

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 73 final

Brussels, 4 March 1982

Recommendation for a

COUNCIL DECISION

on the directives to be followed in negotiations with certain third countries  
on the framework agreements relating to multiannual supply of agricultural  
products

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(submitted to the Council by the Commission)

COM(82) 73 final

1. In its Communication to the Council of 10 August 1981 on the negotiation of framework agreements relating to the multiannual supply of agricultural products, the Commission announced that, following a debate in the Council bodies and in the light of the discussions held there and the positions which had emerged, it would submit draft directives for the opening of negotiations with certain applicant third countries.
  
2. The aim of the annexed draft Decision which the Commission is forwarding to the Council is to obtain authorization for the Commission to start negotiations with the assistance of the Article 113 Committee with Algeria, Egypt, Morocco and Tunisia with a view to concluding framework agreements relating to the multiannual supply of agricultural products.
  
3. In order to clarify the discussions, the Commission felt it would be appropriate to attach to this draft Decision reports on the fact-finding missions carried out in the abovementioned countries.

COUNCIL DECISION

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On the directives to be followed in the negotiations with certain third countries on the framework agreements relating to multiannual supply of agricultural products.

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,

Having regard to the Recommendation from the Commission,

Whereas a number of third countries have expressed interest in being able to forecast deliveries of agricultural products from Member States of the Community;

Whereas agreements relating to the multiannual supply of agricultural products may facilitate orderly development of exports of agricultural products by the European Economic Community;

Whereas, consequently, the Commission should be authorized to enter into negotiations with a view to concluding such agreements with the countries concerned in accordance with the directives contained in a model framework agreement,

HAS DECIDED AS FOLLOWS :

Article 1

The Commission is hereby authorized to enter into negotiations with a view to signing framework agreements relating to multiannual supply of agricultural products with the competent authorities of Algeria, Egypt, Morocco and Tunisia.

Article 2

The Commission will conduct the negotiations in consultation with the Special Committee provided for in Article 113 of the Treaty and in accordance with the directives contained in the model framework agreement contained in the Annex.

For the Council  
The President

MODEL FOR A FRAMEWORK AGREEMENT WITH ..... RELATING TO THE  
MULTIANNUAL SUPPLY OF AGRICULTURAL PRODUCTS

The Council of the European Communities, of the one part, and the Government of  
[... name of country ...]

Desirous of contributing to the development of commercial relations and  
to the strengthening of cooperation between [... name of country ...] and  
the European Economic Community,

Concerned to contribute to the security of food supplies in [... name  
of country ...],

Have decided to conclude a Framework Agreement relating to the supply of  
agricultural products and to this end have designated as their Plenipoten-  
tiaries: [...names of persons ...]

Who have agreed as follows :

TITLE I

GENERAL PROVISIONS

Article I

This Framework Agreement, hereinafter called the "Agreement", is designed  
to assure [... name of country ...] of supplies of agricultural products  
and the European Economic Community of outlets for those same products on a  
regular, planned and mutually satisfactory basis.

Article 2

The authorities authorized to enter into the requisite commitments as re-  
gards the operation of the Agreement shall be :

- for the European Economic Community, the Commission of the European  
Communities ;

- for [ ]... name of country ... [ ] / such and such a Body [ ].

### Article 3

The products covered by this Agreement shall be [ ] list of products [ ].

### Article 4

1. This Agreement shall constitute an undertaking, in accordance with the conditions laid down in the Articles following :

- on the part of the European Economic Community to supply [ ]... name of country ... [ ] with certain quantities of [ ] list of products [ ] ;
- on the part of [ ]... name of country ... [ ] to import the same quantities of products from the European Economic Community.

2. For the purposes of this Agreement :

- "undertaking to supply" shall mean that the Commission of the European Communities undertakes to adopt all the provisions necessary in compliance with Community rules to ensure the availability of [ ] the products [ ] in accordance with the conditions laid down in this Agreement ;
- "undertaking to import" shall mean that [ ]... name of country ... [ ] undertakes to adopt all necessary measures to insure the importation of [ ] the products [ ] from the European Economic Community in accordance with the conditions laid down in this Agreement.

### Article 5

The transactions pursuant to the undertaking entered into by the European Economic Community as specified in Article 4 of this Agreement shall be the responsibility of private operators.

