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ASSOCIATION OF NON-SELF-GOVERNING TERRITORIES WITH THE EUROPEAN ECONOMIC COMMUNITY

Report of the Secretariat

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INTRODUCTION

1. During the eighth session of the Committee on Information from Non-Self-Governing Territories and subsequently in the Fourth Committee of the General Assembly at its twelfth session, reference was made by members to the Treaty Establishing the European Economic Community and the implementing Convention relating to the association with the Community of overseas countries and territories.^{1/}

2. The discussions led to the adoption of resolution (1153 (XII)) on the economic development of Non-Self-Governing Territories, by which the General Assembly:

"Requests the Secretary-General to prepare for the thirteenth session of the General Assembly a report on the developments connected with the association of Non-Self-Governing Territories with the European Economic Community, taking into account the studies that may be undertaken in this connexion by the Economic and Social Council, the Economic Commission for Europe, the Economic Commission for Asia and the Far East, the Economic Commission for Latin America and other international organs, in so far as these studies may be relevant to the economic development of Non-Self-Governing Territories;

"Decides to resume consideration of this question at its thirteenth session."

3. The views expressed during the discussions held on this subject may be summarized briefly as follows.

4. According to some of the opinions voiced, the association of Non-Self-Governing Territories with the European Economic Community seemed to be contrary to the goals laid down in Chapter XI of the Charter, as it would result in an integration of those Territories with the members of the European Economic Community. The association of the Territories might retard their economic development and the pace of their industrialization by opening their markets to an influx of manufactured products from Europe. It was thus likely to reduce them to mere suppliers of raw materials and markets for European manufactured goods. The newly established industries in the Territories would not be able to compete with those of the highly industrialized countries of the Community. The Treaty offered no guarantee that investments to be made by the proposed Development Fund would primarily take into account the main interests of the

^{1/} Cf. A/C.4/360.

Territories. With the establishment of EEC, prices of exports from the Territories would have to be reduced in favour of the other five Member States and imports from these States would have to be included in the preferential tariff system of the Territories. The possibility of immigration from member countries of the Community to the Associated Territories would become a real danger to local populations. The absence of adequate provision for the termination of the association was cause for serious apprehension. Finally, it was not evident that the peoples of the Non-Self-Governing Territories had been fully consulted regarding their association with the Community.

5. On the other hand, in reply to some of the points cited above, the view was expressed that the association of Non-Self-Governing Territories with the European Economic Community was in full compliance with the principles laid down in the Charter. The Treaty included provisions for the protection of local industries and, in particular, the maintenance of customs duties in accordance with the needs of the Territories. Thus, the question of relegating the Associated Territories to mere suppliers of raw materials did not arise. The Development Fund would be additional to, but not a substitution for, existing finance programmes. The progressive abolition of customs barriers within EEC would redound to the benefit of the Associated Territories by providing additional outlets for their products. The Treaty would open a market of 180 million consumers to African producers. Furthermore, consumers in the Territories would benefit from lower prices, which would help to reduce the cost of living. The Treaty provided for an Implementing Convention to cover the initial five years of the entry into force of the Treaty, and a study also will be devoted to any measures that might improve the programme. The African members of the French Parliament had played a considerable part in the discussions held at the National Assembly in 1957 leading to the approval of the Rome Treaty. Previous consultations had been held with representatives of the African Non-Self-Governing Territories.

6. The present note, prepared in compliance with the resolution referred to above, is based on official information available to the Secretary-General and, in particular, on the text of the Treaty Establishing the European Economic Community, as well as on statistical information relating to foreign trade in

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the Non-Self-Governing Territories concerned. In accordance with the instruction received from the General Assembly account has been taken of studies undertaken in this connexion by various international bodies in so far as they have been relevant to the economic development of the Non-Self-Governing Territories.^{2/}

7. The most important international development relating to the association with the Community which has occurred since the close of the twelfth session of the Assembly are the studies and debates on this subject which have been pursued by the General Agreement on Tariffs and Trade (GATT). The association of Non-Self-Governing Territories has been dealt with extensively in the report submitted by the Committee on the Rome Treaty to the Contracting Parties on 29 November 1957; and a working party on the same topic has been studying the likely effects (mostly on third countries), by commodities, of preferential tariffs.

8. During the discussions at GATT a number of member countries raised a major legal objection to the association of Overseas Territories with EEC. They argued that the provisions of the Rome Treaty relating to this association were incompatible with article XXIV of the General Agreement for free-trade areas and that such an association extended the preferences authorized under paragraph 2, article I of the General Agreement to Territories which were not entitled, under the Agreement, to deviate from the most-favoured-nations provisions of GATT. Nowhere did the Rome Treaty indicate that the proposed association would constitute a free-trade area. On the other hand, the representative of the six parties to the EEC Agreement considered that the rules of EEC concerning the association of overseas Territories were in conformity with the provisions of the General Agreement concerning free-trade areas, and particularly with the conditions laid down in article XXIV of the General Agreement.

^{2/} Economic Survey of Europe in 1956 (Sales No. 57.II.E.1), part I, chapter IV, pp. 1-23; Economic Commission for Latin America; Note by the Secretariat on the Possible Repercussions of the Common Market on Latin American Exports, E/CN.12/449 and Add.1; Economic Commission for Asia and the Far East: The Proposed European Common Market and the Free Trade Area in Europe, E/CN.11/Trade/L.3; FAO: Agricultural Commodities and the European Common Market, Bulletin No. 29, FAO Commodity Series; General Agreement on Tariffs and Trade (GATT): Report submitted by the Committee on the Rome Treaty to the Contracting Parties on 29 November 1957 (L.778); GATT: Trade Intelligence Paper No.6, December 1957; Economic Survey of Europe in 1957, E/ECE/317, chapter V, pp. 17-19; "Latin America's Trade with the Common Market Countries of Europe", Economic Bulletin for Latin America, vol. III, No. 1.

