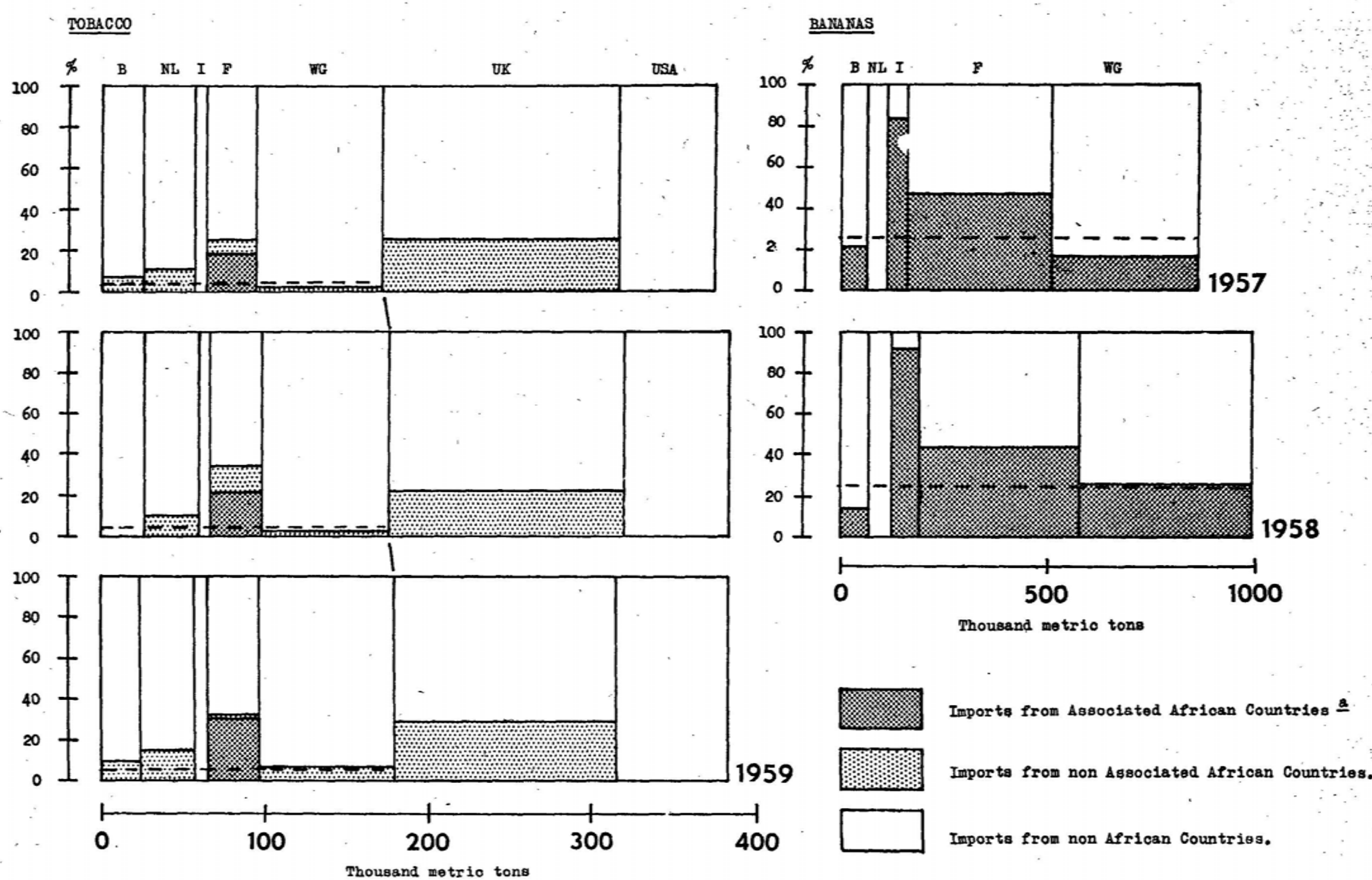

a including Algeria for tobacco.

Graph 1

Structure of imports of selected commodities into EEC countries, the United Kingdom and the United States, 1957-59

(1000 tons)

The width of each column is proportionate to the total imports of each commodity to Belgium-Luxemburg, Netherlands, Italy, France, Western Germany, United Kingdom and United States respectively. The three shades indicate the percentage shares of imports from Associated and non-Associated Africa and from non-African countries. The dotted line indicates the average share of associated countries in the imports of the Six EEC countries.

products or varieties of products presently obtained from non-associated countries is likely to check trade diversion resulting from the tariff discrimination.

A. Consumer prices and consumption.

69) The incidence of the external EEC tariff is in most cases not the same as the general incidence of the pre-existing national tariffs of the Six. The former incidence would tend to be heavier than the latter in the case of commodities for which the common tariff has been computed as an arithmetic average of the pre-existing national tariffs and where the latter tariffs exceed those effectively applied and are relatively low among the large importers of the Six. However, in the case of most of the commodities of importance to African exporters, for which a tariff preference is accorded in the EEC market, the external tariff was settled not as an average of national tariffs, but by special negotiation. It can be seen from the data in table 3 that for a number of products the external EEC tariff tends to exceed the arithmetic average of the national tariffs effectively applied prior to the establishment of the EEC. If a weighted average is taken, substantial divergencies are found for cocoa beans, and products, bananas, palm oil and tropical wood. On the other hand, for textile fibres, oilseeds and most metals, which are as a rule, though not always, exempt from duty in the national tariff regimes of the Six, the incidence of the external tariff, established at zero, would be slightly lower than the general incidence of national tariffs.

70) By and large it would appear that consumer prices will hardly be affected to any significant extent even in the commodities for which the common EEC tariff has a substantially higher incidence than the pre-existing national tariffs. For some commodities moreover, notably coffee and bananas, the duty free quotas accorded to those EEC countries where the external tariff significantly exceeds national tariffs will

check the impact on consumer prices[1]. For a number of others, such as tropical wood and metals and all the commodities listed as agricultural in Annex II to the Treaty the EEC Commission may authorise member states to effect imports at suspended or reduced rates of duty within fixed quotas[2].

71) In assessing the implications of the EEC tariff regime for prices in the Common Market account should also be taken of the fact that the proportionate incidence of the tariff on consumer prices is substantially smaller than suggested by the data given in table 3 because of the transport, processing and marketing costs which are added to the CIF cost of imports. Moreover, coffee, tea, cocoa and tobacco are subject to heavy import taxes or special fiscal charges in the major part of the Common Market. The charges or their ad valorem equivalent (based on 1957 prices) applied in France, the Federal Republic of Germany and Italy in 1957 are shown below:

1/ These quotas are to be gradually reduced during the transitional period, but it is not clear how far they are to be retained as a more or less permanent feature. In regard to the Italian quota for coffee a protocol provides that during a period of four years from the end of the transitional period imports of unroasted coffee may continue to benefit, up to an amount not exceeding 20 per cent of the initial quota, from the application of the Italian customs duties prevailing on the date of entry into force of the Treaty. In respect of the Benelux quota for coffee, on the other hand, the protocol makes no reference to the end of the transitional period but merely stipulates that the quota shall be reduced to 50 per cent of total tonnage imported from third countries in 1956 by the beginning of the third transitional stage (1965). Finally in the case of the western German banana quota, the Six member states declared their readiness to agree to appropriate increases in the quota in the event that the associated countries and territories were unable to supply the total quantities demanded by Western Germany.

2/ It is only in respect of lead and zinc that an upper limit was fixed to the size of such quotas, which may in the case of these commodities not exceed 20 per cent of total requirements of domestic processing industries.

	France		Federal Republic of Germany		Italy	
	Import duty	Other fiscal charges	Import duty	Other fiscal charges	Import duty	Other fiscal charges
			(percentages)			
Coffee (not roasted)	20	40	25	47	10	77
Cocoa beans	0	9	10	0	4	69
Tea, black (in bulk)	30	29	52	45	50	0
Leaf tobacco	a	..	32	112-788	a	265-348

Source: Trends in International Trade, A report by a Panel of Experts, GATT, Geneva, 1958.

a State monopoly.

72) There is no obligation under the Rome Treaty for the member states to reduce or dismantle fiscal taxes or charges. The member states are free to increase such taxes and charges and thus to offset the effects of tariff reductions. Steps of this type have been taken by some countries, and notably by the Federal Republic of Germany. In January 1959 when the Federal Republic introduced the external EEC tariff to imports of coffee from all sources (1 DM instead of 1.60 DM per kilo), it offset the tariff reduction by increasing internal taxes[1]. Consequently the cut in tariff did not tend to encourage consumption of coffee by making it possible for consumer prices to be reduced. But in addition the net effect of this measure is to postpone any discrimination by the Federal Republic in respect of its coffee imports until 1966, when, according to the original schedule, the tariff applicable to imports from the associated countries will fall below the common external tariff, whereas the Rome Treaty provides for the introduction of a preference as from January 1959[2]. The internal tax

1/ The Federal Republic availed itself of the possibilities offered by Article 15.2 of the Treaty which states that with a view to aligning their duties to the common EEC tariff, member states shall be free to modify these duties more rapidly than provided for in the Treaty.

2/ The same results obtain in case of the Western German tariff on cocoa beans which was reduced in 1959 from 10 to 8 per cent, or to less than the level of the external EEC tariff.

(Continued footnote 2/)

	Coffee				Cocoa	
	A	B	C	D		E
France	-0.26	-0.43	-0.5		US	-0.58
Western Germany	-1.30	-0.82	-0.9	-0.45	Sweden	-0.76
Italy	-1.30	-1.20	-0.9	-0.61	UK	-0.31
Belgium	-0.50		-0.5			

A - based on time series.

Lovasy, Perspective price developments for coffee and their effects on the payments position of exporting countries. IMF/DM/55/21, October 1955 (Restricted)

B - GATT, Revenue duties and internal fiscal charges (restricted document dated 23-24 March 1960).

C - GATT. Trends in International Trade. A report by a Panel of Experts, October 1958.

for Western Germany estimated on the basis of the increase in consumption between 1952 and 1954 in response to the fall in the retail price resulting from reduction in the revenue in 1953. The application of the same coefficient to Italy was thought "warranted". For France and Belgium a coefficient of -0.5 was held to be "not unreasonable", an elasticity which is found (by Ch. Baré, Note sur l'élasticité de la demande de certains produits, Bulletin de l'Institut des Recherches Economique et Sociales, February 1953) to apply to Belgium before the war.

D - Based on time series relating to 1925-37 and 1953-58 for Eastern Germany and 1951-58 and 1949-58 for Italy.

FAO, The world coffee economy, Rome, November 1959 (restricted documents).

E - based on time series. For US 1926-39 and 1948-53 wholesale prices, for Sweden 1923, 1926, 1928, 1931-33, 1935-38 and 1948-53 retail prices, for the UK 1920-38 and 1948-53 retail rices.

FAO, Cocoa, A Review of Current Trends in Production, Price and Consumption, Commodity Series, Bulletin No.27, Rome 1955.
This source quotes a survey based on family budgets in 1927/28 in Germany which obtains price elasticities of demand for cocoa of -0.66 for working class families and -0.58 for employee families.

tends, in fact, to discriminate heavily against the associated countries, being a flat rate tax it bears proportionately much more heavily upon the cheap coffee imported from the associated countries than upon the higher grade coffees imported largely from Latin America. The EEC Commission, in its third annual report, while pointing out that such measures are not in contradiction with the letter of the Treaty of Rome emphasized their adverse psychological and political consequences[1]. No reference was made, however, to the significance of these measures for associated overseas producers.

73) Apart from fiscal charges and duty free quotas, the statistical position of the individual commodities, their weight relative to other input items in final consumer products, existing preferential arrangements, and a number of other factors will determine the degree to which the EEC tariff regime gets reflected in consumer prices within the area. In general, it can be expected that the direct effects of the Treaty provisions on consumer prices in the EEC market will be small, and it is therefore of only limited interest to consider the possible reactions of consumers to price changes. An assessment of consumer reactions is in any case difficult owing to the scarcity of information on consumer behaviour. Among the commodities which are important in African exports to the EEC, studies of price elasticities of demand are largely restricted to coffee and cocoa. The results obtained vary markedly from one country to another and from one period to another; but it appears that demand for coffee is more responsive to price changes at present levels of per capita consumption and income in the Federal Republic of Germany and Italy than elsewhere in the Common Market[2].

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[1] Troisième Rapport Général sur l'Activité de la Communauté, May 1960, Chap. III, para. 96.

[2] Some of the more recent estimates of price elasticity of demand for coffee in EEC countries are shown below together with estimates for cocoa available for some non-EEC countries.

A significant increase in consumption could therefore have been expected in the Western Germany market if the reduction in the national tariff had been allowed to be reflected fully in retail prices. It also appears, however, that even on this assumption any increase in Western Germany's imports would probably no more than suffice to balance the adverse effect on imports which would result from the rise in Benelux and Italian tariffs again on the assumption that the modifications in these tariffs would be fully reflected in consumer prices in the latter countries.

74) Available estimates of price elasticities of demand for cocoa in Sweden, the United Kingdom and the United States are, on the whole, considerably lower than the corresponding elasticities for coffee in the Federal Republic of Germany; but the substantial differences in elasticities between these three high-income countries suggest that it would be hazardous to draw any conclusion for the EEC countries from them.