Article 6

1. [ ... name of country ... ] shall do everything necessary to ensure that the procedures it lays down for importing [ the products ] originating in the Community do not result in discrimination between operators in the European Economic Community.
2. It hereby undertakes to exercise the greatest possible care to ensure that the tendering arrangements for transport by sea shall not be prejudicial to the free play of fair competition <sup>1</sup>.

Article 7

The Commission of the European Communities and [ ... name of country ... ] hereby undertake to notify each other of the provisions and measures adopted for the implementation and execution of the obligations under this Agreement.

Article 8

1. A Joint Committee shall be set up to ensure that this Agreement is properly implemented.
2. The Joint Committee shall be composed, on the one hand, of representatives of the Commission of the European Communities and, on the other, of representatives of [ ... name of country ... ].
3. The Joint Committee shall meet once every four months at a date and place arranged by mutual agreement. It shall also meet each time the need arises, at the request of either of the Parties to this Agreement.

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<sup>1</sup> This clause is identical to one contained in long-term agreements with a number of countries and in the Food Aid Convention.

TITLE II  
SPECIAL PROVISIONS

Article 9

1. The quantities of [products] which [... name of country...] undertakes to import and the European Economic Community undertakes to supply, under the conditions set out in Article 4 of this Agreement, shall be the following for each marketing year :

- common wheat (or equivalent in wheat flour) :

a minimum of ..... tonnes

and a maximum of.... tonnes

- durum wheat meal :

a minimum of ..... tonnes

and a maximum of.... tonnes

- barley :

a minimum of ..... tonnes

and a maximum of.... tonnes

- etc.

2. The marketing year within the meaning of this Agreement for [the product] shall begin on ..... and shall end on ..... of the following year, and for [the other product] shall begin on..... and shall end on .....

Article 10

The [product] covered by this Agreement shall comply with the qualities and specifications traditionally adopted in transactions between the European Economic Community and [... name of country...].

Article 11

Approximately two months before the beginning of each marketing year, the Joint Committee shall meet in order to decide precisely what quantities shall be supplied and imported during that marketing year under this Agreement and how the purchases shall be spread over that year.

Article 12

If owing to exceptional circumstances there are large quantities available in [... name of country...] or insufficient quantities in the Community, the Joint Committee shall meet in order to amend the quantities referred to in Article 9 (1) accordingly.

Article 13

1. [... name of country...] and the European Economic Community hereby agree, each for its part, to make such arrangements as are necessary to ensure that the transactions are carried out at the prices or quotations prevailing on the world market.
2. The two Parties to this Agreement will consider whether the credit facilities accorded by the Member States of the Community or their authorized representatives can be applied to the contracts to be concluded under this Agreement.

TITLE III

FINAL PROVISIONS

Article 14

This Agreement shall be valid for a period of three marketing years. This period may be tacitly renewed for a further three years.

Article 15

This Agreement shall come into force on the first day of the marketing year following that in which the [Office.....] and the Commission of the European Communities notify each other that the procedures necessary for this purpose have been completed.



Article 16

This Agreement is drawn up in duplicate in one of the languages of the Community and in [official language of the non-member country], each text being equally authentic.

Mr.....for the Commission of the  
European Communities

Mr.....for

Done at....., this .....

REPORTS ON FACT-FINDING MISSIONS  
IN ALGERIA, EGYPT, TUNISIA AND MOROCCO

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R E P O R T

CONCERNING EXPLORATORY TALKS WITH THE ALGERIAN  
AND EGYPTIAN AUTHORITIES REGARDING A FRAMEWORK AGREEMENT  
FOR THE MULTIANNUAL SUPPLY OF AGRICULTURAL PRODUCTS

I. MISSION TO ALGIERS

1. Two rounds of talks were held in Algiers from 4 to 6 May, one with, and under the auspices of, the Ministry of Trade, and the other with the Ministry of Agriculture and the Agrarian Revolution (MARA). The heads (and deputy heads) of the state corporations or public boards.

acting on behalf of one or other of these two Ministries (1) in directing supplies were present at each set of talks. Also, with the agreement of the Presidency, a briefing session with the Member States' representatives was organized by the Commission Delegation in Algiers, since the Algerian authorities had sent formal and detailed requests direct to certain embassies at the end of February, concerning the conclusion of long-term agreements.