9. Concern was also expressed by a number of Contracting Parties of GATT as to the impact of the association of overseas Territories with the European Economic Community on the economy of other Non-Self-Governing Territories. This question is examined in detail in paragraphs 52 to 55 below.

10. At the meeting of the Inter-sessional Committee of GATT, held in April-May 1958, general agreement was reached (a) that attention should be directed to specific and practical problems, leaving aside the question of the compatibility of the Rome Treaty with article XXIV of the General Agreement; and (b) that the normal procedure of the General Agreement was well adapted to the handling of such problems.

11. The present study comprises the following sections:

- I. Possible impact of the association with the European Economic Community on the foreign trade of the Associated Non-Self-Governing Territories.
- II. Development and investment.
- III. Other questions.
- IV. Possible impact on the non-associated Non-Self-Governing Territories.

I. POSSIBLE IMPACT OF THE ASSOCIATION WITH THE EUROPEAN ECONOMIC
COMMUNITY ON THE FOREIGN TRADE OF THE ASSOCIATED NON-SELF-
GOVERNING TERRITORIES

12. The problem of foreign trade has been the major influence in the association of the Non-Self-Governing Territories under administration of countries members with the European Economic Community. This problem, however, has been of vital importance only to the French Territories.

13. The Belgian Congo, under the international provisions concerning the Congo Basin, applies to its imports a policy of non-discrimination. Similarly, its exports do not benefit from preferential treatment in Belgium, which absorbs a substantial part of these exports but which purchases them at world market prices. The same policy of non-discrimination is followed by the Netherlands Government in Netherlands New Guinea whose foreign trade is, however, very small.

14. On the other hand, the Non-Self-Governing Territories under French administration, together with the metropolitan country and other French Overseas Territories, comprise the franc area, a common market area highly integrated not only by tariffs, but even more so by quotas and foreign exchange regulations, the latter applying even to Territories where non-discrimination as to tariffs
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exists under international treaty provisions. The greatest part of the foreign trade of the French Territories, exports as well as imports, takes place within the franc area at prices substantially above those of the world markets. This discrepancy is particularly important for some major primary products, the output of which has been expanded owing to the prospect of secure outlets on the protected French market. However, the absorptive capacity of the French market has already been exceeded for some of these products, so that heavy subsidies have to be paid at the expense of the French Treasury to enable the export of the surplus to foreign markets.

15. Participation in EEC implied the obligation for France to reduce gradually its price and cost level, so as to make the French economy competitive with that of its partners. The French authorities considered that this objective could not be reached without some reduction in the heavy burden resulting from the support given to the Overseas Territories of the franc area and in particular to the Non-Self-Governing Territories. Therefore the association of the Territories with EEC was required so that other member countries would offer increased protected markets for the export products of the Territories and also participate in the cost of their development by a contribution to public investment additional to the contribution made by the metropolitan country. As a counterpart, free access to the markets of these Territories would gradually be granted to the industrial products of other member countries of EEC, which would in turn provide the Territories with wider sources of supply for their imports, thus enabling them to reduce the price and cost level of their products.

16. France, having made its participation in EEC conditional upon acceptance of the association of the Non-Self-Governing Territories, has obtained the inclusion of such an association in the provisions of the Rome Treaty.

A. Exports

17. It is stated in article 131, paragraph 2, of the Treaty Establishing the European Economic Community that the purpose of the association of overseas Territories with the Community shall be to promote the economic and social development of the Territories and to establish close economic relations between them and the Community as a whole. One of the major means for achieving this

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purpose will probably be through the expansion of the export markets of the Associated Territories in the Community. Therefore, under the provisions of the Treaty, their exports are to be granted free entry in the Territories, of EEC, while tariff duties are to be levied on similar goods imported from other countries.

18. In 1956, the base year for the establishment of EEC, the value of total exports from the Associated Territories^{3/} amounted to \$1,061.03 million^{4/} (Table 1). Out of the total exports, \$759.35 million, or 71 per cent were sent to countries now members of EEC and their dependencies. This large share was due almost exclusively to the preponderance of sales to the metropolitan country in the export trade of the Belgian Congo (52 per cent in 1955) and, to an even greater extent, of the French Territories (68.6 per cent in 1955). It was considered, however, that there should be wider scope for expansion of exports from the Territories to EEC member countries other than their respective metropolitan countries. This expansion is to be facilitated by the introduction in the common customs tariff of EEC of duties applied to imports originating in third countries competing with some major products of the Associated Territories. Such a protection will be applied, at tariff rates already agreed upon, for coffee (16 per cent), cocoa (9 per cent) and bananas (20 per cent). However, the common tariff will be introduced only gradually. The first step, consisting in the reduction by 30 per cent of the difference between the rate of the common tariff and the rate applied by each member country, will be due at the end of the fourth year after entry in force of the Treaty. The final stage is to be reached at the latest by the end of the transition period, that is, twelve to fifteen years after entry into force of the Treaty.

19. Unroasted coffee is the most important export of the Non-Self-Governing Territories associated with EEC, taken as a whole; in 1956 their coffee exports (Table 2) amounted to 241,400 metric tons worth \$184,751,000, or 17.5 per cent of the value of total exports. On the other hand, imports of coffee by EEC member countries (Table 3) amounted to 496,458 tons valued at \$557,973,000, out of which imports from Associated Territories amounted to 139,456 tons worth \$117,799,000 or 21.1 per cent of the value of total coffee imports.