75) With the exception of tobacco, for which demand is known to be highly insensitive to changes in prices - available estimates relating to Western European countries and the United States obtain elasticities of the order of -0.2 to -0.4. Most of the other principal African exports commodities likely to be affected by the EEC tariff regime are probably subject to relatively high price elasticities of demand[1]. These high price elasticities are to a large extent linked to the considerable degree of substitutability, in respect to other products. Bananas, for instance, are in close competition with other fresh fruit such as citrus, apples and pears and to a lesser extent also with canned

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1/ J. Garnier (in <u>La Consommation de tabac en France de 1921 a 1938,</u> Etudes Theoreques No.2, INSEE, 1946) obtains a price elasticity of demand for tobacco in France in the period 1921-38 of -0.40, while J. Montel (in <u>La consommation des tabacs fabriques en France.</u> Revue de Statistique Applique Vol. III No.1, 1955) basing himself on data relating to 1949-54 derives an elasticity as low as -0.19. A study of tobacco consumption in the Netherlands (H. Neerman and C. Versen, <u>Orienterende berekeningen het verbruik van tabarksartikelen,</u> Central Planbureau O 22nd March 1954) obtains price elasticities of demand of -0.23 for cigars and -0.39 for cigarettes.

fruits. Vegetable oils are in a number of uses almost all substitutable for each other and for fats, groundnut oil, in particular, for other soft vegetable oils such as olive-, soya bean-, cottonseed-, sunflower-, and rapeseed oils as well as palm oil in food uses, and palm- and palm kernel oils for coconut- and babassu oils, shea butter, marine animal oils and fats in soap making. Moreover there is some substitutability between the end products, butter for margarine and soap for synthetic detergents[1]. Finally tropical wood, which competes in the major consuming countries with indigenous hard wood as well as with artificial and fabricated substitutes, is held to be more vulnerable to competition than any of the other principal African export commodities[2]

76) For most tropical African export commodities enjoying a tariff preference in the EEC therefore, important changes in consumer prices would be liable to have important consequences for consumption. Such price effects which can reasonable be expected to derive from the modifications in the tariff regimes of the EEC countries would however not be large enough to affect significantly consumption in the EEC market of these commodities.

1/ For details on degree of substitutability see Oilseeds, The Main Products of the Overseas Territories, OEEC, Paris October 1957.

2/ Report of the working party on the association of overseas territories to the European Economic Community, GATT, Geneva 1958.
Estimates made by the FAO/ECE do not appear to support this contention. Estimates of the reductions in consumption of industrial wood by end uses following a 25 per cent increase in price suggest a very low price elasticity of demand in uses important for tropical wood. Consumption was found to fall by 10 per cent only in woodworking industries as against twenty per cent in construction, railways sleepers and newsprint. European Timber Trends and Prospects, FAO/ECE, Geneva 1953.

B. Producers' prices and production.

77) It is quite clear that the implementation of the Rome Treaty will establish a preferential position for associated African countries and territories relative to non-associated African countries and other third countries. A tariff preference would be expected to lead to higher prices for supplies originating in the countries to which the preference is accorded as compared with those from other sources. To the extent however that some of these countries already benefit from preferential arrangements it is not the absolute price advantages offered by the new tariff regime, but the size of those advantages relative to those already existing, which need be considered. Only where the former are more important than the latter could the new regime constitute a stimulus to production in the countries enjoying preferential treatment. For most of the commodities subject to an external EEC tariff the associated African countries are already granted certain, and in some cases quite substantial, preferential advantages in parts of the EEC market. In the following an attempt is made to indicate the changes which the new arrangements in the EEC will imply in the preferential position accorded to these countries prior to the establishment of those arrangements.

78) In the case of the Congo and Ruanda Urundi the position is a straightforward one. The tariff preferences granted to these areas in the Benelux market affect actually only bananas, for which a customs tariff of 15 per cent is effectively applied to non-preferential imports. The Benelux tariffs on other tropical commodities are either nil or suspended1/. Consequently, the price advantage enjoyed by the Congo and Ruanda Urundi in the Benelux market will - with the 20 per cent common external tariff on bananas - tend if anything to increase; and, in the case of other commodities for which tariff preferences are accorded under the Rome Treaty, such preferences will be an entirely new feature of Congo and Ruanda Urundi exports.

1/ A small preference exists also for Congo and Ruanda Urundi veneer sheets and plywood, which are admitted at a 3 per cent duty instead of the 6 per cent duty applied to other countries.

79) In the former Italian trusteeship territory in Somaliland as well it is chiefly for bananas that important tariff preferences are enjoyed in the Italian market. The special position of bananas in this market results from their overwhelming predominance in Somalia's exports to Italy - amounting to more than four-fifths of the total - and not, as in the case of Benelux, from the absence of effective tariff preferences in other commodities. It was seen from Table 3 that preferences granted to Somalia are, in fact, a very general feature of the Italian tariff schedule. In addition to the 30-40 per cent protection accorded to Somali banana producers - which still left them vulnerable to competition from West African and Canary bananas - a system is operated under which an Italian banana monopoly purchases Somali bananas in fixed quantities at prices exceeding the world market price by more than the tariff[1].
The discrepancy between the two prices has narrowed in recent years. Nevertheless, when the Italian trusteeship in Somaliland came to an end in August 1960, Italy declared her intention to consider favourably the continued operation of this system to assist Somalia in her first year of independence.

80) The position of EEC associated countries having special relations with France is more complex. All the exports of these countries to metropolitan France are exempt from customs duties, which are on the whole high by comparison with the common external

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1/. Article 37 of the Treaty provides for the progressive adjustment of monopolies of a commercial character which exist also for tobacco in Italy as well as in France. Action on implementation of the Treaty in this field has been slow. In its memorandum in early 1960 on the acceleration of the implementation of the Rome Treaty, the EEC Commission recommended that the problems which arise in the field of monopolies be examined with the member states concerned with a view to laying down a concrete programme by 1960 permitting the elimination "within the shortest possible delay" of discrimination between member states in regard to the marketing and supply of goods subject to state monopoly trading. <u>Troisième Rapport Général sur l'Activité de la Communauté</u>, op. cit. Chap.I, para 10.

It is not, however, primarily through preferential tariff treatment that the price advantage enjoyed by those countries in the French market is achieved, but more through quantitiative import restrictions and highly complicated marketing arrangements operated by France for a number of important crops. These arrangements have resulted in a marked concentration of exports on the French market - 95 to 100 per cent of bananas, tobacco, palm kernels and palm oil, some 90 per cent of groundnuts and groundnut oil and nearly two-thirds of coffee exported to the industrial countries in recent years have been for the French market. Where exports to other Western European countries and North America have been developed, special measures have played an important role - measures which, for example, make shipments at preferential prices to France partly dependent on such exports or which grant certain privileges to exporters in the use of exchange earnings derived from them.

81) The special arrangements maintained by France in favour of the overseas countries and territories of the franc zone accord substantial advantages in particular to producers of coffee, oilseeds and oils and bananas. The coffee exported by these countries to metropolitan France has fetched prices which during the nineteen fifties have exceeded the world market price by some one-fifth to one-third; in mid-1960 the differential amounted to fully fifty per cent. Not until 1958, when coffee production in the franc zone was running substantially ahead of consumption in the area, was a system of quotas instituted which puts an upper limit on the quantities taken by France.

82) As regards oilseeds and vegetable oils, likewise, the differentials between world market prices and prices of franc zone products in the French market have often been substantial; for groundnuts, for example, the differential amounted to some 35 per cent in mid-1958 and it was

higher still for groundnut oil[1]. The French devaluation in 1958 and the rise in world market prices late in 1959 eliminated such differentials for groundnuts, palm kernels and copra and reduced them to some 10 per cent for palm oil[2] But it should be noted that world prices in 1960 were abnormally high, at least for groundnuts, and can hardly be expected to be maintained at the same level in the future[3]. Finally for bananas, although differences in qualities and varieties :e price comparisons extremely difficult, it is worth noting that › landed price of franc zone bananas in the French market exceed one-third to one-half the landed price of bananas imported into ıer EEC markets.

33) The marketing arrangements operated by France in favour of the :ican countries with which it has special relations are not directly 'ected by the new tariff regime established under the Rome Treaty. : does the Treaty otherwise oblige France to do away with these ıemes. This is undoubtedly one of the most obscure points of the ›aty. Article 10.1 establishes the principle that a commodity ›orted in one country after the payment of duties can be freely -exported to another, while article 32 provides for the complete

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The price advantages granted to franc zone producers obtain in the case of groundnuts and groundnut oil as a result of the fixing of minimum prices for specified quantities and the stipulation of the relationship between quantities of groundnuts for crushing in metropolitan and overseas mills. In the case of palm products, on the other hand, there is no direct government intervention in prices or purchases, but a system is operated through which metropolitan French importers are accorded duty free imports from non-franc zone sources on condition that they undertake to purchase a certain share of their requirements of palm products with low acid content at relatively high and stable prices from producers in the franc zone.

Prices of these oilseeds have declined since early 1960.

R. Carrière de Belgarric, Les Oléagineux et l'essor économique de la Zone Franc Oléagineux, No. 5, 1960.

suppression of quantitative restrictions between member countries by the end of the transitional period. However, article 33, which provides a schedule for the suppression of quantitative restrictions, does not contain any precise indication for those non-liberalized products for which there is no national production[1]. It is only stated that the Commission will decide on appropriate quotas.

84) It appears that the objectives of the Treaty are incompatible with the maintenance of managed marketing arrangements limited to one country, since the implementation of quota extensions by France[2] would permit imports not only from the Congo and the Ruanda Urundi but also from third countries, either via importers in the other five member states, or in case of non-discriminatory quota extensions, through direct imports. However, during the transitional period, France may apparently refrain from taking such steps by resorting to an interpretation of a Treaty provision (art. 38.4) of which the Federal Republic of Germany in particular has availed herself, according to which the implementation of the customs union arrangements of the Treaty may be postponed for commodities subject to managed marketing arrangements or monopoly trading until such time as the special measures foreseen for those commodities have been introduced.

85) There is also the possibility that France, irrespective of any Treaty provisions, may be inclined in the long run to modify the special marketing arrangements operated in favour of African producers,

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1/ The production of Algeria, Reunion, Guadeloupe, Martinique and French Guiana is considered as part of French national production since those areas constitute administrative units of the French Republic. Apart from a number of metals and minerals, these territories are of importance largely as producers of temperate zone agricultural commodities (Algeria) and bananas and sugar (Reunion, Guadeloupe and Martinique).

2/ The recent suspension by Franch of the import quotas opened up for roasted coffee in implementation of the Rome Treaty indicates the type of difficulties which would be encountered. The suspension was announced in the Journal Officiel, 9th July 1960.

the financial burden of which may appear particularly heavy once the special advantages enjoyed by French manufacturing industries in these areas fall away. Arrangements of this type may, moreover, be difficult to retain in a fully established common market, particularly where they are made possible by high consumer prices. If they were to be dismantled, the position in the French market of associated countries having special relations with France would deteriorate substantially in coffee and bananas and to a lesser extent in oilseeds and vegetable oils. The preferential margins afforded by the EEC external tariff would certainly not provide as great a stimulus to production in the franc zone as is now derived from the special regime maintained by France. The adoption by the EEC of special measures similar to those now operated by France would, of course, remove the threat to these producers, although the Congo and Ruanda Urundi, Somalia and the associated non-African territories would presumably be beneficiaries on equal terms with associated African countries having special relations with France in any managed marketing scheme operated by the EEC. Such a scheme is apparently contemplated for groundnuts, but it seems unlikely that it will involve measures providing an important incentive to expand groundnut cultivation in the EEC associate countries.

86) In the case of commodities subject to special French marketing arrangements or severe quantitative restrictions, therefore, the preferences introduced under the Rome Treaty are a poor guide to the changes which can be expected in the competitive position of African producers in the EEC market. It is clear, for example, that coffee from the Congo and Ruanda Urundi will improve its position in the entire EEC market and coffee from countries having special relations with France will, of course, tend to obtain similar price advantages over third countries. While these advantages may tend to stimulate production in the former countries it is far from certain that this will be the case in the franc zone countries,

unless the special arrangements operated by France in favour of producers in these countries are fully retained, which seems unlikely. Were France to continue the operation of these arrangements on their present scale, the improved position elsewhere in the EEC market of these countries as compared with non-associated countries resulting from the EEC tariff regime may well encourage an expansion in the former countries. Lack of information on costs of production makes it difficult however to suggest the importance of the stimulus thus provided.

87) On the other hand, as regards cocoa which benefited from no special preferential arrangements, whether of a tariff or non-tariff nature in any of the six member countries prior to the entry into force of the Rome Treaty, the EEC tariff regime may establish price advantages in the Common Market for all the associated producers[1]. The position is similar for cocoa products, for which substantially higher protection is granted than for cocoa beans, as well as for tea[2].

88) As regards textile fibres the position is clear - except for Somalia, the EEC associates enjoyed no advantages prior to the Rome Treaty, nor will any be provided under the EEC tariff regime in the future. On the other hand, most metals and tropical wood are granted preferential tariff treatment in one or more of the EEC national tariff regimes (see Table 3). The external EEC tariff for tropical wood, aluminium, zinc and lead will have favourable though moderate effects on the competitive position of the Congo (Leopoldville) and the same would appear to be true in the case of rough tropical wood and zinc

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1/ The stimulus to production given by the 9 per cent EEC tariff on cocoa beans may, however, not be very great, especially in view of the frequent and violent fluctuations in cocoa bean prices.

2/ The preferential tariff treatment accorded by Italy and France to imports of these commodities from countries with which they have special relations is hardly significant since such imports are very small.

for the associated countries having special ties with France. The position of tobacco under the 30 per cent external EEC tariff is less clear in view of the existence of state monopolies both in France and in Italy.

89) The effect of changes in relative prices on production in African countries and territories is extremely difficult to assess. In the first place it cannot be assumed that the whole of any preferential advantage provided will be passed on to the producer, and thereby influence his production and investment plans. In addition, such an assessment requires knowledge not only of the price elasticities of supply for individual commodities in Africa in general, but also of the values of such elasticities among producers in the African countries associated to the EEC as distinct from other African producers. Even where series on production and prices are available it is impossible in most cases to infer the relationship between them since the very important influence on production of a variety of factors other than price cannot be quantified. Pests, disease and soil exhaustion may create lasting obstacles to the expansion of output while, on the other hand, discoveries in plant treatment and soil conservation, and in particular the spreading of new techniques among producers can lead to rapid and significant increases in production. An assessment of the possible effects of price changes must therefore be restricted largely to a consideration of what is known about the conditions of production in two respects - first the physical characteristics of individual crops which make for different time lags between steps taken to increase output and the realization of such an increase; and secondly the extent to which crops are grown in modern plantations and by modern methods.