2. On a general level the great importance attached by the Algerian authorities to the rapid conclusion of a framework agreement between the Community and Algeria for the multiannual supply of agricultural products should be stressed. The fact that they have placed such strong emphasis on this ties in with political and also economic motives which were very clearly stated in each round of discussions.

. Political motive: The Algerians consider the Commission as a special discussion partner, since the talks are made easier from their point of view by the absence, when dealing with the European Economic Community as such, of other considerations or extrapolated political and psychological conflicts which stop any further progress at a certain stage in government-to-government relations. Algeria considers it necessary to strengthen the Association Agreement with the EEC by means of a new approach to food security (markets and supplies).

. Economic motives: Algeria has requirements which become greater every year, particularly as a result of population growth (550 000 more mouths to feed every year), the rise in the standard of living, and the very slow growth rate of agricultural production; the Community is near Algeria, which reduces the costs of transporting supplies accordingly, and only the Community can provide the very varied range of products which this country with a population of almost 20 million requires ;

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(1) ORGANIZATION OF IMPORTS INTO ALGERIA: The Government has given the monopoly for procurement from abroad to national corporations or boards, some of which come under the Ministry of Trade while others come under the Ministry of Agriculture (MARA). Those coming under Trade are the ONACO (Office National de Commercialisation), responsible mainly for milk products for direct consumption, and the SNNGA (Société Nationale des Nouvelles Galeries Algériennes), responsible for all supplies for the large stores. Those coming under Agriculture are the OAIC (Office Algérien interprofessionnel des Céréales) which is responsible for wheat and barley, the SN SEMPAC (Société Nationale des Semouleries, Meuneries, Fabriques de pâtes alimentaires et Couscous) responsible for purchasing meal, flour and pasta, the ONAB (Office National des Aliments du Bétail) and ONALAIT (Office National du Lait et Produits Laitiers) responsible for domestic production and the reconstitution of milk.

Algeria is also anxious to embark upon a programme for the development of agricultural production (poultry-raising and dairy farming, one of these to be financed by the EEC under the 1976 Financial Protocol) and only the Community can provide effective help and support in all sectors.

3. With regard to the general scope and form of a long-term agreement, the Commission representatives noted that the approach suggested in the draft Communication to the Council (COM(81)75) corresponded "almost perfectly" to that envisaged by the Algerian authorities.

(i) The type of agreement being considered by Algeria would be a framework agreement (or a framework convention) providing general criteria for the negotiation and conclusion of commercial contracts between Community operators and the corporations, boards or organizations which hold the purchasing monopoly in Algeria ;

(ii) The framework agreement or framework convention would be concluded between a Community authority and an Algerian ministerial authority.

Two additional remarks should be made on this subject: the Algerians are aware of the fact that where the export of a Community agricultural product entails the granting of a refund, a framework agreement for multiannual supplies involves an undertaking on the part of the Community as such, as they have learnt from experience that a Community operator or even a Member State always waits for a Commission refund decision before acting. They have also left open the matter of whether one or two framework agreements would have to be concluded, in view of the fact that, even though the Ministry of Trade's Directorate-General for Coordination and Supervision has a horizontal role and is responsible for all external supplies, certain boards or state corporations come under the Ministry of Agriculture.

(iii) The provisions to be included in the framework agreement should, in the opinion of our Algerian partners, be flexible and straightforward, so that they can, if necessary, be adapted as circumstances require and also so that trade can be conducted freely, but the commitments made by the two sides should not be merely nominal or insufficiently binding.

4. On the matter of the actual content of the framework agreement, there is again a striking similarity of approach between what was proposed to the Commission on 19 February and the Algerians' stance now.

The framework agreement would cover the following: the period of application (a three-year period has been mentioned, but a request has also been made for linkage with the present five-year plan); the range of products covered; the quantities concerned (a very marked preference has been stated for a quantity bracket, the actual supply and purchase figures for a given year being fixed by common accord before the beginning of that year in the light of the respective situations of the contracting parties); the wording of the undertakings given by the two sides, including the description of the administrative measures adopted to ensure the agreement is implemented through normal trading channels; the terms of reference - with particular regard to prices - for the commercial delivery or purchase contracts between Community operators and the Algerian state corporations; lastly the administrative machinery (for the annual negotiation of quantities, operation of the arrangements, etc.).