^{3/} Owing to lack of separate statistical data, the Territory of Ruanda-Urundi under Belgian administration is included in the Belgian Congo; no data are given on Netherlands New Guinea.

^{4/} Calculated from United Nations: Commodity Trade Statistics, vol. VI, No. 4, (January-December 1956), Series D. /...

20. It appears, therefore, that imports from the Associated Territories might benefit substantially from the tariff preference to be granted to them. However, under a special protocol appended to the Treaty, Italy reserved its right to a quota of imports from third countries free from the duty to be applied under the Treaty. During the first phase of the introduction of the common tariff, this quota of free imports is to be equal to Italy's imports of coffee from third countries in the base year 1956. These imports amounted to 67,462 tons valued at \$68,596,000. The quota is to be reduced by 20 per cent at the end of the sixth year after entry into force of the Treaty. It will be maintained at 50 per cent of the base year for the duration of the last phase of the transition period (the ninth to twelfth years), and it may be kept at 20 per cent of the base year for an additional period of four years after the end of the transition period and the entry into force of the common tariff.

21. A similar protocol applies to the Benelux countries which, in 1956, imported 91,863 tons of coffee valued at \$105,535,000 from third countries. Under its provisions, a quota of imports free of duty equivalent to 85 per cent of the imports of the last fiscal year for which statistical data will be available will be admitted during the second phase of the transition period. This phase will start four years after entry into force of the Treaty. The quota of imports free of common tariff duty will be reduced to 50 per cent for the duration of the third and last phase of the transition period.

22. In spite of these limitations, in accordance with the provisions of the Treaty, from the end of the fourth year after entry into force of the Treaty, coffee exports from the Associated Territories will obtain preferential treatment on a gradually increasing scale. It is therefore likely that their exports of coffee to EEC countries will increase and will gradually displace exports to those countries of Robusta variety coffee from third countries; these exports amount at present to 25,000 - 30,000 tons, i.e., about 10 per cent of the present production of the Territories.^{5/} Nevertheless, it seems improbable that owing to this tariff protection the coffee exports of the Associated Territories would achieve complete domination of the EEC market. Indeed, in spite of an even higher degree of tariff protection (20 per cent) which coffee from Territories under French administration enjoys on the metropolitan market, 28 per cent of

5/ FAO: Agricultural Commodities and the European Common Market, op. cit., page 22.

French coffee imports in 1956 originated in other countries. This appears to be due to taste preference for the Arabica variety, imported mainly from Brazil and Colombia, as against the Robusta variety, which represents the bulk of Africa's coffee production. On the other hand, expansion of exports of coffee from the Associated Territories may be facilitated by the rapidly growing consumption of instant coffee, for which the Robusta variety can be mixed with Arabica. This development has already resulted, in the last few years, in a significant expansion of sales of African coffee in Europe, as well as in the United States market. It should stimulate further expansion of coffee exports of the Associated Territories to EEC even though those Territories would probably try to maintain their exports to the United States.

23. In 1956, cocoa exports from the Associated Territories (Table 2) amounted to 83,200 tons valued at \$51,947,800, that is 4.9 per cent of the value of their total exports. Imports by EEC for the same year (Table 4) were 271,892 tons valued at \$176,568,000, of which 58,033 tons valued at \$35,606,000 (20.2 per cent of total value) originated in the Associated Territories. There are no protocols excluding free quotas from the gradual introduction of the common tariff, so that, starting with the end of the fourth year after entry into force of the Treaty, cocoa exports from the Associated Territories should benefit from preferential treatment throughout the EEC area. Moreover, taste preferences, which would entail the maintenance of traditional sources of supply, are less important for cocoa than for coffee. On the other hand, the tariff protection is substantially smaller than for coffee. Under the provisions of the Treaty, an expansion of cocoa exports from the Associated Territories to EEC seems probable. It is unlikely, however, that this expansion which in any case may be expected to take a number of years to materialize, would enable the Associated Territories to conquer the market for cocoa in EEC. Indeed, the Associated Territories would have to more than double their exports and concentrate exclusively on the EEC market, in order to cover the total import requirements of the EEC countries at the level of 1956. At present a substantial part of their exports is being sold in other markets, in particular in the United States, and it seems likely that they will try to keep their exports to these markets.

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24. Banana exports from the Associated Territories amounted in 1956 to 155,000 tons valued at \$10,954,000, while total imports of EEC were 704,000 tons. The tariff protection under the common tariff is relatively high (20 per cent). Under a special protocol, the Federal Republic of Germany will be entitled to a quota of imports free from common tariff duty. These quota-free imports will be equal to 90 per cent of its 1956 imports from third countries (290,000 tons), during the second phase of the transition period, starting at the end of the fourth year. It will be reduced to 80 per cent for the third phase of the transition period and will be kept at 75 per cent after the introduction of the common tariff. Moreover, in case of an expansion in total banana imports, the free quota will be increased by 50 per cent of the difference, compared with 1956. In spite of this important qualification, the gradual application of the common tariff should result in expanded markets for the banana exports of the Associated Territories in the EEC area. In particular, the common tariff should compensate to a great extent the extra cost, compared with world prices, of banana exports from the Associated Territories.^{6/} At present exports of bananas from the Associated Territories to countries other than their respective metropolitan Powers are very small, owing to the high prices of these products.