90) Tobacco apart, none of the main tropical products subject to a preferential tariff in the EEC are annual crops[1]. The time

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[1] It is of interest in connection with the tariff preference given for groundnut oil to note that groundnuts are an annual crop.

elapsing between plantings and the bearing of any significant crop varies from eighteen months to two years in bananas, four to six years in tea and citrus fruit, five to eight years in coffee, cocoa and palm trees and to several decades in the case of tropical wood. To the extent that an expansion in production depends on new plantings, therefore, supply tends to be highly inelastic in the short run for all these commodities. Some scope exists for varying output in the short run through more or less careful harvesting of existing plants or trees, the trouble taken to bring the product to the market, and in some crops also through the varying interest taken in proper crop care throughout the year, which may affect yields per hectare or per tree. Little is known about the extent to which price changes stimulate variations in production of this type[1] and the same is true of the influence of price on the share of marketed production in total production.

91) Such variations in production exist largely in peasant farming. In a modern plantation there are no marginal trees, and since the marginal cost of harvesting the crop is generally lower than the average cost, the full crop tends to be collected as long as the price is above the marginal cost, while the plantation is abandoned in case of persistently low prices. In some crops, however - particularly bananas - production can be made to respond to price in the short run by varying the application of fertilizers. The greater availability of capital and the use of modern production techniques in plantation farming also normally make for a shorter time lag between the decision

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1/ In West African cocoa farming it has been suggested that on balance the short-term effect of price on the proportion of beans harvested may have been rather small in post war years. Exceptionally high prices are thought to lead to harvesting of inaccessible plots or isolated single trees which are not otherwise harvested, while it is held that a sudden rise in price may also have the immediate effect of discouraging thorough picking. See Cocoa, The Main Products of the Overseas Territories, OEEC, Paris 1956.

to invest and the realization of higher output than in peasant farming. Another characteristic of modern plantations is their greater ability to adjust production to changes in consumer tastes for particular varieties or qualities, especially when such an adjustment requires experimental work on a large area. Plantation producers tend to be farsighted and are more influenced by price expectations than by current prices. African peasants, on the other hand, are thought to be concerned very largely with immediate rather than future returns, and price sensitivity in respect of commodities which require capital outlays maturing only after a period of years is held to be extremely low[1].

92) Modern plantations tend to predominate in banana cultivation, which requires heavy capital investment. The same is true of vegetable oil production and in particular palm oil production. In the Congo (former Belgian) crushing plants for palm products are operated on modern lines and the same is mostly true of palm cultivation. In African countries having special relations with France crushing facilities for groundnuts are up-to-date while the groundnuts themselves are typically supplied from African peasant holdings.

93) As in the case of groundnuts, and in contrast to palm products, oil crushing facilities for coconut need not be available on the spot, and transport is less of a problem than for palm products. The expansion of coconut growing in African countries nevertheless depends on organized plant selection, experimentation in planting techniques and proper training of planters.

94) African cocoa is, except in Angola and the Congo (former Belgian), almost entirely an African smallholders' crop[2]. The same situation holds for coffee, except in the two above-mentioned countries and Kenya. On the other hand, commercial production of tobacco, which is concentrated largely in Rhodesia and Nyasaland, appears to be predominantly carried out on modern plantations, and the same is true of Algerian production.

1/ Oilseeds, The Main Products of the Overseas Territories, OEEC, Paris, 1957.

2/ World Cocoa Survey, FAO, Rome, 1959.

95) On the basis of the above considerations alone it would appear that any price changes brought about by the EEC tariff regime could be expected to influence fairly rapidly the geographical pattern of African production and trade in bananas and tobacco, the production of which can be increased without significant time lags and which are grown under conditions in which sensitivity to price changes may be relatively high. This may possibly be true also for groundnut oil. Spare capacity apparently exists in the oil crushing industry of former French West Africa and there are no physical obstacles to some increase in production of seeds in the short run[1]. The effect of price changes on coffee and cocoa may be felt only gradually, since these crops are largely grown on small-holdings and significant increases in output require plantings, replantings or introduction of new techniques of cultivation and soil treatment - measures which can only yield slow results or which are slow to enact. Where elasticities of supply are low in associated and non-associated countries alike, a trade diversion resulting from EEC discrimination would not necessarily cause any decline in the total volume of sales of the non-associated countries. For in this case any shift of associated country exports from the rest of the world to the EEC market could be offset by a reverse shift of non-associated country exports. Nevertheless, the non-associated countries may suffer at least a temporary decline in export prices and hence in export earnings.

96) Elasticities of output in the long run will be determined by the availability of suitable land, labour and capital. The tropical African countries are faced to a varying extent with limits to cultivation beyond which the forest cover deteriorates and with it the climatic conditions for tropical crops. The position differs importantly also in respect of limited availabilities of labour and

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[1] The output of groundnut oil in former French Africa has been running at 120 to 125 thousand tons in recent years while productive capacity of the oilcrushing industry is of the order of 180,000 tons. Outre-Mer 1958, Services des Statistiques d'Outre-Mer, Paris, 1959, p. 235.

capital. The elasticity of output for total plant production is always smaller than for the individual crops, and incentives given to an expansion in production in the African countries associated to the EEC cannot bring substantial increases in the output of all the commodities benefiting from preferential treatment.

C. Consumer preferences and trade diversion

97) The tendency for discriminating EEC tariffs to bring about trade diversion may be checked to some extent by low cross elasticities of demand in the EEC market between the particular varieties of a given commodity which the associated countries are in a position to supply and the varieties produced in other countries. No commodity is completely homogenous, but differences in varieties, types and qualities may be relatively unimportant in products such as groundnut oil, palm oil and palm kernel oil and to a lesser extent also in cocoa[1]. In these commodities, therefore, even the moderate price differentials resulting from the initial adjustments of the EEC tariff regimes may be sufficiently large to encourage substantial shifts in the pattern of EEC imports. The scope for such shifts is particularly important in cocoa in which, as was seen from Table 4, the EEC relies on associated countries for only one third of total requirements, while some one fourth of cocoa exports of the latter go to non EEC markets. Similarly, in palm kernel oil, for which the corresponding shares are slightly more than one half and two-thirds respectively, some scope for trade diversion in the short run would appear to exist. On the other hand, it has been frequently held that strong consumer preferences affect the position of some commodities in the EEC market[2] notably coffee, bananas and tobacco.

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[1] Cocoa from the associated countries suffers, apparently, from unevenness in quality and grading by comparison with the cocoa exported by Ghana and Nigeria, but this difficulty could be fairly easily overcome through more careful selection and classification of export shipments.

[2] See for instance Report of the Working Party on the Association of Overseas Territories with the European Economic Community, GATT, Geneva 1958 the various GATT documents relating to consultations under Article XXII of the GATT in 1959, FAO commodity reports and the special issue dealing with the Common Market of Marchés Tropicaux et Méditerranéens, 19th December 1959.

Table 4

The importance of EEC countries and of Africa in trade of selected commodities (percentages)

	Share of Africa in World export	Share of EEC			Share in EEC imports of		Share of commoditues specified in global exports of	
		In world Import	In total exports of Associated Africa	In total exports of Non-associated Africa	Associated Africa	Non-Associated Africa	Associated Africa	Non-Associated Africa
Coffe	22	23	54	24	29	8	19	14
Cocoa	70	35	73	40	33	42	5	14
Groundnut oil	64	60	85)		62	3	4)	
Palm kernel oil	73	38	29	10[a]	56	0	1)	4[a]
Palm oil	64	41	78)		61	9	5)	
Bananas	12	22	73	0	26	0	2	1
Tropical wood	..	..	73	36	35	18	2	3
Tobacco	11	24	86	..	3	4	1	..
Tea	5	3	4	..	0.4	2	0.1	..

Source: Economic Commission for Africa

Note: The shares given above are orders of magnitude, generally referring to the 1956-58 period. The first six columns have been calculated from quantities, the last two from values. "Non-associated Africa" excudes North African countries (except Sudan), the Federation of Rhodesia and Nyasaland, the Union of South Africa and the islands adjacent to Africa.

a All vegetable oils

98) Coffee from the associated African countries accounts for less than one third of total coffee imports into the EEC areas, but more than 60 per cent of imports consists of arabica coffee taken largely from Latin America. The data in table 4 indicate that exports by associated African countries to non-EEC markets are sufficiently large to meet the EEC requirements of robusta coffees (10 per cent) which are at present covered by imports from non-associated African countries and Indonesia. Moreover, coffee production is likely to increase substantially in the associated African countries as well as elsewhere in Africa, due to the large scale plantings undertaken in recent years[1]. Consequently, if the problems of grading, processing and sorting of the coffees produced by the franc zone countries can be overcome, the supply situation would make possible significant trade diversion in robusta coffee even in the short run.

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[1] The production prospects for the important coffee producing countries in Africa as assessed by the FAO in the World Coffee Survey, Rome 1959, are as follows:

	Production in 1957/58 (1,000 t.)	Share of Arabica in production	Prospects
Ivory Coast	102	negligible	Established goal 140-150 thousand tons (160,000 tons already reached).
Cameroons (ex*French)	23	ca. 30%	30,000 tons by 1965
Guinea (ex-French)	10	negligible	Present potential 13,500 tons, might reach 20,000 tons.
Togo	5	negligible	Might reach 6,000 tons by 1965 (in fact 12,000 tons in 1959).
Madagascar	48	negligible	70,000-80,000 tons goal
Congo & Ruanda Urundi	74	ca. 20%	100,000-110,000 tons by 1965
Ethiopia	48	100%	Excellent prospects for improving and expanding.
Angola	77	negligible	110- 000- 120,000 tons Robusta and 4,000-5 tons Arabica
Uganda	60	ca. 10%	90,000-100,000 tons by 1965
Kenya	20	almost 100	35,000 tons by 1965
Tanganyika	21	ca. 40%	30,000 tons Robusta by 1967
Guinea (Spanish)	6	negligible	8,000 tons by 1965.

99) The robusta varieties grown in the associated countries predominate only in French consumption where they account for about three fourths of the total. They are of negligible importance in the Western German market and provide only some 40 per cent of consumption in the rest of the EEC area. These differences in consumption in the EEC countries may largely reflect the price relationships ruling in these countries and differences in the availability of the two types of coffee rather than inherent differences in consumer tastes. The limited interest taken in robusta coffee in the Western German market is no doubt due in part to the heavy specific taxation of coffee in this country (see the table in para 71) the effect of which is a considerable reduction in the spread between consumer prices of arabica and robusta coffees. The prospects for a large shift in favour of the latter variety in this market would appear to be limited as long as this taxation is retained. The measures taken in 1959, which were referred to above, suggest that the Federal Republic of Germany may not be inclined to reduce these taxes or shift to an ad valorem basis.

100) In France, where imports of arabica coffee from outside the franc zone have been severely restricted through quantitative restrictions, an extension of quotas undertaken in implementation of the Rome Treaty may be expected to bring a shift in imports away from the coffee produced in the African countries have special relations with France in favour of the less expensive robustas from non-associated African countries, and also, at least to some extent, of arabica coffees.

101) Arabica coffee, which is less resistant to disease than robusta, was grown in various parts of Africa in the past, but has been largely wiped out by plant disease and is now restricted mainly to the upland regions of Ethiopia, Tanganyika and Kenya. Small quantities are also grown in the Congo (former Belgian) and in the former French Cameroons while other African countries having special relations with France produce exclusively robusta coffee. Climatic and geographical conditions in those areas are not favourable for cultivation of arabica

coffee, but the progress made in recent years in developing efficient methods for combating plant disease and cultivation techniques suitable for unfavourable conditions may in the longer run make possible an expansion of arabica coffee cultivation in African countries having special relations with France. The short term prospects open to these countries depend to a large extent on efforts made to achieve quality improvements and evenness of grading in the export offered in the EEC market[1]. Production, which is predominantly in the hands of smallholders, is known to be less efficient than in the former Belgian Congo as well as in Angola and Kenya, where coffee is grown largely in modern plantations.

102) The problem facing associated producers of bananas is again largely a question of the predominance in Western German consumption of varieties grown mainly in Latin America and in the Canary Islands. Supplies taken from associated African countries have amounted to no more than two per cent of Western German banana imports in recent years and to an even smaller proportion of Dutch imports. The variety consumed in these countries - called the Gros Michel - is, by comparison with the Cavendish banana which accounts for the bulk of African production, more sensitive to plant disease and apparently not well suited to African conditions. The Gros Michel is, however, grown successfully in the Congo (former Belgian) and in the former French Cameroons which together supply some 10 to 25 per cent of the total Common Market imports of this variety. Production in the Congo has more than tripled over the last decade and would apparently have risen even more were it not for the need for plantations to be located at short distances from sea ports to meet with government regulations stipulating short maximum time lags between cutting and shipment[2].

1/ Important progress has been made in this respect in recent years. In the Ivory Coast, for instance qualities classified as superior rose from 11 per cent to 52 per cent of commercial production between 1952 and 1958. Marchés Tropicaux et Mediterranéens, No. 736, 1959.

2/ H. de Zurpele, La banane au Congo Belge, Bulletin Trimestriel de la Société Belge d'Etudes et d'Expansion, No. 176, 1957.

103) A variety of the Cavendish banana called the Poyo, which in many respects is mid-way between the Gros Michel and the Fig species of the Cavendish banana commonly grown in associated African countries having special relations with Italy and France, is reported to be rapidly replacing the Fig banana in the Ivory Coast[1]. There has been a marked shift in United Kingdom consumption away from the Gros Michel in favour of the Poyo banana in postwar years,[2] and there would seem to be no reason to exclude the possibility of a similar shift in consumption in the Western German and Benelux markets, a shift which will not as in the case of coffee depend primarily on modifications in internal taxation, but probably simply on a diversion of importers' purchases away from the traditional sources of supply.