The Algerian authorities also put forward certain points which it should, in their opinion, be possible to include in the framework agreement. Assurances should thus be given, with proper backing, that products whose availability is guaranteed under the framework agreement really are of Community origin and that no single operator or Member State can artificially establish a de facto monopoly ("there is no single automatic channel"), as this would prevent Algeria from stabilizing its purchase flows on the basis of other external or domestic requirements (equilibrium in its trade balance with a particular country, etc.). The Algerian authorities also consider that if such a framework agreement were concluded, a joint effort to improve the quality of the products sold by the EEC should be undertaken - hence the need to include qualitative terms of reference corresponding, for example, to the standards of the Algerian Ministry of Health - and that the systematic use of letters of credit by Community operators (sign of mistrust) should be abandoned in paying for supplies under the Agreement.

5. A very detailed discussion was held on the matter of prices. Various points should be singled out. Firstly, Algeria considers that, in the light of the two sides, and above all in view of the fact that, for example, the

EEC plays only an indirect role in price formation through the refund mechanism, fixed purchasing or selling prices or even a price bracket cannot be established in the framework agreement. It notes, however, that the level of the refund and its degree of continuity during a marketing year are determining factors for the conclusion of contracts by operators. The Algerian authorities have voiced a number of criticisms in this respect concerning the present system of administering refunds, pointing to its somewhat arbitrary nature, which prevents the Algerian authorities from being able to rely on the Community at all times; in their opinion, a "preferential difference" should be established between the rules governing the refund applicable to supplies under the Agreement and the rules relating to supplies not covered by the agreement. In other words, it does not seem to be a matter of fixing a preferential refund level but of laying down special rules for the fixing of the refund (advance fixing - duration of the advance fixing arrangement, terms of reference of the world price used to calculate the refund) for only those quantities covered by the framework agreement.

The Algerian authorities have raised the matter of the financing facilities granted to Algeria in one form or another by other trading partners: export credit granted by Sweden under the long-term wheat agreement, virtually free installation - 1 % interest over 50 years - of intake silos under the long-term durum wheat and barley agreement with Canada, deferred payment under the red meat supply agreements concluded with Argentina and Australia, etc. They have expressed the wish that the EEC, which, as explained, does not yet have an export credit mechanism, should follow up any operations undertaken by the Member States and or finance the installation in Algeria of intake capacity for some of the products supplied (refrigeration facilities, silos, warehouses, port infrastructure, etc.).

6. As regards products and quantities, the Algerians have supplied a list of what they estimate to be their import requirements (see Annex I), specifying that this did not mean that all these products and quantities should come solely from the Community and that even the quantities which could come from the Community should be covered by the framework agreement on multiannual supplies; this last remark ties in with the ideas expressed in COM (81) 75 (see paragraph 5. (ii)).

They stressed that, when negotiations were initiated, their authorities would make precise proposals concerning the range of products and the quantities to be covered by the framework agreement.

They also drew attention to the fact that there were, strictly speaking, three categories of products which could come under a framework agreement :

- agricultural commodities: wheat, sugar, milk products for reconstitution;
- agricultural products for direct consumption: red meat, butter, flour, meal, rice, pasta, eggs for direct consumption ;
- products intended for the programme for the development of agricultural production: eggs for hatching, day-old chicks, dairy cows, compound feedingstuffs.

In the case of the last category, the Ministry of Trade and the Ministry of Agriculture stressed this request and the particular urgency of making a start on meeting it, even if only on a very small scale (poultry farming), since this would provide an additional source of products for one of the projects financed under the EEC-Algeria Financial Protocol and would be of great importance to the implementation of that project.

7. Conclusions: Algeria is obviously anxious to conclude with the Community a framework agreement for the multiannual supply of agricultural products, and to do so very shortly. The Algerian authorities expressed in this respect their heartfelt wish that the Commission (and the Council) should pass very quickly from this exploratory stage to actual negotiations, and they hoped that 1982 could be the first year of application of a framework agreement. The Community can meet this request without causing an increase in Community agricultural production (the products and quantities requested are less than present supplies), or excessive expenditure on refunds, or adverse effects on other countries' trade (supplementary or sole source of supply).