25. No agreed rates of the common tariff have yet been established to ensure preferential treatment to other major export products of the Associated Territories to the EEC market. Such preferential treatment will be granted to a major category of export products, namely oil seeds, oils and fats (ground-nuts, ground-nut oil, copra, coconut oil, palm kernels, palm oil, etc.). Exports of these products amounted in 1956 to \$202.56 million, or 19.2 per cent of the total value of exports of the Territories. Under the terms of the Treaty some of these products are to benefit from a tariff protection, the rates of which are still to be agreed upon, as well as from the provisions of the Treaty applying to agriculture. All these products are specifically included in the list of agricultural commodities contained in Annex II of the Treaty. These provisions envisage adoption by the EEC of a common agricultural policy with the objective to ensure adequate standards of living to the agricultural producers through an increase in their income. Specific measures to be used in this connexion might include a joint marketing organization, price regulations and stabilization

^{6/} GATT: Trade Intelligence Paper No. 6, op.cit., p. 42.

schemes, subsidies for the production - particularly in view of implementation of economic development plans - or distribution of the products concerned, a joint action for the development of consumption, etc. While these policies are intended to encourage development of production in the Associated Territories and expansion of their exports to the EEC area, it is impossible at this stage, owing to lack of information on the measures to be taken, to evaluate their prospective results.

26. Out of the total of exports of the Associated Territories in 1956, valued at \$1,061.03 million, some major agricultural products valued at \$450.212 million, equivalent to 42.4 per cent of the total, should thus benefit under the provisions of the Treaty from the measures intended to stimulate production and sales in the EEC market. No information is available on similar measures which might apply to other major export categories, such as base metals and ores (exports of \$324.3 million or 30.7 per cent of total exports); cotton (91,000 tons valued at \$63.8 million or about 6 per cent of total exports); and lumber (\$45.0 million or 4.3 per cent of total exports).

27. It may be assumed that expansion of the exports of the Associated Territories to EEC would entail redistribution in their export trade and, in some cases, a possible decline of exports to the respective metropolitan countries, since the preferential tariff protection enjoyed on these markets would be gradually brought to the level of the EEC common tariff. The only case where such a tariff reduction is to be applied in France is coffee, for which the rate is to be reduced from 20 to 16 per cent. However, at present, the privileged position of coffee from French Territories on the metropolitan market is being maintained not only by tariff, but also by restrictions on imports of foreign coffee, which are subject to delivery of import licenses. The same quota system applies to imports of bananas, for which the rate of duty remains unchanged at 20 per cent.

28. It may be noted that the Treaty, which provides for gradual elimination of quantitative restrictions of trade between member countries and the Associated Territories, does not contain any provisions on the maintenance or elimination of the quantitative restrictions applied at present by Member States to their imports from third countries.

29. Furthermore, the Treaty contains no specific provisions dealing with existing price stabilization and marketing arrangements for most agricultural export

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products in the French Territories. Under such arrangements exports of these commodities outside the franc zone are subsidized, the resources required for this purpose having been provided up to now mainly by advances from the French Treasury. On the other hand, exports to the French market take place at prices substantially higher than those of the world market.

30. Under the provisions of a special additional protocol, France is authorized to maintain subsidies for exports to markets of the other EEC countries as long as it has not reached an equilibrium in its balance of payments. Subsidies for exports outside the EEC area should become a matter of common policy of the relevant EEC organs, particularly as all products concerned are agricultural products, for which a common policy, especially on marketing problems, has been explicitly provided.

B. Imports

31. Reduction in the cost of imports to the Territories associated with EEC could help those Territories reduce the cost of production of their exports. As regards Territories under French administration, it is expected that the opening of their markets to the goods of other member countries will increase competition and, therefore, reduce the price of their imports to the price level prevailing in the EEC countries. This should result in the establishment of a more competitive price-cost relationship in these Territories. In particular, it should eliminate the extra cost for the Territories resulting from imports of goods from France at prices above the world level.

32. The price differential is particularly significant for major categories of consumer goods such as cotton cloth and clothing; in 1956 imports for all French Territories amounted to \$85 million, of which about 80 per cent originated in France. A similar situation prevails in regard to capital goods, such as iron, steel, machinery and electrical equipment, and to motor vehicles.

Imports amounted, respectively, to \$165.6 million and \$56.5 million in 1956. Two-thirds of these were imported from France.

33. Entry of industrial products from other member countries of EEC, on the same terms as similar French products, is to be achieved gradually during the transition period, starting with an initial reduction of 10 per cent in existing duty rates one year after entry into force of the Treaty. This equalization of

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terms for imports should not necessarily result in displacement of imports from France. It should, however, cause French exporters to reduce their prices to the level of their competitors. While this assumption would appear reasonable, there is at least a theoretical possibility that the expected reduction in import prices might be impeded by cartel arrangements among the industries of the EEC countries, which are protected from the competition of other industrialized countries, and could therefore agree to maintain their export prices to the Territories above the level of world prices. All cartel arrangements are, however, explicitly prohibited by article 85 of the Treaty.

II. DEVELOPMENT AND INVESTMENT

A. Scope of additional public investment

34. In article 1 of the Implementing Convention relating to the Association of Overseas Territories^{7/} the EEC member countries pledge, by means of efforts complementary to those of the administering Authorities, their participation in measures to promote the economic and social development of the Associated Territories. For this purpose they agree to the establishment of a Development Fund for these Territories. The amount of the contribution of each member country to the Fund during the initial five-year period is stated in annex A to the Convention. It is to be noted, however, that the pledge to participate in financial assistance towards the development of the Territories is not limited in time, so that following expiration of the initial period it may be expected that a new implementation agreement will be negotiated to determine the share of each member country.

35. The annual amount to be made available to the Development Fund for public investment in the Territories will be gradually increased during the five-year period and in the fifth year will reach the equivalent of about \$224 million, the total for the period being \$581.25 million.^{8/}

36. This contribution is particularly important for the Territories under French administration, whose annual share in funds obtained from contributions of all member countries of EEC, including France, is to rise to about \$196.8 million. Present public investment under the Second Modernization Plan for French Overseas Territories financed by French Government funds in French Overseas Territories,

^{7/} See A/C.4/360.