104) Commercial production of tobacco in the associated countries of Africa is restricted almost exclusively to the Congo (former Belgian), the Malagasy Republic and the former French Cameroons, which together supply some 7 per cent of total EEC tobacco imports. In addition Algeria exports quantities of roughly the same magnitude. Practically all the tobacco exports by these areas to to the French market and consist largely of dark cigarette tobacco and small quantities of cigar tobacco. Oriental and virginia tobaccos which account for the bulk of cigarette tobacco consumption in the Common Market countries other than France require special ecological (particularly soil) and other conditions which make their cultivation in associated African countries difficult. There has been a marked expansion in Virginia type tobacco in some of the non-associated African countries in postwar years and notably in the Federation of Rhodesia and Nyasaland. The latter country also has some production of oriental tobacco, but quality is generally poor and less than one half of such production is suited for the quality conscious

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1/ 80 per cent of Ivory Coast banana plantations have already been planted to the Poyo variety and production has risen from 6,000 tons in 1946 to 40,000 tons in 1958. It is expected that output may reach fully 100,000 tons in some three years. J. Anoma, Minister of Agriculture of the Ivory Coast, in Marchés Tropicaux et Méditerranéens, 18th April, 1959, p. 946.

2/ The share of Gros Michel in total UK consumption fell from 75-80 per cent to some 40 per cent as the poyo banana replaced the Gros Michel in cultivation in the British West Indies.

markets[1].

105) Possibilities probably exist for the development of these tobaccos in the associated countries in Africa, as well, although tobaccos of different types are apparently not easily interchangeable since important differences remain due to natural conditions of growing and to methods of processing. The latter type of difficulty could no doubt be overcome with investment in proper processing equipment and the training of skilled labour, which may be considerably stimulated under the high external EEC tariff on tobacco. Yet, considerable skills are needed and the capital investment required is substantial. Under the conditions ruling at present in the Federation of Rhodesia and Nyasaland US dollars 300 of capital investment per acre is required on average farms of some 70 acres, and current costs of production per acre are also of the same order of magnitude. It is difficult to see how African farmers would under these conditions be able to engage in this type of production on a large scale in the foreseeable future. It should be recalled, that tobacco is also an important crop for some of the EEC member countries themselves and that the external EEC tariff may not be the primary factor determining the position of African producers in the Common Market.

106) Consumer preferences will influence future trade patterns also in tropical wood. However, these preferences, which depend to a large extent on fashion, are less rigid than those affecting tobacco. It is therefore difficult to determine how far the marked tendency of recent years for Western European demand to shift towards light coloured woods from Ghana and Nigeria at the expense of the darker coloured varieties which account for the bulk of production in the associated African countries will continue in the future[2]. The latter countries are of predominant importance as suppliers of tropical wood to the EEC market, accounting in 1957 for more than two thirds of total

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[1] Annual Report of the Rhodesia Tobacco Marketing Board, 1959.

[2] This shift may have been stimulated by the fairly important decline in relative prices of Nigerian and Ghana woods occurring in the period 1955-1957.

tropical wood imports into the area and for 97 and 87 per cent of such imports into France and Belgium respectively. Production in the associated African countries corresponds roughly to the total import requirements of the Six and about one third of their exports go to non-EEC markets.

107) Significant trade diversion will probably not occur, given the moderate external EEC tariff. The prospects of expanding exports in the Congo (former Belgian) which have risen only moderately since pre-war by comparison with exports of other African producers, are apparently limited by rapidly increasing domestic consumption and the near exhaustion of exploitable forests.1/ It is also believed that Ghana and Nigeria enjoy certain advantages over the associated African countries having special relations with France by virtue of the smaller distances of their forests from the sea coast, permitting economies in transport costs and lower labour costs, railroad freight rates and fuel prices.

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108) The combined effect on the pattern of EEC imports of the various factors considered under headings A, B and C above is difficult to assess. There is no reason to expect that the EEC tariff regime will have important consequences for consumer prices and consumption in the EEC market. For none of the commodities prominent in current exports of countries associated with EEC and likely to be affected by the tariff regimeerather than by arrangements made in connection with the common agricultural policy, does the external EEC tariff exceed 20 per cent. In most of these countries national tariffs are already imposed on those commodities, but even in the cases where the national tariff was formerly nil or suspended it is unlikely that the EEC tariff be relfected in any important change in consumer prices.

109) As regards the position of African producers, it has been shown that substantial preferences of a tariff and non-tariff nature were already enjoyed in the past in one or other of the EEC countries by all the African countries associated with the EEC other than the Congo and Ruanda Urundi: and these preferences applied to most of

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1/ J.Marellet, Les Bois, Marché Tropicaux et Méditerranéens; 19th December, 1959.

their principal export commodities other than cocoa. The exports of these countries have been developed under heavy protection in the markets of their former metropolitan country and have not in the past been in a position to compete elsewhere in the EEC market. The preferences accorded under the EEC tariff regime may not be sufficient to offset the effect on producers of any gradual dismantling of the special arrangements operated in their favour by France and Italy. In that case the overall effect of the changes brought about by EEC would not be to provide any additional stimulus to an expansion of production in the associated countries; these changes might, on the contrary on balance benefit the non-associated countries as well as the Congo and Ruanda Urundi.

110) It has been further suggested that the different role played in the consumption of EEC countries of some commodities of certain varieties and types which cannot easily be grown on a considerable scale in African countries associated with the EEC may reflect less basic differences in consumer tastes than the varying incidence of taxation in those countries and differences in availability of their supplies. Shifts in consumption in favour of the varieties which the associated countries are in a position to supply may therefore occur providing the necessary modifications were undertaken in taxation and importers were induced to make their purchases from non-traditional markets.

111) The problem of cultivation of special varieties and types of tropical crops not presently grown on an extensive scale in associated African countries may possibly be overcome with adequate investment and the extensive adoption of known techniques of soil and plant treatment or of future results of research in this field, but the process will of necessity require considerable time. Difficulties in effecting rapid increases in the production of traditional crops in the African countries associated with the EEC and the gradual implementation of the Rome Treaty provisions will help to prevent any large and immediate disturbances to existing trade patterns. On the other hand, it was noted that the price

margin needed for EEC importers to shift their purchases of given varieties and qualities from one source to another may be very small, and possibly no higher than that provided in the early stages of implementation of the tariff provisions of the Rome Treaty.

112) Some trade diversion may therefore be expected even in the short run. To the extent that such diversion involved merely a shift in exports of the associated countries away from third markets to the EEC market non-associated suppliers in Africa may be adversely affected chiefly through a decline in prices while total quantities may not change much since losses suffered in the latter market could be largely compensated by gains in the former. Their position would clearly be a more serious one in a situation where the supply situation in the associated countries was such that they were in a position to increase their share in the EEC market while maintaining their exports to other markets. The substantial increase likely to occur in the near future in coffee production in associated countries may give rise to a situation of this type.

113) In the long run it would appear reasonable to expect that the basic objective of the EEC tariffs established for tropical commodities which is clearly to enable the associated countries to increase their share in the EEC market, would be realized. Trade diversion would of course be checked if duty free or duty reduced quotas were to be established or retained, or arrangements with similar effects were to be instituted in response to influential commercial interests in EEC member countries which may be anxious to maintain imports from third countries providing traditional markets for their industrial exports.

114) It is worth stressing again, as was done at the beginning of the present section, how limited is the scope of the above analysis. Account is taken mainly of the EEC tariff regime. The discriminatory effects of other arrangements foressen by the Rome Treaty may be very substantial. The above discussions have also not allowed for the "income effect" of the Rome Treaty; insofar as the Treaty is successful in accelerating the growth of incomes in the EEC area, any adverse effects upon particular countries resulting from discrimination may be partially or wholly offset.

The position of individual African countries

115) The effects of the EEC, even if they cannot be assessed with precision and certainty at this stage, are bound to differ considerably from one country to another. These differences do not depend simply upon whether particular countries are associated with the EEC or not, but result also from other factors. The following discussion will review the most important of these factors, namely:

(i) The importance of the Six as a market for exports;

(ii) The bargaining position of a country as indicated by its importance as an export market for EEC;

(iii) The commodity composition of exports;

(iv) The potential incidence of the EEC external tariff and agricultural policies;

(v) Miscellaneous factors particular to each country, such as production prospects, existing trade arrangements with other countries, etc.

116) It will be seen from Table 5 that the countries associated the EEC under the Treaty of Rome or having special links with one of the EEC countries are also the countries recording the largest shares of exports to the Six in 1955-1958[1]. These exports were, however, not equally distributed between the Six, but were heavily concentrated on the European country with which the African country or territory had special links[2]. As will be seen from Table 6, the trade of the associated countries and territories with members of EEC other than the metropolitan country was relatively smaller than that of a number of countries not associated with the EEC. Among the latter, only the Federation of Rhodesia and Nyasaland, Liberia,

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[1] Both here and in the subsequent discussion it should be borne in mind that the statistical data record exports by countries of first consignment and therefore convey in some cases an exaggerated impression of the importance of the present or former metropolitan country, since part of the shipments to the latter destination are re-exported.

[2] The concentration would be even greater than shown in Table 6 if exports to the whole franc area were taken into account and not simply the exports to France.

TABLE 5

Trade of African countries with the EEC[a]

(percentages, 1955 - 58 average)

	Share of EEC in exports	Share of EEC in imports	Balance of trade with EEC[b]
Mozambique	11	20	-201
Federation of Rhodesia & Nyasaland	14	7	+116
Liberia	16	20	+10
U.A.R. (Egypt)	17	30	-131
Sierra Leone	18	13	-15
Union of South Africa	21	16	-9
Ethiopia	22	33	-54
Nigeria	24	18	+17
Sudan	27	17	+52
British East Africa:	24	17	+31
Tanganyika	27	17	+99
Kenya	28	17	-52
Uganda	21	18	+173
Angola	28	20	+41
Ghana	30	19	+71
Gambia[c]	50	9	+310
Libya	52	46	-334
Malagasy Republic	64	77	+76
Morocco	67	60	-18
Congo and Ruanda Urundi	69	54	+52
Tunisia	71	79	-50
Former French West Africa	75	74	-20
Guinea[d]	73	79	-189
Ivory Coast[d]	67	77	+72
Senegal, Mali and Mauritania[e]	84	71	-40
Somalia (Former Italian Somaliland)	77	49	+13
Cameroons	78	71	-2
Togoland	78	53	+35
Former French Equatorial Africa	79	68	-29
Algeria	84	83	-95

Source: Economic Commission for Africa.

a Excluding special categories. EEC here refers to the six European countries only, viz. Belgium, Federal Republic of Germany, France, Italy Luxembourg and the Netherlands.

b Export surplus as percentage of imports (+) or import surplus as percentage of exports (-). c 1955 - 57. d 1958. e 1957.

TABLE 6

Share of EEC in exports of selected African countries and territories[a]

(percentages, 1955 - 58 average)

Countries having special links with EEC countries

	Total	Total excluding Metropolitan country[b]
Algeria	85	5.1
Former French Equatorial Africa	79	15.1
Somalia (Former Italian Somaliland)	77	0.0
Former French West Africa	75	7.8
Tunisia	71	12.5
Congo and Ruanda Urundi	69	17.2
Morocco	67	16.8
Malagasy Republic	64	3.7

Countries having special links with non-EEC countries

	Total	Total excluding: Belgium	Total excluding: France	Total excluding: Italy
Ghana	30	29.3	29.3	27.1
Angola	28	24.0	24.7	27.3
Kenya	28	25.6	25.6	24.5
Nigeria	24	22.6	21.3	18.9
Uganda	21	19.6	19.6	16.6
Union of South Africa	21	16.1	17.0	16.5

Source: Economic Commission for Africa.

a/ See footnote as to Table 5.

b/ i.e., excluding the country with which the African country or territory has or had special links: Belgium for Belgian Congo, Italy for Somalia and France for all others.

Mozambique, and, in the most recent years, U.A.R. (Egypt)[1] can consider EEC as a market of relatively secondary importance.

117) The averages for 1955-58 shown in Table 5 do not, of course, indicate postwar trends. In virtually all the sterling area countries of Africa, the share of EEC in exports has been steadily increasing since the early postwar years. In recent years the share of EEC in the exports of Gambia, Ghana and Uganda has even exceeded the share of the United Kingdom. EEC was really the most dynamic export market for most of the non-associated African countries and it is likely to play a major role in their future export prospects. Only for U.A.R. (Egypt) and, very recently, for Guinea has the share of EEC in exports been tending to decline while in a few countries, notably Ethiopia, Liberia, Libya and the Sudan there has been no clear trend.

118) Within the EEC, concentration of exports on France has decreased in the case of Guinea, Morocco and Tunisia. Geographical diversification of trade is considered as an important objective by countries which have loosened their ties with the franc area, and association with EEC might facilitate those efforts to some extent. If they do not join they would either have to continue relying predominantly on the French market or seek outlets outside the Six.

119) The importance of the various African countries as markets for the Six may also have some influence on the manner in which EEC arrangements develop. Where countries outside the EEC framework provide substantial markets for EEC countries, there may be an incentive for the latter to try and preserve the existing pattern of trade and avoid excessive discrimination. So far the only associated country which has provided a significant market for the EEC countries - other than its metropolitan country - has been the former Belgian Congo.

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[1] However, substantial quantities of Egyptian cotton shipped to the Soviet Union have been re-exported to Western European countries.

On the other hand, the Federal Republic of Germany, Italy and the Netherlands have much larger markets in a number of the non-associated countries such as U.A.R. (Egypt), Ghana, Morocco, Nigeria, Union of South Africa. In addition, the demand of the non-associated countries for imports from the Six have recently been rising more rapidly than the corresponding demand of the associated countries, other than the former Belgian Congo. These trends, however, are not necessarily relevant for the future; the very fact that the Benelux countries, the Federal Republic of Germany and Italy account for only a very small share of exports to the former French dependencies means that there is considerable scope for expansion once the area of preference is broadened and this in turn might provide an inducement to the former countries to give favourable treatment in various ways to the exports of the latter, and to avoid any erosion of the preferences granted under the Treaty of Rome.

120) It should, however, be borne in mind that within EEC the most dynamic market is the Federal Republic of Germany and that the most important export markets in the underdeveloped areas for that country are in Latin America and Asia[1]. As it appears from the table below there are seven Latin American countries each importing more from the Federal Republic than any tropical African country. In those circumstances, the Federal Republic may be reluctant to take any steps which would favour imports from Africa to the serious detriment of Latin America.