It is obvious, however, that the real significance of such a framework agreement for the supply of agricultural products goes far beyond the trade sphere, for it would not only provide supplies for direct consumption but also ensure regular supplies of raw materials for the food processing industry and of agricultural inputs for a developing farm sector. The impression obtained was that Algeria thus attributes deep political significance to it, that it could have economic repercussions on sectors other than agriculture, and that such a mutual commitment would pave the way for a new type of relations between Algeria and the EEC and its Member States in the context of the new international economic order.



ESTIMATED REQUIREMENTS FOR ANNUAL IMPORTS OF AGRICULTURAL PRODUCTS

INTO ALGERIA

MILK PRODUCTS

Milk for infant feeding	15 000 - 20 000 t
Flour for infant feeding	2 000 - 3 000 t
Evaporated and instant milk	100 000 - 120 000 t
Butter (not more than 3 months old)	25 000 - 30 000 t
Cheese for processing	7 000 - 10 000 t
Cheese for direct consumption:	
Emmental	3 000 - 4 000 t
Gouda- type	4 000 - 7 000 t
Butteroil	10 000 t

CEREALS

Wheat - flour and meal	to be specified by the MARA and OIAC
Barley and malt	" " " "
Rice	" " " "

OTHER PRODUCTS

Seed potatoes	10 000 t
Red meat (mutton, beef)	20 000 - 30 000 t
Eggs for direct consumption	1 000 000 000 units
Powdered eggs	100 - 500 t
Animal fat	40 000 t
Eggs for hatching	100 000 000 - 150 000 000 units
Day-old chicks	1 000 000 - 2 000 000 units
Dairy cows	2 000 head
Cattle on the hoof	2 000 - 3 000 head
Sugar	500 000 t
Point-of-lay pullets	100 000 - 200 000 units
Colza oil	200 000 t
Colza seed	70 000 - 90 000 t

## II. MISSION TO CAIRO

8. The general objective which, in the view of the Egyptian authorities, should guide any framework agreement concluded between the EEC and Egypt on the multiannual supply of agricultural products is somewhat different from the situation in the case of Algeria. It should be based on the national food strategy which President Sadat has made the cornerstone of his internal policy and which aims to satisfy the food requirements of a population growing at the rate of almost 100 000 per month and whose standard of living is improving every year (whence the growing need for high protein products such as meat and milk products).

This "food strategy policy" aspect was emphasized forcefully at each of the meetings which the Commission representatives had with the ministers responsible for supply, financial affairs, economic affairs and agriculture during their visit to Cairo from 7 to 9 June. Egypt bases this policy partly on the expansion of domestic agricultural production, which requires external financial and technical support (bilateral, plurilateral or multilateral), and partly on the conclusion of supply agreements with other countries. The Commission representatives were accordingly informed of the need for an overall cooperation agreement, thus confirming the impressions formed by Mr Cheysson during his official visit to Egypt from 27 October to 2 November 1980.

9. On the more specific question of a possible multiannual supply agreement, whereas in Algeria the Community is able, it seems, to play the leading part, in Egypt it finds that other countries are already fulfilling that role. In particular, the United States exports to Egypt in the region of \$ 750 million of agricultural products, thus accounting for over a third of its agricultural imports, in addition to which Australia and Argentina have concluded long-term agreements with Egypt (on cereals and beef and veal respectively).

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The Egyptian ministers stressed the need, however, to diversify their sources of supply and, in this context, described the role which they envisage for the Community which exports to Egypt a mere \$ 375 million of agricultural products (i.e. around half the United States' exports). The ministers considered that the Community possessed an immense advantage in being able to offer a wide range of the food products which Egypt requires.

10. Another notable difference compared with Algeria, at least at this stage, concerns the terms under which transactions are carried out; credit sales seem to have reached unprecedented proportions in Egypt.