^{8/} Ibid. Annex B to the Implementing Convention.

including the Non-Self-Governing Territories and the Trust Territories of the Camercons and Togoland, is at a level equivalent to \$250 million a year. The contribution by the Development Fund can thus be expected to amount to nearly 79 per cent of this total by the end of the initial period.

37. It has been stated^{9/} that owing to the shortage of financial resources, public investment during the period of the Plan had to be limited, with the result that useful projects had to be postponed. The contribution from the Development Fund of EEC should help to remedy this situation and, as a consequence, might accelerate general economic progress in these Territories.

38. The additional public investment to be obtained by the Belgian Congo from the Development Fund of EEC is on a more modest scale. The maximum amount allocated for the fifth year will reach \$11.5 million, or about 8 per cent of the average rate of public investment now being made under the ten-year development plan in the process of implementation.

39. In Netherlands New Guinea, where the present level of public investment financed by grants from the Netherlands Government is at an annual rate of about \$7.8 million, the amount to be received from the Development Fund of EEC in the fifth year will reach \$13.5 million, nearly 175 per cent of the resources now being made available for public investment expenditure.

40. The provisions of the Treaty concerning foreign trade, described in Section I of this paper, and relating in particular to the reduction in tariffs between the Associated Territories and the EEC member countries, will enter into force only gradually, starting at the end of the fourth year after entry into force of the Treaty. On the other hand, the investments to be financed by the Development Fund of EEC will begin at once, i.e., during the first year of the implementation of the Treaty, but on a gradually increasing scale during the five years of the duration of the Implementing Convention.

B. Determination of public investment policies

41. Under the provisions of the Implementing Convention the authorities responsible for the Territories in agreement with the local authorities or with

9/ France: Commissariat Général au Plan. Rapport général de la Commission d'Etudes et de Coordination des Plans de Modernisation et d'Equipement des Territoires d'outre-mer, Paris 1954, p. 171.

the representatives of the population of the Territories will submit to the Commission any social or economic projects, for which financing by the Development Fund of EEC is requested. On the basis of the submitted proposals, the Commission is, each year, to draw up general programmes indicating the allocation of available resources to the two categories of projects. These programmes are to comprise projects for the financing of (a) social institutions, such as hospitals, teaching or technical research establishments, institutions for vocational training and promotion of professional activities among the populations; and (b) economic investments of general interest directly connected with the implementation of a programme, including productive and specific development projects. The Council, acting on the proposals of the Commission, is to decide for each financial year the distribution of funds for social and economic investments. Out of this general allocation, the Commission is to determine the distribution of the amounts for financing the various social projects requested for the Territories. As to economic projects, the Commission is to draw up proposals for allocation of funds and submit them to the Council. If no EEC member country makes an objection within a period of one month to the proposals of the Commission, the proposals are to be regarded as approved. Otherwise the investment programme for economic projects will have to be approved by the Council at a prescribed two-thirds majority. Any amounts not allocated during one year are to be carried forward to future years. The amounts allocated should be made available to the authorities responsible for carrying out the work in question. The Commission is to ensure that the funds are utilized in conformity with the allocation decided upon and to the best economic advantage.

42. The main point concerning the investments to be made under the provisions of the Treaty is the necessity of approval by both the relevant organs of EEC and the authorities responsible for the Territories. In the case of the Territories under French administration, the authorities concerned are the local authorities, in particular, the local assemblies which are responsible for the approval of the development plans. In the Territories under Belgian and Netherlands administration the local authorities have only consultative functions in the choice of development projects.

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C. Private investment

43. There are no specific provisions in the Treaty dealing with private investment either in EEC or in the Associated Territories. However, under article 8 of the Implementing Convention relating to the Association of the Overseas Territories, the right of establishment in the Territories is to be extended gradually to nationals and companies of the EEC member countries other than those having special relations with the Territory concerned. The Council is to decide during the first year of the application of the Convention on the means of this extension, so as to achieve the gradual disappearance of all discrimination during the transitional period.

44. The provisions should result in granting to private capital invested by all member countries of the EEC a treatment similar to investments made by the country having special relations with the Territory concerned. These provisions appear to be intended to increase the flow of private capital from the EEC to the Territories.

III. OTHER QUESTIONS

A. Tariff protection and industrial development

45. The provisions of the Treaty concerning the gradual elimination of protective tariffs and quotas establish an essential distinction between the member countries of EEC and the Associated Territories. In the former all protective duties and quantitative restrictions on imports from other member countries or Associated Territories are to be gradually reduced and abolished before the end of the transition period. In regard to the Territories, the objective of this gradual reduction in tariffs and of the increase in quotas is to establish equality of treatment between imports originating in the country having special relations with the Territory concerned and imports from other member countries of EEC.

46. Moreover, article 133, paragraph 3, of the Treaty explicitly states that the Associated Territories are entitled to collect customs duties essential for the needs of their development and industrialization, as well as duties of a purely fiscal nature intended to contribute to their public revenue.

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47. Not only is the maintenance of existing tariffs in the Associated Territories authorized but, under article 133, paragraph 5, of the Treaty, it is implied that the introduction or increase of tariff protection might be considered if it becomes necessary to foster the establishment of new, or the development of existing, industries in the Associated Territories. The only condition contained in this paragraph is that such new or increased tariffs should not result in discrimination between imports from any of the member countries of EEC.