1/ However, only few Asian exporters are directly competing with African countries on the German market.

Distribution of exports of the Federal Republic of Germany

1957 - 59 average

(Million dollars)

To Latin America	707.1	To Africa	467.6
Brazil	141.5	Union of South Africa	144.3
Argentina	126.2	Egypt (U.A.R.)	69.0
Venezuela	125.2	EEC associates[a]	57.9
Mexico	66.2	of which:	
Chile	45.2	Congo and Ruanda Urundi	26.1
Columbia	43.9	Former French West Africa[b]	14.6
Peru	31.6	Nigeria	30.1
		British territories[c]	24.5
		Morocco	22.7
		Mozambique and Angola	19.4
		Ghana	16.4
		Rhodesia and Nyasaland	11.0

Source: United Nations, Direction of International Trade.

a Including Algeria.

b Including the Republic of Guinea.

c East Africa, Sierra Leone and Gambia.

121) The overall geographic distribution of trade of the various African countries and territories is, however, a very deficient indicator of their respective position vis-à-vis EEC, since both the common external tariff and the presently envisaged common agricultural policy of EEC apply only to a relatively limited range of products. Since, as mentioned above, most industrial raw materials will enter EEC duty-free and without quantitative restrictions, the immediate impact of the Common Market is likely to be insignificant or even nil for countries specializing mainly or entirely in such products. This is the case for U.A.R. (Egypt), Liberia, Sudan and, to a lesser extent, the Federation of Rhodesia and Nyasaland and the Union of South

Africa[1]. The remaining countries fall roughly into two categories: the majority of them export tropical agricultural products, for which the common external tariff can be accepted as roughly indicating the degree of preference or discrimination, while a few others concentrate mainly on temperate-zone products which are subject to the common agricultural policy as well as to preferential provisions.

122) Graph 2 indicates the importance of the five main tropical agricultural products[2] in the exports of African countries and territories, and the share of such exports going to EEC. As indicated by the dotted line, the associated countries and territories of the French Community rely generally more on these products[3] than most other African countries whereas minerals and textile fibres are of rather limited importance in their exports. The former Belgian Congo, on the other hand, has large exports of minerals as well as of textile fibres, although its exports of tropical agricultural products have been increasing rapidly in the past few years.

123) The scope for a shift in the export pattern of associated countries is evidently greatest where the proportion of commodities subject to EEC discrimination and currently exported to non-EEC countries is highest and conversely the vulnerability of non-associated countries to any change in EEC sources of supply is greatest where the

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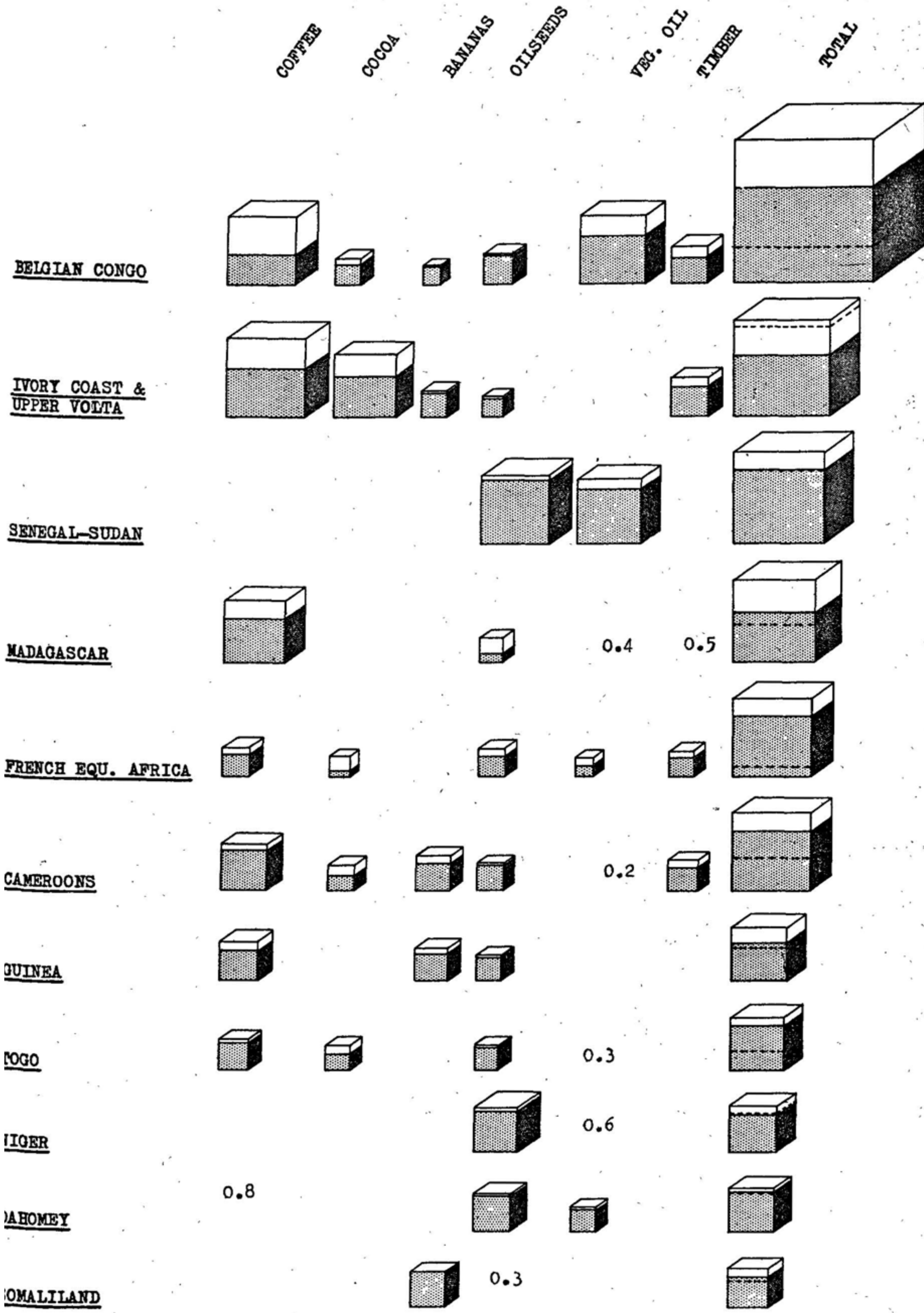
[1] This only applies to these countries's trade with the Six: the prospects of intra-African trade are considered in section III.

[2] Oilseeds are included although not subject to duty in EEC, because, as explained below, crushing is an important area of industrial development which may be very much influenced by EEC tariffs.

[3] This would appear even more clearly if the table included citrus fruit for Guinea and rice and sugar for the Malagasy Republic.

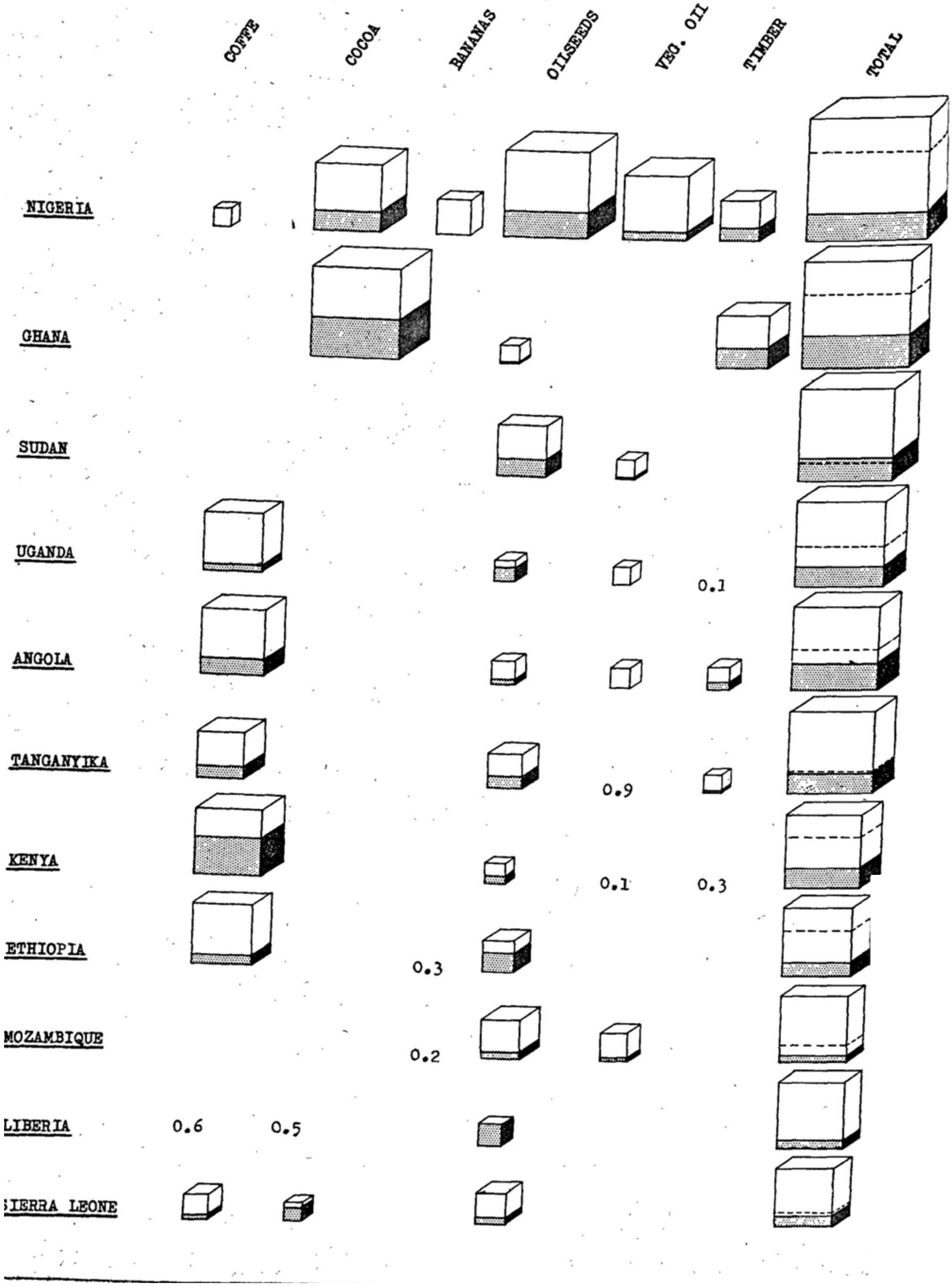
EXPORTS OF SELECTED TROPICAL PRODUCTS FROM AFRICAN COUNTRIES

(Associated Countries)



EXPORTS OF SELECTED TROPICAL PRODUCTS FROM AFRICAN COUNTRIES

(Non Associated Countries)



Graph 2

Exports of selected tropical products from Associated and non-Associated African Countries

(million dollars)

1) The volume of each cube is proportionate to total exports from each country of the six commodities and to the total value of all exports. The linear scale is the following : -

0 1 50 100 250 500

Thus, Nigerian exports of coffee (first cube) represent 1.0 million U.S. dollars, total Nigerian exports (last cube), 365 million U.S. dollars.

2) The shaded volume is proportionate to exports to the six EEC countries.

3) On the cubes representing "total exports", the dotted volume corresponds to the value of the six commodities specified on the graph.

4) All figures are derived from national publications : they generally refer to the average of 1956-58.

share of products subject to EEC discrimination and currently exported to EEC countries is highest.

124) From this standpoint the Ivory Coast is in by far the most favourable position among the associated countries, with almost one third of products subject to discrimination exported to destinations outside of EEC[1]. In the Cameroons the corresponding proportion is one-fifth and in Madagascar about one-eighth; elsewhere the proportion is rather small.

125) Among the non-associated countries, Angola, Ghana, Kenya, Uganda and Tanganyika appear to be in the most vulnerable position since they rely heavily on exports of coffee or cocoa, a significant share of which is shipped to the Six. Although Nigeria is at present EEC's most important non-associated African supplier of tropical produce, its position is less vulnerable in the short run because of the high share of oilseeds (mainly groundnuts) in its exports - these not being subject to any tariff preference.

126) EEC discrimination may also affect the commodity pattern of exports of African countries. It may, for example, tend to encourage efforts to diversify exports in such countries as the Congo and Ruanda Urundi, Gabon, the Ivory Coast and Congo (Brazzaville) all of which still havehuge tracts of forest land available. On the other hand, it tends to impose a handicap on similar ventures in several of the non-associated countries where there is scope for expanding the output of such products as coffee, bananas and even cocoa.

127) Although temperate zone agricultural products (including citrus fruits) account for a significant share of the exports of a number of African countries[2], they are exported to EEC in large quantities only by some countries in North Africa. The reason for this is that trade in these products has always moved within sheltered channels - exports of sterling area countries going to the United Kingdom, of franc zone countries to France, and of the former Italian territories to Italy.

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[1] Part of those exports, however, are shipped to the franc area.

[2] Union of South Africa, Federation of Rhodesia and Nyasaland, Kenya etc.

As can be seen from Table 7, temperate zone agricultural products account for about one third of Morocco's and Tunisia's exports and for about two-thirds of those of Algeria, whereas they hardly exceed one-fifth of Libyan exports; and the degree of concentration of these exports on privileged markets is much higher than that of other exports (except in Libya).

128) Since some kind of common agricultural policy is proposed for most of the temperate zone agricultural products, the tariffs shown in Table 7 in many cases understate the degree of preference that will be enjoyed by the agriculture of the Six (including Algeria)[1]. Moreover, what matters most for the North African countries in the short run is not the potentialities of the EEC market as a whole, but the fate of the existing preferential arrangements with the franc zone[2] (for Morocco and Tunisia) and with Italy (Libya). Although these preferential arrangements were endorsed by the Rome Treaty, it is difficult to see how they can be reconciled in the long run with the envisaged common agricultural policy (especially for grains and wine) unless African exporters are themselves integrated into the managed marketing system.