According to information provided by the Minister for Economic Affairs, Dr Nour El Dine (confirmed by a USDA report), approximately 70 % of US agricultural exports to Egypt were sold in 1980 through USG financing programmes PL 480 and the Commodity Import Program. Egypt is, for the USA, the principal recipient of PL 480 and all cereals sold (a third of PL 480 to Egypt) are covered by this aid (i.e. 1.6 million t of wheat and flour and 100 000 t of maize). The terms of the agreement are those normally applicable (down payment 5 %, the balance payable in 31 annuities, ten years after the final delivery, interest rate 2 % rising to 3 %). The Commodity Import Program (\$ 129 million in 1986) covers the greater part of other US agricultural exports to Egypt: **lard, maize, tobacco, poultrymeat and lentils.**

Australia, which on 5 February announced the signing of a long-term agreement (lasting five years, the 1977 agreement having lasted three years) for an annual supply of one million t of wheat (possibly 1.5 million t in the event of a good Australian harvest), is granting Egypt credit facilities (for three years with interest negotiable at commercial rates in a trade-off with the price formula). In addition to this contract there is a food aid scheme involving 20 000 to 25 000 t of cereals.

France, at the end of April, granted Egypt a loan (available until 1 August 1982) to import French agricultural products up to a value of FF 1 500 million (i.e. approximately \$ 270 million). An earlier loan of the same type was worth FF 930 million but allowed Cairo to buy only wheat and flour; the new agreement of April 1981 permits the additional purchase of sugar, milk products, meat, live cattle, eggs and oils.

Undoubtedly, other countries are similarly involved though not to such an obvious extent. Egypt has always attached major importance to the "special conditions of sale" aspect and a long-term agreement with that country cannot ignore it.

11. In relation to Algeria, the final difference concerns the arrangements for marketing Egyptian imports. According to information provided by Dr Fouad Hussein, Minister for Financial Affairs, a third of the goods entering the country are imported by private companies direct (under monetary authorizations granted by the Central Bank). This free trade is increasing along with the increase in demand for goods (not covered by special conditions of sale stipulated by exporting countries) and their greater diversification (linked to the improving standard of living). There are in Egypt no rules requiring all imports to be covered by long-term agreements, i.e. essentially bilateral agreements between governments. A fairly substantial share of Egypt's EEC exports would not be covered, therefore, by a framework agreement and private imports would continue.

12. Mr Ahmed Nouh, the Minister for Supply, who had a long meeting with the Commission representatives and was accompanied by Mr Darwish, Deputy Minister and Chairman of the General Authority for Supply Commodities (GASC), the central import agency, answered detailed questions and arguments by confirming that the Government was interested in entering into negotiations with a view to concluding between the EEC and Egypt an agreement on the multilateral supply of agricultural products.

(i) The general pattern of such a framework agreement could, according to the Egyptians, be virtually identical to that envisaged in the communication to the Commission of 19 February 1981 (COM(81) 75) ; Algeria is thinking along the same lines, as indicated above.

(ii) With regard to the range of products which could be covered, the Minister for Supply mentioned :

- cereals: wheat, Western White type preferably required (EEC standard wheat is not far behind (1), wheat flour, maize (not currently supplied by the EEC, which is a net importer) ;

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(1) The current question of a \$ 20 - 30/t preference premium for this type of wheat compared with EEC wheat - for which there is no justification in purely commercial terms - has not been clarified.

- milk products: butter, butteroil, milk powder, certain types of cheese (gouda, processed cheeses, blue) ;
- sugar: in the eyes of the population this product is the key to the Government's success in the management of its food policy, though account should be taken of Egypt's membership of the International Agreement and the provisions of that Agreement concerning restrictions on purchases from non-members (including the EEC, which nevertheless sold around 100 000 t on average in 1979 and 1980) ;
- vegetable oils: sunflower or cotton seed oil ;
- eggs ;
- meat: red meat (beef and sheepmeat), bone-in or boneless, live animals for slaughter or stock-building, corned beef, poultry-meat and day-old chicks ;
- fish: fillets and preserved fish (mainly mackerel).

(iii) No quantity was mentioned. The Minister for Supply refused to give any details on the grounds that the prices or terms of payment offered by the EEC would determine what Egypt would ask for during the negotiations. He expressed interest in receiving official offers from the EEC regarding quantities in due course.