48. These provisions are intended to protect existing industries in the Associated Territories from the impact of increased competition with imports from EEC countries, and also to safeguard the possible diversification of their economies through the development of new industries. However, some major Associated Territories, in particular French West Africa and Madagascar, are integrated in a customs union with the metropolitan country. French products are imported into these Territories free of duty,^{10/} subject only to payment of taxes of a fiscal nature, the rates of which are generally moderate. Under these circumstances an equalization of conditions of entry of products from other EEC member countries with those applied to French goods might result in an intensification of competition at the expense of local producers. The danger of such a situation could be prevented by an increase in rates or by the introduction of new customs duties, authorized under article 133, paragraph 5, of the Treaty mentioned above. However, the actual decision on this point will be up to the authorities competent in this field, and will therefore depend on the various considerations which will guide their policy in this matter. Under the legislation in force in Territories under French Administration,^{11/} customs tariffs are established by the local assemblies, subject however, to the possibility of a veto by the Ministry for Overseas France.

49. The establishment of equality of treatment with imports originating in the country maintaining special relations with the Territory concerned applies also, under article 132, paragraph 2, of the Treaty, to imports originating in other Associated Territories. This provision may assist some Territories in expanding markets for their exports in neighbouring Territories, which have been up to now part of the customs system of another metropolitan country.

^{10/} France: Decret du 14 octobre 1954, articles 9 and 17, Journal Officiel de Madagascar, 6 novembre 1954, page 2357.

^{11/} France: Decret No. 57-460 du 4 avril 1957, article 31, Journal Officiel de la République Française, 11 avril 1957, p. 3365.

B. Immigration

50. The question of immigration of workers from the EEC countries to the Associated Territories or vice versa is dealt with in article 135 of the Treaty, in which it is stated that the movement of workers is to be regulated by subsequent conventions which will require unanimity among the EEC member countries. A number of statements made in the United Nations have pointed out that excessive immigration from other member countries of EEC to the Non-Self-Governing Territories might create serious competition to the local populations and have significant economic as well as social and political repercussions.

51. In the Territories under French administration, questions relating to the statute of foreign workers^{12/} are, under the provisions of the French Loi-Cadre, within the competence of the territorial assemblies, which have the authority to regulate and, if necessary, limit or even prohibit their entry. In the Belgian Congo, the existing legislation concerning regulation of immigration applies to Belgians as well as to nationals of other countries, although the Governor-General is entitled to establish quotas of immigrants according to nationality.^{13/}

IV. IMPACT ON THE NON-ASSOCIATED NON-SELF-GOVERNING TERRITORIES

52. During the discussions at GATT on the association of Overseas Territories with the European Economic Community, concern was expressed that many non-associated Non-Self-Governing Territories which are producers of the same commodities for which exports from associated overseas Territories will enjoy preferential tariffs might be threatened by this competition and be in danger of losing part or all of the EEC market. This danger was considered particularly serious for non-associated Territories producing cocoa, coffee, bananas and tobacco.

53. The following major points have been raised concerning these products:

(a) In 1956 cocoa exports represented 18 per cent by value of Nigeria's total exports (27 per cent in 1954). In Grenada, in 1954, the percentage was as high as 60 per cent. The EEC countries constitute at present an important cocoa

^{12/} Ibid., p. 3367.

^{13/} Decret du 27 décembre 1948, article 3, Bulletin Officiel du Congo Belge, 1949, p. 111.

market for these Territories. Nigeria sold 12 per cent and Grenada 27 per cent of their cocoa on this market. The fear has been voiced that Nigeria and Grenada would now be threatened with the complete loss of their present markets in EEC. There was a further threat that reduced consumption in the EEC area, due to higher prices and increased production in the Associated Territories, would cause such an imbalance between supply and demand that price levels in this very sensitive commodity would be seriously affected. The net result might well be a substantial reduction in present world prices.

The threat of the loss of such an important market and such a heavy fall in total earnings from cocoa is considered to be of the gravest concern to producers other than those of the Territories associated with EEC. These producers also view with some apprehension the inclusion of cocoa in the list of agricultural products^{14/} on which a common agricultural policy is to be applied by EEC. In their view, such a policy might lead to the introduction of managed market techniques, which would artificially maintain prices and production in the Associated Overseas Territories so that the whole effect of any decline in world demand would fall on other producers.

(b) Robusta coffee production is important to the Non-Self-Governing Territories not associated with EEC. It forms 89 per cent of Uganda's coffee production by weight, coffee being about 47 per cent of the Territory's total exports by value. Uganda's exports of Robusta coffee to the EEC area have averaged about \$5.6 million per annum in recent years and coffee is the most important single source of income to the farmers of this Territory. Similarly, 49 per cent of Trinidad's exports and 43 per cent of Sierra Leone's also go to the EEC member countries. It has been pointed out at GATT that, under the stimulus of a 16 per cent increase in their price, farmers in the overseas French Territories and the Belgian Congo are likely to increase production of all varieties of coffee. The effects of these changes on producers of Robusta coffee from non-associated Territories would be to threaten them with lower prices by reducing over-all demand initially and excessively stimulating supplies. The non-associated Territories would also face the danger of the loss in the near future of the whole of their present established market in the EEC area.

^{14/} Treaty on the Establishment of the European Economic Community, annex II.

Arabica coffee is particularly important to Kenya, since it averages over 50 per cent of the total exports of this Territory; 56 per cent of the coffee is sold to EEC member countries. Kenya is planning substantial increases in coffee production by African farmers and a failure to obtain good markets for this coffee might have serious effects. Jamaica, which sells nearly 50 per cent of its Arabica to EEC, faces similar dangers.

(c) The production of bananas is expected to reach about 500,000 tons in the early 1960's in the United Kingdom Non-Self-Governing Territories, so that it will exceed substantially the probable consumption in the United Kingdom. The view has been expressed that the common tariff of 20 per cent might prevent exports to the EEC market.