129) Table 8 indicates the overall incidence of the common external tariff. The table shows the amount of duty that would have had to be paid if the common external tariff had been applied to the imports of EEC from third countries in 1958. This calculation is, of course, purely hypothetical, since it cannot be assumed that the value of imports of various commodities would not have been affected by the application of the tariff. Moreover, the external tariff is applied without the envisaged 20 per cent reduction and without taking into account the duty-free quotas. On the other hand, the incidence of

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[1] This applies particularly to cereals, where a fully articulated managed marketing system is envisaged.

[2] The trade agreement between Tunisia and France is due for renewal on 1st October 1960; the concessions granted by France to Morocco are unilateral (Morocco having a non-discriminatory tariff) and can be withdrawn at any time.

TABLE 7

Commodity Structure of North African Exports
(Million US Dollars)

Exporting area and area of destination / Commodity	Algeria (1957)			Morocco (1956)			Tunisia (1957)			Libya (1958)		
	Total	Franc zone	EEC	Total	Franc zone	EEC	Total	Franc zone	EEC	Total	Italy	EEC
I **Products not subject to an EEC external tariff**												
Mining products	51.0	10.0	23.4	112.2	40.7	69.9	35.5	7.6	18.2	0.42	0.34	0.35
Hides and skins	7.6	4.8	6.6	4.8	3.9	4.2	1.9	1.2	1.7	0.61	0.45	0.45
Textile fibres	4.3	2.1	2.1	15.5	7.4	11.5	4.3	1.2	1.4	0.33	0.23	0.24
Oilseeds	-	-	-	-	-	-	-	-	-	3.44	1.39	2.61
Guts, sponges and bones	-	-	-	6.2	4.1	4.5	-	-	-	0.43	0.08	0.08
TOTAL I	62.9	16.9	32.1	138.7	56.1	90.1	41.7	10.0	21.3	5.23	2.49	3.73
II **Products subject to common agricultural policy or managed marketing in the EEC**												
Grains	3.5	0.5	2.1	59.2	41.4	54.1	10.8	10.7	10.7	0.45	0.01	0.01
Citrus fruits	2.6	2.4	2.4	19.3	16.7	18.6	4.3	4.2	4.2	-	-	-
Other fruits and nuts	9.8	9.4	9.2	2.6	1.3	2.5	0.9	0.9	0.9	0.60	0.03	0.21
Vegetables	22.1	21.0	21.0	25.3	22.0	22.6	2.3	2.1	2.3	0.11	0.01	0.01
Tobacco	3.2	2.3	2.3	-	-	-	-	-	-	0.18	-	-
Livestock	1.4	1.4	1.4	-	-	-	-	-	-	1.30	0.13	0.13
Wines	227.7	225.9	223.1	9.7	9.5	9.7	29.2	24.3	24.8	-	-	-
TOTAL II	270.3	262.9	261.5	116.1	90.9	107.5	47.5	42.2	42.9	2.64	0.17	0.36

T A B L E 7 (Cont'd)

Commodity Structure of North African Exports
(Million US Dollars)

Exporting area and area of destination	Algeria (1957)			Morocco (1956)			Tunisia (1957)			Libya (1958)		
Commodity	Total	Franc zone	EEC	Total	Franc zone	EEC	Total	Franc zone	EEC	Total	Italy	EEC
III Other agricultural products												
Olives and caper	4.6	3.0	3.0	-	-	-	-	-	-	-	-	-
Cork	6.7	3.3	3.3	5.9	2.7	4.1	1.5	1.1	1.2	-	-	-
Esparto	-	-	-	-	-	-	-	-	-	0.76	-	-
Fish	4.4	3.9	3.9	26.2	18.4	23.1	3.3	3.1	3.1	0.64	0.55	0.55
TOTAL III	15.7	10.2	10.2	32.1	21.1	27.2	4.8	4.2	4.3	1.40	0.55	0.55
IV Processed food, semi-finished goods and manufactures												
Vegetable oils	3.4	0.9	1.8	0.7	0.5	0.5	24.2	13.2	19.4	1.49	1.34	1.34
Fruit oils	2.6	2.4	2.4	7.0	5.9	7.0	1.5	1.5	1.5	-	-	-
Cereal products	17.5	16.5	16.8	0.8	0.3	0.7	-	-	-	-	-	-
Manufactured tobacco	5.7	5.1	0.8	-	-	-	-	-	-	-	-	-
Carpets, tapestries, blankets	1.1	0.6	0.6	0.7	0.5	0.5	-	-	-	-	-	-
Cork Manufactures	0.4	0.4	0.4	-	-	-	-	-	-	-	-	-
Paper and paperboard	6.0	4.7	4.2	3.7	3.1	3.5	-	-	-	-	-	-
Leather articles and footwear	-	-	-	3.4	2.6	3.2	0.02	0.02	0.02	-	-	-
TOTAL IV	36.7	30.6	43.8	16.3	12.9	15.4	25.7	14.7	20.9	1.49	1.34	1.34
V Unspecified	83.7	[illegible]	[illegible]	[illegible]	27.2	29.4	[illegible]	[illegible]	24.3	[illegible]	[illegible]	0.03
TOTALS I - V	468.5	400.5	399.3	339.1	212.3	273.8	141.1	92.5	110.9	12.07	4.47	5.94

TABLE 7b

EEC common external tariffs of most important Commodities exported by North African countries

(per cents)

Barley	13	Wine	100-120*	Knitted, netted and crocheted goods	21
Wheat	20	Olive oil	20	Paper and paper board	14
Rice	16	Cork unworked	5 and 8	Cement	8
Maize	9	in blocks, sheets etc.	12	Superphosphates	6
Tomatoes[a]	11 and 18	Vegetable hair	3	Cotton yar	10
Potatoes[a]	15 and 21	Jams, preserved fruits	30	Cotton tissus	17
Oranges[a]	15 and 20	Fruit juices	21 - 28		
Dried leguminous vegetables	7 and 10	Preserved vegetables	16		
		Eggs[a]	12 and 15		
Fresh sea fish		Leather	6 - 10		
Tunny and Sardines	25	Leather articles	17 - 20		
Other	15	Carpets	40		
Preserved sardines	25	Blankets	19		

N.B. The tariffs above refer to products and varieties of particular importance to North African countries: since they do not cover the full range of products, they have only an indicative character.

a Seasonal tariffs.

TABLE 8

The incidence of the EEC external tariff on imports from third countries

Country of origin	1958 imports (million dollars)				Average percentage incidence of EEC external tariff on imports	EEC duty on imports (million dollars)	Average percentage incidence of EEC tariff on the African country's total exports
	Products with *ad valorem* duties	Products with duties not yet established	Products with specific duties	Coal, iron steel and nuclear products (a)	(b)	(c)	(d)
Morocco	259.9	-	30.5	26.4	10.2	26.5	8.8
Tunisia	85.3	-	37.4	5.7	13,4	11.4	7.6
Libya	7.3	-	-	0.2	10.2	0.7	5.[illegible]
Ghana	94.0	-	-	1.6	7.4	10.4	3.6
Portuguese territories (e)	50.8	-	-	3.7	8.2	4.2	1,9
Ethiopia	12.5	-	-	0.2	9.1	1.1	1.7
British East Africa (f)	93.3	0.3	-	0.5	5.7	5.3	1.3
Federation of Rhodesia and Nyasaland	63.5	-	-	0.4	3.4	3.1	0.8
Nigeria	112.2	-	-	0.7	2.3	2.6	0.7
Union of South Africa	206.4	0.3	1.1	11.0	3.4	7.0	0.6
UAR (Egypt)	67.1	0.9	0.2	0.6	2.7	1.8	0.4
British West Africa (g)	8.1	-	-	9.2	2.9	0.2	0.3
Liberia	12.3	-	-	16.5	0.5	0.06	0.0
Sudan	33.9	-	-	-	0.1	0.03	0.0

Source: Statistical Office of EEC

(a) Coming under the provisions of the European Coal and Steel Community and the Euratom.
(b) Only products with *ad valorem* duties.
(c) Value of products with *ad valorem* duties multiplied by average incidence of EEC duty.
(d) Previous column as percent of total exports recorded by the African country: this gives only a rough estimate.
(e) Angola, Mozambique, Portuguese Guinea, etc.
(f) Including Zanzibar, Mauritius, Seychelles.
(g) Gambia, Sierra Leone and St. Helen.

of specific duties (important mainly for Moroccan and Tunisian wines) could not be calculated for technical reasons; their inclusion would significantly increase the overall incidence of the common external tariff for the countries concerned. It should also be noted that the duties applied to some of the temperate zone products (especially grains and sugar) may lose much of their significance under the contemplated managed marketing system. In spite of these reservations the orders of magnitude indicated in the table give a fair picture of the relative positions of the main non-associated countries and territories.

130) The three North African countries form a separate group. The discontinuation of duty-free entry to the French and Italian markets would subject them to an EEC tariff averaging more than 10 per cent[1/] - corresponding to an incidence of 5 to 8 per cent on their total exports.

131) The position of some tropical producers is somewhat obscured by the fact that all Portuguese territories and all British East African territories are lumped together in the European trade classification used. In fact, Angola, Uganda and Kenya seem to be in a position comparable to Ghana as far as the overall incidence of the EEC tariff is concerned, whereas Mozambique and the smaller British and Portuguese territories appear to be clearly below a one per cent incidence. These territories as well as the Federation of Rhodesia and Nyasaland, Nigeria and the Union of South Africa are marginally affected by the EEC tariff, while the last four countries in the table are clearly not concerned, at least as far as their present pattern of exports goes.

III. IMPLICATIONS OF WEST-EUROPEAN INTEGRATION FOR AFRICAN INDUSTRIALIZATION AND INTRA-AFRICAN TRADE.

Industrialization and economic development.

132) Whereas West-European countries generally allow duty-free imports of primary commodities that do not compete direct with their domestic production or that of their present or former overseas dependencies, they often impose substantial duties on processed or manufactured products. The abolition of tariffs within the two West-European trade groupings

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[1/] Significantly higher if the specific duty on wine is taken into account: this duty is very roughly equivalent to 100 per cent.

may therefore be expected to aggravate the difficulties already experienced by under-developed countries in expanding their exports of manufactured goods to the West-European market. The implications for the future of such exports are particularly serious in the case of under-developed countries not associated with the EEC, which will suffer the adverse effects, not only of the abolition of tariffs within the EFTA area, but of the dismantling of EEC internal tariffs and the establishment of an EEC external tariff higher than the average previous national tariff, on many of the processed or manufactured products that bulk or will bulk large in their exports. The position of EEC associated countries with regard to the EFTA market is similar to that of non-associated countries; in attempting to assess the bearing of their association with the EEC on their industrialization and economic development, stress must once more be laid, as throughout this report, on the provisional or highly formal nature of many of the EEC arrangements.

133) As was pointed out in Section I above, the Rome Treaty provides for duty-free entry into the EEC area of all products, whether primary or manufactured, originating in the associated countries or territories. This provision is significant in that it extends a privilege formerly confined to the metropolitan market to a much larger market and in exceptional cases, i.e. the Congo and Ruanda-Urundi, introduces preferences not previously enjoyed anywhere on the EEC market. Whatever the nature of the new convention of association to be negotiated in 1962, this provision will certainly be retained. The degree of preference, which according to the originally established external EEC tariffs, is fairly substantial for many of the semi-manufactures that are now or likely in the future to become of importance in the exports of African countries associated with the EEC, cannot be yet accurately determined, dependent as it is on the level of the common tariff finally adopted. It can, however, be safely assumed that the provision for luty-free entry to the EEC market will benefit manufactured goods exported by the associated African countries, and

particularly by the Congo and Ruanda-Urundi. As already stated in Section I above, the associated countries that have special relations with France now enjoy important tariff preferences in the French metropolitan market. Apart from groundnut oil and refined sugar, that market would have been large enough in the past to absorb quantities far in excess of the export levels reached in those countries.

134) Although ultimately of considerable importance, measures reducing obstacles to exports of manufactures may be of less direct concern to countries at the stage of economic development reached by the African associates of the EEC than provisions concerned with the growth of manufacturing industries working for the local market. Competition from imported manufactures is a more immediate problem in those countries than exports of manufactured goods, which can hardly be developed on any marked scale for a long time to come. Those provisions of the Rome Treaty that affect the prospects of industrialization based on the local market are less unequivocally beneficial to the associated countries than those affecting their prospects of exporting manufactured goods.

135) The possible effects of the abolition of tariffs and quantitative restrictions by the associated countries under the Rome Treaty are naturally of concern to those having special relations with France; for the opening up of their markets, now held almost exclusively by France, to the less expensive manufactures of other EEC countries, which would tend to bring down French manufacturers' prices, might have serious consequences for their existing and future local industries. The Congo and Ruanda-Urundi, on the contrary, pursuing as they do a completely non-discriminatory import policy, will not be obliged to reduce their present tariff duties - or quantitative restrictions either, since they apply none.

136) These countries are not explicitly forbidden by the letter of the Treaty or the present Convention of Association to introduce or increase existing non-discriminatory (as among the "Six") customs

tariffs on imports from the "Six", or to subject such imports to new quantitative restrictions. Nor are they, on the other hand, explicitly permitted to resort to measures for the safeguard of their industrial development other than the imposition of non-discriminatory (as among the "Six") customs tariffs. As already stated, the transition to independence of the associated African countries will no doubt mean changed formal arrangements under the new convention of association to be negotiated in 1962. A decisive factor in these changes, and particularly in their practical implications, will clearly be the attitude of the six member countries to the whole question of association. Apart from the aid granted through the EEC Development Fund, there is still too little evidence on which to judge the extent to which EEC policy will, in practice, be directed towards facilitating rapid development and diversification of the economies of the associated African countries. It seems reasonable to assume that the "Six" view the Treaty as an instrument affording reciprocal advantages to themselves and the associated countries and expect to obtain in the latter's markets advantages that will, at least to some extent, compensate them for the concessions they grant on primary products. Hence it is doubtful whether, if the associated countries were to seek to diversify their economies by introducing a much broader range of protection than now exists, the "Six" would continue to offer the same advantages to their exports of primary commodities.

137) Equally vital to the associated countries is the question whether their development will not be hampered by the difficulties they will encounter, with an import policy restricted to the application of customs tariffs alone, in planning the use of their earnings in foreign currency and tackling the balance-of-payments problems connected with rapid development. There is as yet no evidence that assistance from the "Six" in solving their balance-of-payments problems will offset the restrictions on the associated countries' freedom of action in the field of commercial policy.

138) These implications of West-European trade groupings for African

industrialization are of even more crucial importance to the African countries than the impact on traditional exports considered in the preceding Section. It is a well-known phenomenon that in primary producing countries attempting to maintain an appropriate rate of economic growth there is a tendency for import requirements to outstrip import capacity 1/. African countries have fared rather better during the last two decades than have primary producers in general, apart from those exporting petroleum 2/. In exceptional cases - e.g. former French Equatorial Africa and Liberia, - exports have even risen at a rate comparable or superior to that found in the main petroleum-exporting countries. This increase must, however, be seen against the background of the exceedingly low level of exports from some African countries in the pre-war period. Moreover, the expansion arose out of very special circumstances (post-war shortages of certain commodities and West-European countries' foreign exchange difficulties) which led European countries with African dependencies to adopt a wide variety of special arrangements providing important stimuli to production in these territories. While demand prospects would appear to be on the whole better for Africa than for primary producing countries which export mainly temperate-zone agricultural commodities or for Far Eastern countries which rely heavily on exports of products like tea, rubber, tin, textile fibres and hides and skins, it would be unduly optimistic to expect exports to continue to expand in the future at anything like the rate characterizing the last two decades. It would be more realistic to assume that the increase in export earnings from primary commodities may not suffice to maintain a high enough rate of development in African countries, particularly

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1/ The difficulties of this type faced by primary producers have in recent years been the subject of many studies, which analyse in detail the import elasticities of demand and the technological and structural factors giving rise to this problem. See, for instance, World Economic Survey, 1958, Economic Survey of Europe, 1957, Economic Survey of Asia and the Far East, 1959, Trends in International Trade - a report by a panel of experts, Geneva, 1958 and the annual reports of GATT.

2/ Africa's share in the total exports of primary producing countries rose from 15 to 18 per cent between 1938 and 1958.

in those not associated with the EEC.

139) Capital transfers and foreign aid may considerably supplement earnings from commodity trade in some African countries, especially those associated with the EEC, although the direction of private investment may be more influenced by considerations of political stability, provisions for the necessary guarantees etc. than by the question of association or non-association[1]. In any case, capital transfers and foreign aid can hardly be counted upon to solve Africa's long-term problems. Whether the African countries can earn sufficient exchange to maintain a high rate of economic expansion would appear to depend chiefly on diversification of exports in favour of dynamic commodities, i.e. manufactures, the demand for which keeps pace with rising incomes and activity in industrialized countries. The penetration of manufactures from primary producing countries into the West - European market is already meeting with serious obstacles both of a tariff and of a non-tariff nature. Any arrangements made by West-European countries that aggravate these difficulties encountered by primary producing countries must therefore be considered a matter of the utmost concern.

140) The importance of certain processed materials and manufactured goods in the export economies of African countries is reflected in the data given in Table 9. Apart from vegetable oils and processed metals, which are exported in fairly substantial quantities by the African countries associated with the EEC, exports of semi-finished and finished products from these countries[1] are restricted to small shipments of products like cocoa paste and cocoa butter, fruit juices and preserves, fish conserves, tropical wood, sisal and jute which have been subjected

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1/ There is no doubt, however, that in cases such as the location of a big aluminium plant, association or non-association with the EEC may be an important criterion in view of the 10 per cent duty on aluminium.

2/ The manufacturing industry proper, which is of some importance in certain of these countries, particularly the Congo (Leopoldville), works entirely for the home market or exports to neighbouring countries.

TABLE 9

SELECTED IMPORTS OF O.E.E.C.[a] COUNTRIES FROM AFRICAN COUNTRIES, 1959 (Thousand dollars)

Commodoties	Total Imports			Manufactured Goods (except Base metals)			Fish Preparations			Fruits & Veget.Prep.		
SITC Code number				6-8 (except 68)			032			053 & 055		
Area of Origin / Importing area	OEEC	EEC	EFTA	OEEC	EEC	EFTA	OEEC	EEC	EFTA	OEEC	EEC	EFTA
Algeria	394,887	354,457	35,760	7,844	6,918	588	884	884	—	4,817	4,817	—
Cameroons	10,386	91,419	2,286	135	134	1	—	—	—	—	—	—
Former French West Africa[b]	313,088	271,088	16,167	5,382	4,019	1,109	2,113	2,113	—	2,840	2,840	—
Former French Equatorial Africa	114,191	90,173	5,758	5,322	2,600	834	103	103	—	—	—	—
Malagasy Republic	71,986	56,470	3,573	1,341	1,341	—	—	—	—	1,911	1,911	—
Congo & Ruanda Urundi	471,522	331,832	28,797	4,702	1,909	1,016	—	—	—	2,914	2,914	—
Former Italian Somaliland	13,882	13,147	—	—	—	—	537	537	—	—	—	—
French Somali Coast	497	103	—	—	—	—	—	—	—	—	—	—
Nigeria	462,718	153,413	270,764	6,279	—	6,279	—	—	—	109	—	109
British A.O.C. West Africa	26,830	17,611	21,241	148	—	148						
British A.O.C. East Africa	287,280	90,467	140,226	5,766	—	5,675				909	909	
Ghana	275,687	109,514	89,036	10,991	8,480	2,096				276	—	276
Rhodesia Fed.	410,369	98,284	277,367	5,397	235	5,136				484		484
Portuguese A.O.C. Africa	173,796	17,838	87,924	785	170	615	450	127	4	2	—	2
Spanish A.O.C. Africa	5,143	3,301	1,730									
U.A.R. (Egypt)	107,990	66,836	23,782	7,441	3,657	2,463				1,322	808	514
Ethiopia	38,064	13,765	7,617	140	—	140						
Guinea	18,434	18,434	—							396	396	—
Morocco	355,945	292,427	50,608	24,224	22,975	650	14,849	14,447	115	5,668	5,488	—
Tunisia	133,239	112,164	15,932	1,126[c]	616	362[c]	1,587	1,587	—	1,999	1,999	—
Liberia	97,224	31,504	23,855	27,355[c]	9,996	16,455[c]						
Libya	101,744	4,277	2,054	653	—	653	357	357	—			
Sudan	127,393	62,633	57,406	1,111	—	1,111						
Union of South Africa	627,116	210,847	301,789	45,857	19,695	12,678	6,782	442	3,858	5,062	2,496	2,004
Total:	4,669,555	2,541,970	1,463,850	161,999	82,745	57,969	27,662	20,579	3,977	28,709	24,578	3,389

TABLE 9

SELECTED IMPORTS OF O.E.E.C.[a] COUNTRIES FROM AFRICAN COUNTRIES, 1959 (Thousand dollars) (Cont'd)

Commodities	Chocolate and Chocolate Prep.			Wood Shaped or Simply Worked			Vegetable oils			Base Metals		
SITC Code number	073			243			421			68		
Area of Origin / Importing area	OEEC	EEC	EFTA	OEEC	EEC	EFTA	OEEC	EEC	EFTA	OEEC	EEC	EFTA
Algeria	--	--	--	--	--	--	1,446	949	134	545	545	--
Cameroons	5,211 d)	4,254 d)	425	1,995	1,890	105	350	350	--	15,002	10,216	815
Former French West Africa b)	--	--	--	1,417	665	567	44,812	44,812	--			
Former French Equatorial Africa	--	--	--	1,336	725	373	793	793	--			
Malagasy Republic	--	--	--	--	--	--	300	300	--			
Congo & Ruanda Urundi	--	--	--	3,050	2,266	664	54,526	39,388	4,162	200,825	166,415	6,064
Former Italian Somaliland	--	--	--	--	--	--	--	--	--	--	--	--
French Somali Coast	--	--	--	--	--	--	--	--	--	--	--	--
Nigeria	--	--	--	3,648	159	3,065	57,438	5,253	52,829			
British A.O.C. West Africa	--						132	--	132			
British A.O.C. East Africa	--						5,039	--	5,039	373	373	--
Ghana	4,947 d)	--	3,456 d)	14,028	2,315	9,955						
Rhodesia Fed.							228	--	228	254,310	70,214	169,755
Portuguese A.O.C. Africa	--	--	--	265	--	265	3,936	1,248	2,547	1,014	515	499
Spanish A.O.C. Africa												
U.A.R.												
Ethiopia												
Guinea												
Morocco							966	966	--	5,506	4,245	203
Tunisia							34,949	31,561	994	3,859	3,564	295
Liberia												
Libya							679	679	--			
Sudan												
Union of South Africa	211	--	211				1,832	171	904	36,722	14,794	10,991
Total:				25,739	8,020	14,991	207,426	126,467	66,169	518,156	271,061	188,622

Source: Foreign Trade Serie C. Volume II Imports. Jan. Dec. 1959

a) Including USA and Canada
b) Including Togoland
c) Including 16,455 thousand dollars worth ships reexported to Norvay
d) These figures include exports of cocoa products reported by exporting countries.

N.B. "Manufactured goods" include diamonds and timber products such as veneer sheets which account for a large part of the exports of some West African countries in this category. " A.O.C. " stands for associated overseas Countries in ...

to rather elementary processing. The industrial exports of the non-associated African countries cover a much wider variety of products and are in some cases, e.g. the Union of South Africa and the North African countries, much more important than in the countries associated with the EEC. (See Table 7).

141) While the Union of South Africa directs the bulk of its exports of manufactured goods to non-EEC markets, the North African countries having special relations with France depend predominantly on the EEC, or rather the French metropolitan market for their quite considerable export trade in goods like processed foods, leather articles, footwear, textiles and paper. For all these products the common EEC tariff means an increase in protection in the Benelux countries and the Federal Republic of Germany and a decrease in France and Italy. Consequently, the competitive position of Moroccan and Tunisian exports in the Benelux and West-German markets - which even under existing conditions is not very strong - will deteriorate still further. On the other hand, Morocco and Tunisia cannot improve their competitive position in France, since their shipments to that country are already admitted free of duty. Only in Italy would there be any potential gains for them.

Intra-African trade

142) While the West-European trade groupings may have no important immediate effects on current intra-African trade, the efforts of African countries associated with the EEC to create opportunities for diversifying their economies through the establishment of closer trade ties on a regional level may ultimately be hampered by their association with the EEC, at least if their efforts entail discrimination against the "Six". Indeed, unlikely as it may be that the "Six" would regard a general raising of protective tariffs in the associated countries as being in harmony with the spirit of the Rome Treaty, it is even less likely that they would tolerate discrimination against them and in favour of African countries. The preferential arrangements of the Rome Treaty will tend to preserve and even strengthen the

traditional feature of African trade, namely concentration on industrialized markets to the exclusion of any significant organized trade flows between the various monetary zones of the continent[1]. This would in the long run be detrimental to intra-African trade and especially to trade in West Africa, where there are a number of small associated and non-associated countries side by side which would need to be included in any economic grouping to be promoted in the area.

143) Lack of adequate statistical data is a major obstacle to an assessment of the importance of intra-African trade. For example the bulk of the overland trade escapes recording completely. This is particularly true of the traditional exchanges of foodstuffs between the complementary areas of the savannah and the forest belt in West and Equatorial Africa which are carried out without regard to state boundaries, as well as of the trade in imported manufactures between the African sterling countries and countries in the French franc zone of Africa. Both of these trade flows, which are closely linked with migratory movements, were possible in the past only because of loose boundary controls, and the emergence of new sovereign states may jeopardize them unless agreements are reached between the countries concerned.

144) The more organized types of intra-African trade include sea-borne traffic in foodstuffs and raw materials between complementary regions and exports of manufactures by sea and overland from the emerging industrial centres of Africa to other parts of the continent.

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[1] The most concerned by this situation are African countries with rapidly developing manufacturing industry (such as U.A.R. (Egypt)) which are looking for markets on the continent.

Both categories of trade increased sharply during the War and early post-war period, when the lack of communications with Europe and acute shortages provided substantial protection for intra-African trade. Since the return to more normal conditions recorded intra-African trade[1] has developed more or less in line with total African trade.

145) The most striking feature of organized intra-African trade is its heavy concentration within monetary areas, especially within the Franc Zone and the Sterling Area, and even more, within the various customs unions established inside these two areas. This type of trade has been facilitated not only by the sometimes considerable protection offered within the customs unions, but also by the truly multilateral payments system existing within the monetary zones. With the recent transition to independence of these countries and the establishment of central banks and national currencies in a situation of foreign exchange shortages, the scope for multilateral payments has been reduced, particularly in the Franc Zone. The less developed members of the customs unions have reacted strongly to the lack of reciprocity in the arrangements instituted[2], and there is a likelihood that the prospects for intra-African trade in the immediate future will be more radically affected by institutional developments within the monetary zones and the customs unions in Africa than by the West-European trade groupings.

1/ Trade among the different countries of former French West Africa and among the countries of former French Equatorial Africa is not considered as foreign trade in official statistics and is recorded as "internal" trade only to the extent that it is sea-borne.

2/ The absence of adequate measures has led to a concentration of manufacturing activity within the customs unions in the country or territory which had the most favourable initial position: in former French West Africa, Senegal (Dakar) and later the Ivory Coast; in East Africa, Kenya; and the Union of South Africa in relation to the Federation of Rhodesia and Nyasaland. The most extreme example is Kenya, whose export surplus in intra-territorial trade, almost entirely accounted for by beverages, tobacco, processed foods and other manufactures, passed from £167,000 in 1950 to £7,500,000 in 1958.

Summary and conclusions

146) Any conclusions reached at the present stage concerning the impact of West-European trade groupings on African trade and development must of necessity be highly tentative, given the still provisional nature of these schemes. As was shown in the first section of this report, policy has not yet been worked out in many fields of direct interest to African countries; even where a policy has been laid down, considerable uncertainty remains as regards the preparedness of individual member countries to undertake its implementation. Uncertainty also prevails on the future composition of the West European trade groupings, and particularly on the question of associate membership of independent African countries in the European Economic Community. Again, the temporary nature of the convention stipulating the terms of association for these countries further limits the validity of any conclusions which can be drawn at present regarding the consequencesof such an integration programme for African economies.