(d) Northern Rhodesia and Nyasaland produce about 15 per cent of the tobacco crop of the Federation of Rhodesia and Nyasaland. The quantity of manufactured tobacco exported to the EEC countries from the Federation increased from 6,300 metric tons in 1954 to 10,600 metric tons in 1956. These figures indicate the increasing importance of the EEC market to the Federation. The grade exported to the EEC countries is different from that exported to the United Kingdom. The export trade of tobacco to these two tobacco markets is therefore partly complementary rather than competitive. It has been stated that the principal effect of the 30 per cent common tariff will be to encourage the production of tobacco both in the EEC area itself and in the Associated Territories, in regions where this would otherwise be non-economic, to the detriment of countries such as the Federation, which has long proved its suitability for growing tobacco at an economic cost. The level of the common tariff is the most important factor likely to damage the sales of the Federation on the EEC market.

(e) The situation appears different concerning oilseeds, which are exported in large quantities from some non-associated Non-Self-Governing Territories. Nigeria exported to the EEC countries in 1955 one-quarter of its total palm kernels exports, which amounted to 440,000 metric tons, and 26.3 per cent of its total ground-nut exports, which amounted to 403,000 metric tons (shelled equivalent). Also in 1955, Gambia exported to the same countries one-third of its total exports of ground-nuts. Under the provisions of the EEC Treaty,

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oilseeds from all sources will enter free, thus requiring the removal in France and in Italy of duties the basic rates of which vary from 5 to 10 per cent. Under these circumstances, exports from non-associated Territories should benefit from the absence of tariff protection in the common tariff for Associated Non-Self-Governing Territories unless quota controls are introduced and price-support funds are created to favour imports of oilseeds from the Associated Territories.

54. Apart from questions relating to the impact of the EEC Treaty on various export products of non-associated Non-Self-Governing Territories, the view has also been expressed that the increased levels of investment from the EEC countries in Associated Territories are likely to be directed into less economic channels through provisions sheltering production and trade by preferential tariffs and that the agricultural provisions of the Treaty may be used to discriminate against exports of third countries or non-associated Territories.

55. The representatives of the EEC countries felt that the fears expressed concerning an unfavourable impact on the non-associated Territories of the provisions of the Rome Treaty dealing with the association of some Non-Self-Governing Territories, were unjustified. In particular, these fears, in their view, did not take into consideration the increase in demand which would result from the establishment of the European Economic Community and which would benefit the export trade of primary producers and exporters other than those in the Associated Territories.

CONCLUDING NOTE

56. A general evaluation of the impact of the association of Non-Self-Governing Territories with the European Economic Community is somewhat difficult, especially in view of the terms of reference of the present study, which in accordance with the terms of the resolution, deals exclusively with the effects of the association on the economic development of the Territories.

57. The material which could be used for the present study was very limited and no information was available on the policies to be pursued and the measures to be taken in regard to this association. Although the Treaty came into force 1 January 1958, the first general measures of implementation - a reduction

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by 10 per cent of the tariff duties and an increase in quotas within the common market and Associated Territories area - are only to take place within a year, i.e. by the end of 1958. Moreover, negotiations on a common agricultural policy - a matter of great interest to the Non-Self-Governing Territories - will be initiated during the present year, but the implementation of the decisions which might be reached on this matter is not expected to take place during the present year.

58. Attention is drawn to some of the major provisions of the Rome Treaty dealing with the association of Non-Self-Governing Territories.

59. Article 133 of the Treaty explicitly authorizes the Territories to maintain customs duties to meet the requirements of industrialization and those of a fiscal nature contributing to their budget and, by implication, even to authorize an increase in duties or the introduction of new ones.

60. Under the provisions of the Treaty, the authorities of the Territories are to have a major part in determining investment policies by submitting projects for financing by the Development Fund established by EEC.

61. As to immigration of labour from the Community to the Territories, the provisions of article 135, as well as of legislation in force in the French and Belgian Territories, offer the possibility of coping with this problem.

62. It is impossible to visualize fully at this stage the results of the policies which might be developed within the framework of the provisions mentioned above. Thus, the burden of the increased competition which industrial producers in the Territories are likely to encounter as a consequence of entry on an equal basis of products from all EEC countries may or may not be compensated by an increase in existing customs duties or the introduction of new duties.

63. It is equally uncertain whether all the benefits expected to result for the Non-Self-Governing Territories concerned will be achieved, and whether they might not be counter-balanced by new disadvantages. Thus, while it is likely that the export markets of the Associated Territories will be gradually expanded through their association with EEC, it is not certain to what extent this expansion will compensate producers from French Territories for the loss of their present preferential position on the French market, which enables them to sell their products at prices substantially above world levels. Similarly, it is

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not possible to determine the extent of the reduction in the cost of imports to the Territories as a result of their association with EEC.

64. Finally, concern has been widely expressed during discussions at GATT that exports to EEC member countries from Non-Self-Governing Territories not associated with the Community might be adversely affected by the preferential treatment given to similar products originating in the Associated Territories.