147) Allowing for these limitations the more important general effects foreseeable at this stage are as follows. In regard to primary commodities, African trade and production are not likely to suffer any immediate serious effects from the arrangements adopted by the European Free Trade Association. On the other hand, the tariff regime provided under the Rome Treaty instituting the EEC is likely to influence current trade and production patterns in a number of important African export commodities, especially coffee, cocoa, vegetable oils, bananas and tropical timber, which the African countries associated with the EEC would be expected to make gains in the EEC market over non-associated African countries and other third countries. These latter countries are also likely to suffer adverse effects in their trade in and production of temperate-zone agricultural commodities such as cereals, sugar, wine, tobacco and citrus fruits, which play an important role in the economies of some African countries, particularly those in North Africa. Finally, as regards some primary commodities which are not yet produced on any great scale in Africa, such as for example tea, the EEC will affect largely

potential production and export in the region.

148) No important consequences of the EEC tariff regime can be foreseen for consumer prices and consumption in the EEC market. The discrimination provided for under that regime will affect existing relationships between producers' prices in associated and non-associated African countries. Only the Congo and Ruanda Urundi, however, can expect a clear improvement in their competitive position on the EEC market over non-associated African countries and other third countries. In the case of the other associated African countries, the preferences accorded under the external EEC tariff would not appear adequate to offset the deterioration that would occur in the position of these countries if the special arrangements of a non-tariff nature at present operated by France and Italy in their favour were to be gradually abolished. These arrangements are unlikely to be retained in a fully established common market.

149) Existing information on supply conditions in African countries and on the reactions of producers in the associated African countries and elsewhere in Africa to price changes is inadequate to permit a satisfactory assessment of probable effects on production. Yet, it would appear that output of most primary commodities, including their different varieties and qualities, likely to be influenced by the preferential tariff provisions in the Rome Treaty is fairly inelastic in the short run. Since, furthermore, the preferential arrangements are to be instituted only gradually, there is reason to believe that there will be no substantial immediate disturbances in existing African production patters. Trade flows would, however, probably react quickly to the establishment of even minor preferential margins, and the statistical position of most of the primary commodities subject to discrimination in the EEC is such as to permit appreciable shifts, even in the short run, in the pattern of EEC imports favouring associated African countries at the expense of third countries in Africa and elsewhere. Except in the case of coffee, production of which is increasing sharply in the associated countries, such shifts may not greatly

affect the total volume of exports of third countries; but the latter are likely to suffer losses in export earnings through a decline in price.

150) As to the long-term consequences for African exports of primary commodities, it has been shown that in some commodities, especially coffee, bananas, tobacco and tropical timber, the African countries associated with the EEC do not produce large quantities of the special varieties or types in common demanded on the EEC markets. Difficulties in cultivating them could largely be overcome with adequate investment and the application of known soil and plant treatment techniques or of the further results of research in this field. But it has been maintained that the capacity of the associated African countries to supply a much larger share of the EEC demand for these commodities than they do at present may not primarily depend on adjusting production to new varieties and types. The present pattern of consumption in the EEC market appears to reflect not rigid consumer tastes, but largely - in coffee, for example - taxation policies which substantially reduce the differential in consumer prices and thereby discourage demand for the varieties grown by the associated African countries, or - in bananas, for instance - the fact that importers have traditionally made their purchases chiefly from non-African sources.

151) The availability of suitable land, labour and capital in the African countries is not well enough known to enable an assessment to be made of possible variations in the scope for a long-term expansion of output. A study of the commodity composition of current exports, their directional pattern and the nature of the special economic ties existing between EEC member states and some African countries suggests that there are important differences in the advantages which individual associated or potentially associated African countries can expect to derive from the EEC and in the degree of vulnerability to the EEC arrangements of the non-associated African countries. Relations with the EEC raise a major issue in those North African countries which at present enjoy important preferential advantages in the French or

Italian market and rely predominantly on these markets for exports of commodities likely to be radically affected by the EEC arrangements. Quite substantial differences were found in the hypothetical incidence of the external EEC tariff on the exports also of the tropical African countries not associated with the EEC. This incidence is particularly low in the case of countries, such as U.A.R. (Egypt) and Sudan, which depend primarily on exports of industrial raw materials and relatively high in the case of, for example, Ghana, which has fairly important exports to the EEC market of commodities subject to discrimination in that market. Differences in the commodity composition and directional pattern of exports also affect the position of the individual African countries associated with the EEC and, in particular, the scope existing for a short-term diversion of exports to the EEC market.

152) Whereas the main effects of West-European integration on African production of/and trade in primary commodities may be expected to derive from EEC arrangements and are likely to benefit some African countries, current and potential production and trade in processed materials and manufactures will be affected by both the EEC and the EFTA and adverse effects may arise for all African countries. So far as concerns the African countries associated with the EEC, it has been shown that the letter of the Rome Treaty and the present Convention of Association leave them considerable freedom of action. It may be doubted, however, whether the "Six" would continue to accord these countries' exports the same preferences if protective measures limiting their own export opportunities were to be substantially increased in the countries concerned. There is therefore a danger that the Rome Treaty may tempt the latter to prefer the short-run advantage of tariff concessions to the long-run gains of industrial development. The remaining African countries will find in the two West-European trade groupings a considerable obstacle to the diversificationn of their economies. Intra-African trade will probably not be substantially affected in the immediate future by these trade groupings. The long-term consequences seem likely to be adverse, particularly if any adjustments in the commercial policy of the African countries associated with the EEC necessitated by the need for closer regional ties were to be hampered through association with the "Six".

Recommendations

153) In accordance with Resolution 7 (II), the Secretariat attempted to study and appraise in the preceding pages the effects of Western European integration on Africa. Notwithstanding their tentative and preliminary nature, the findings summarized above seem to justify certain general recommendations. Before presenting these recommendations, however, it might be useful to recall a few fundamental points.

154) Economic integration among highly developed countries aims essentially at accelerating economic growth by stimulating industrial efficiency.[1] This is achieved by replacing, within the region, high cost producers by low cost producers and by encouraging concentration and specialization. Being inspired by this principle, the European economic groupings cannot be expected to be geared mainly towards the promotion of African economies. This does not mean that European economic integration is necessarily inimical to Africa or to other underdeveloped regions, but simply that their interests would not be automatically considered and have therefore to be supported by arrangements for studies and consultations. This document represents an attempt of ECA to support members and associate members in this respect.[2]

155) The considerations given above apply fully to the EFTA, which covers only industrial products and excludes overseas countries and territories from the scope of the Treaty. As far as EEC is concerned, the association of certain overseas countries and territories is an important feature of the Treaty, but by no means an essential one.

1/ Cf. E/CN.14/64, Section I, which also notes that in underdeveloped countries the purpose of a larger market would be to promote new industries and to expand the scope of existing industries in order to create new employment opportunities rather than to increase the volume of output per head of those already fully employed.

2/ Members of GATT can rely on the forum provided by that body and on the analytical work performed by its Secretariat. More detailed information on GATT can be found in the information paper prepared by the Executive Secretary to the Contracting Parties (E/CN.14/61).

The Common Market of the Six could be maintained easily without any association of overseas countries.

156) Although the six countries of EEC have clearly expressed their intention to contribute to the economic development of the associated countries, association with EEC cannot be expected to solve all or even the most important long-term economic problems of associated countries. These problems have to be solved by the countries themselves and outside assistance, including trade preferences, cannot pretend to do more than to provide with favourable circumstances.

157) It is most important, however, to bear in mind the two facets of EEC association. On the one hand, the Convention of association reflected the endeavour to safeguard the interests of the primary producers and traders in the dependent territories against the abrupt suppression of their sheltered market and to supplement public investments by metropolitan countries in their dependent territories.[1] On the other hand, the measures adopted are such, that they leave open the door for considerable shifts in trade in favour of those producers in associated countries who can increase production rapidly (or start entirely new lines of production) at a relatively low cost. Such shifts appear to depend upon highly centralized and large scale investments in plantation or primary processing mainly by big private companies or under direct government sponsorship.[2] It is even possible that such investments, induced by EEC preferences, may occur in spite of the serious difficulties which are likely to be experienced by those established (mainly small scale) producers in the associated countries who were accustomed to prices far above those ruling on the world market.

1/ These considerations were especially important in respect to the former French overseas territories (see also the description of the mechanism of the franc zone in the Economic Bulletin for Africa, E/CN.14/67,Part B Chapter I). In exchange the privileged position of France on the markets of these territories was to be extended to other EEC members.

2/ Before independence, Belgian business and administration in the Congo were in an exceptionally favourable position to sponsor such investments.

158) The application of the Rome Treaty creates two distinct groupes of countries in Africa[1]; the associated ones are confronted with a set of advantages and disadvantages and some of the former may be to the detriment of the non-associated ones. In this situation the recommendations suggested by the Secretariat are bound to differ according to whether they apply to associated or to non-associated member countries, or to both groups together.

(i) Recommendations for countries maintaining or seeking a form of association with EEC

159) Although, as indicated above, no form of association with a group of industrial countries based on the idea of reciprocity would be in itself sufficient to solve the long term economic problems of any African country, some of them may legitimately consider such association necessary in order to alleviate their difficulties resulting from the breaking up of their sheltered markets. They also may hope to obtain some financial assistance and better access for their semi-processed goods on the market of the Six. If, on the basis of such considerations a country remains associated or seeks association with EEC, it is in its own interest not to dissipate the short-term benefits gained. On the contrary, it should deliberately aim at using them for decreasing its economic dependency, mainly by reducing its imports prices and internal costs, by diversifying the geographical pattern and commodity composition of its trade and by channeling as much investment as possible towards productive purposes. If this is not done, association with EEC can easily tend to perpetuate economic dependency and thus turn out to be a long term disadvantage to the country econcerned.

1/ Countries having or having had special links with an EEC member but not associated with EEC (such as Tunisia and Morocco) form a separate group whose position is more delicate than that of the other non-associated countries.

160) The legal framework of association is likely to change substantially in the new Convention to be negociated. In the meantime, other forms of association are open to countries at present non-associated.[1/] These negotiations require careful preparation by the countries concerned, since they have to identify clearly the kind of concessions they are prepared to grant to the Six and they have to aim at obtaining from EEC concrete and unequivocal commitments in exchange. The Rome Treaty and the Implementing Convention left many issuessunsettled and a wide scope for divergencies in interpretation and practical implementation. A clear understanding may minimize the chances of distrust and ill-feeling not only on the part of third countries but also among associated partners.

161) There may be some advantage for associated countries to aim at an arrangement covering a relatively short period (perhaps five years) and to avoid very general commitments with escape clauses which tend to work out at the disadvantage of the partner having a very weak economic bargaining position. In this way they could preserve their freedom of action in all those fields where such freedom is an indispensable condition for their trade and development policy. This applies particularly to quantitiative restrictions designed to protect domestic production, to promote trade with other underdeveloped countries and more generally to serve as a means of a selective import policy.

162) When preparing their development plans, the associated countries face the delicate task of striking the balance between expansion of production for export to industrial countries, mainly to the Six and expansion of production for domestic or regional markets. If they consider only their narrow national markets, it might be tempting to concentrate essentially on the first line, especially <u>in view of the EEC preferences.</u> It would be advisable, not only to

1/ This applies not only to Tunisia and Morocco but to any other African country. Moreover, countries presently associated under the Convention can, theoretically, seek other forms of association.

consider the possibilities offered by the larger regional market as they appear now, but to take the necessary policy measures that might improve these possibilities significantly.

(ii) Recommendations for non-associated countries

163) As shown in section III of this report, integration among Western European countries may create difficulties for African countries in their exports of temporate zone agricultural products, semi-processed goods and manufactures. These difficulties have to be appraised and countered by studies and by consultations requiring direct contact with the bodies concerned. Much more important, however, is the association of some African countries with EEC. As these countries are at present independent, the issue of association may be discussed directly with their governments.

164) When assessing their attitude towards the countries associated with EEC, the non-associated countries may tend to see only the negative aspects and the potential dangers of such an association to themselves. The economic difficulties of a number of associated countries are quite serious and drastic measures taken by their non-associated neighbours would tend increase their economic dependency. In this situation it would be in the interest of non-associated countries to act in such a way as to help the associated countries to implement the economic policy outlined above. This might at the same time induce the associated countries to refrain from harmful production and trade policies.

165) Keeping within the terms of reference of this report, the Secretariat has refrained from the examination of other preferential arrangements linking African countries and territories with industrial countries in Europe. Non-associated countries can hardly expect the associated countries to abandon EEC preferences, unless they themselves forego similar or comparable preferences. This example simply shows that it is difficult to consider the problems of EEC in isolation.

(iii) Recommendations for the Commission

166) In the long run associated and non-associated countries in Africa have fundamentally similar interests since they depend on the same range of primary exports. In view of this fact, the associated countries can hardly base their long-term commodity policies exclusively

on EEC preferences and non-associated countries cannot afford to ignore the policies followed by the associated ones. It is in the interest of both groups to achieve at least some degree of co-ordination in the production and exports policies of primary producers in Africa and elsewhere. This is admittedly a tremendous task, but a modest start may be made in this direction by bringing together for consultation and joint action economic planners and statutory bodies (Marketing Boards, Caisses de Stabilisation, etc.) dealing with these problems in associated and non-associated countries.

167) It is recognized in the report that association with EEC raises specially delicate problems for intra-regional trade in West Africa where associated and non-associated countries are contiguous. The Commission might consider the organization of a special trade conference for this sub-region[1], before the start of negociation on the new implementing Convention of association. The purpose of this conference would be to assess realistically the perspectives of West African trade and development and to consider measures of commercial and other policies which could be of mutual benefit.

1/ For the purpose of this conference the sub-region could be defined as including the area enclosed by the countries formerly part of French West Africa and French Equatorial Africa and the Congo (Leopoldville).

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