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TABLE 1

EXPORTS IN 1956 OF NON-SELF-GOVERNING TERRITORIES ASSOCIATED
WITH THE EUROPEAN ECONOMIC COMMUNITY

(In million dollars)

	<u>Total</u>	<u>Exports to</u> <u>EEC countries</u>	<u>Total</u>
Belgian Congo ^{a/}	542.10	Benelux 292.36 France 42.26 Germany, Federal Republic of 17.54 Italy 20.34 Netherlands 12.02 <u>384.52</u>	384.52
French West Africa ^{b/}	341.18	France 226.21 Belgium 1.50 Netherlands 10.59 Germany, Federal Republic of 5.01 Italy 5.63 <u>248.94</u>	248.94
French Equatorial Africa ^{c/}	80.77	France 51.68 Netherlands 1.93 Germany, Federal Republic of 9.26 <u>64.03</u>	64.03
Madagascar ^{d/}	93.14	France 57.75 Germany, Federal Republic of 1.22 Italy 0.87 <u>59.84</u>	59.84
Comores ^{b/}	2.66	France 1.59	1.59
French Somaliland ^{e/}	<u>1.18^{e/}</u>	France 0.43	<u>0.43</u>
GRAND TOTAL	1,061.03		759.35

(Footnotes on the following page)

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Footnotes to Table 1

- a/ Belgium: Rapport sur l'administration du Congo Belge pendant l'année 1956, présenté aux Chambres Législatives, Bruxelles, 1957, p. 175.
- b/ France: Bulletin Mensuel de Statistique d'Outre-Mer (mai-juin 1957).
- c/ France: Bulletin Mensuel de Statistique de l'Afrique Equatoriale Française, (février 1957), Brazzaville.
- d/ France: Bulletin Mensuel de Statistique de Madagascar (février 1957), Tananarive.
- e/ 1955.

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TABLE 2

MAIN EXPORTS IN 1956 OF NON-SELF-GOVERNING TERRITORIES
ASSOCIATED WITH THE EUROPEAN ECONOMIC COMMUNITY

	Volume (Thousands of tons)	Value (Thousands of dollars)
<u>Coffee</u>		
French West Africa ^{a/}	131.0	95,857
French Equatorial Africa ^{a/}	5.9	4,251
Madagascar ^{a/}	52.5	40,103
	<u>189.4</u>	<u>140,211</u>
Belgian Congo ^{b/}	52.0	44,540
Total	<u>241.4</u>	<u>184,751</u>
<u>Cocoa</u>		
French West Africa ^{a/}	76.0	48,023
French Equatorial Africa ^{a/}	2.9	1,514
	<u>78.9</u>	<u>49,537</u>
Belgian Congo ^{b/}	4.3	2,410
Total	<u>83.2</u>	<u>51,947</u>
<u>Bananas</u>		
French West Africa ^{a/}	116.0	9,388
Belgian Congo ^{b/}	39.0	1,566
Total	<u>155.0</u>	<u>10,954</u>
<u>Oil-bearing products</u>		
Belgian Congo ^{b/}		55,668
French West Africa ^{a/}		143,029
French Equatorial Africa ^{a/}		3,863
Total		<u>202,560</u>

^{a/} France: Bulletin Mensuel de Statistique d'Outre-Mer (mai-juin 1957).

^{b/} Belgium: Rapport sur l'Administration du Congo Belge pendant l'année 1956,
op. cit., p. 172.

TABLE 3

COFFEE IMPORTS OF EEC COUNTRIES IN 1956^{15/}

	Volume		Value	
	Total	From Associated Territories	Total	From Associated Territories
	(Metric tons)		(Thousands of dollars)	
<u>Belgium-Luxembourg</u>	61,200		64,425	
Belgian Congo a/		10,487		7,318
French West Africa		79		46
Total		10,566		7,364
<u>France</u>	182,438		170,661	
French Overseas (non-specified)		1,547		1,870
Belgian Congo a/		548		504
French West Africa		69,960		58,084
Madagascar		36,816		31,939
French Equatorial Africa		3,844		3,354
French Africa (non-specified)		5,509		4,642
Total		118,224		100,393
<u>Germany, Federal Republic of</u>	135,523		198,267	
Belgian Congo a/		1,919		2,422
French West Africa		96		99
Madagascar		30		25
Total		2,045		2,546
<u>Netherlands</u>	41,542		48,790	
Belgian Congo a/		311		316
Total		311		316
<u>Italy</u>	75,755		75,830	
Belgian Congo a/		6,966		6,226
French West Africa		1,298		909
Madagascar		29		22
Total		8,293		7,157
GRAND TOTAL	496,458	139,456	557,973	117,799

a/ Including Ruanda-Urundi.

^{15/} United Nations: Commodity Trade Statistics, Vol. VI, No. 4 (January-December 1956) Series D, pp. 92, 93, 94.

TABLE 4
COCOA IMPORTS OF EEC COUNTRIES IN 1956^{16/}

	Volume		Value	
	Total	From Associated Territories	Total	From Associated Territories
	(Metric tons)		(Thousands of dollars)	
<u>Belgium-Luxembourg</u>	16,620		12,882	
Belgian Congo a/		1,605		904
French West Africa		659		400
French Equatorial Africa		61		44
French Africa (non-specified)		106		76
Total		2,531		1,424
<u>France</u>	54,618		33,943	
French West Africa		25,143		15,096
French Africa (non-specified)		1,937		1,250
Total		27,080		16,346
<u>Germany, West</u>	104,376		71,536	
Belgian Congo a/		1,000		667
French West Africa		6,451		4,301
French Africa (non-specified)		328		261
Total		7,779		5,229
<u>Italy</u>	22,853		15,420	
French West Africa		7,346		4,905
Total		7,346		4,905
<u>Netherlands</u>	73,425		42,787	
Belgian Congo a/		614		310
French West Africa		11,380		6,612
French Africa (non-specified)		553		336
French Equatorial Africa		750		444
Total		13,297		7,702
GRAND TOTAL	271,892	58,033	176,568	35,606

a/ Including Ruanda-Urundi.

^{16/} United Nations: Commodity Trade Statistics, op. cit., pp. 94, 95.