(iv) The question of prices and price conditions was the subject of a long and wide-ranging exchange of views.

First, the Egyptian authorities clearly had an erroneous view of the respective responsibilities of the Commission, the Member States and Community operators in each export operation; the Community as such was seen as having more power or more resources (credit) than it in fact has at present, and certain operators or Member States had omitted to point out to their opposite numbers that the refund, which was necessary for each operation, was a Community instrument.

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Secondly, it is clear that being accustomed to trading on the basis of special conditions of sale, the Egyptians do not wish to contemplate a framework agreement containing no reference to some sort of "preference", at least for major products. The terms of payment (credit) were discussed, but also alternative arrangements involving a link with food aid. Solutions to these questions are feasible and include the possibility of a parallel arrangement involving both a framework agreement and food aid, the incorporation in the framework agreement of national credit packages for the purchase by Egypt of foodstuffs, or arrangements for financing development projects. It appears that Egypt has realized that a higher refund (the preferential price idea) is not necessarily reflected in the prices charged by Community operators.

Brussels, le 9 November 1981

Direction générale de l'agriculture

VI/H  
International affairs

RECORD OF THE MISSION TO TUNIS  
IN CONNECTION WITH LONG-TERM AGREEMENTS

1. During the talks which Mr Pisani had with the leading members of the Tunisian Government when he visited Tunis from 19 to 21 September, consideration was given to the possibility of sending Commission officials to Tunis to discuss the entire matter of framework agreements for the multiannual supply of agricultural products. The Tunisian Mission subsequently confirmed, in a Note Verbale of 28 September 1981 (SG (81) A/9465 of 19 October),\* its authorities' interest in the possibility of long-term agricultural commodity agreements and repeated its offer to receive shortly a Commission delegation in Tunis.

Consequently, a Commission delegation headed by Mr Jacquot (from DG VI), who was accompanied by Mr Norris (DG I) and Mr Thibault (DG VI), went to Tunis on 4 and 5 November to hold the same type of discussions as held with the Algerian and Egyptian authorities at the end of last spring.

Three sets of talks were held: one with the Tunisian delegation, made up of representatives of the Ministries for Agriculture, Finance and the Plan, Foreign Affairs and Economic Affairs and the Directors-General of the Cereals and Stock-farming Boards; one with the Director-General for Planning at the Ministry for Finance and the Plan; and one with the Minister of Agriculture.

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\* Exact quotations: "L'intérêt de ses autorités à l'approche des accords à long terme en produits agricoles" ... "d'accueillir prochainement à Tunis une mission de la Commission".

2. A lengthy exchange of views was held first of all on the framework which could be given to long-term agreements between the Community and Tunisia for the multiannual supply of agricultural products.

The Tunisian delegation referred to the general tenor of the talks held in September on this matter between Mr Moalla and Mr Pisani, and gave details on the following:

- the long-term agreements (LTAs) should form part of a new type of relationship and cooperation in agricultural matters between the Community and Tunisia;
- the LTAs must help towards Tunisia's agricultural development, this being the top priority for the Government, as reflected in the ambitious targets set for agriculture under the Sixth Plan (which will formally enter into force in March 1982);
- the LTAs form an integral part of the concept of food security but represent only one aspect, since other means to this end - including effective participation in all international cooperation through the FAO, the World Food Council, UNCTAD and international stabilization agreements - should also be adopted;
- the LTAs could not be negotiated separately, for various reasons (a point which gave rise to very intense discussions). The Tunisians stated very clearly that for reasons of domestic, commercial and economic policy and also for reasons of equity or reciprocity, the Tunisian Government could not take the risk of announcing that it had undertaken to purchase a given quantity of agricultural produce from the EEC - i.e. announce greater dependence on imported agricultural produce - without being able to show public opinion in Tunisia that these LTAs were accompanied by other measures or contracts designed to improve food security (food aid to enable stocks to be built up), promote Tunisia's agricultural production (all types of aid for development projects), and provide means of paying for these purchases through guaranteed outlets for its exports, since the present means, based on earnings from oil could decrease drastically over the next few years. In this respect particular attention should be drawn to the Tunisian authorities' concern over their exports of wine, citrus fruit



and especially olive oil, given the prospect of the accession of Spain and Portugal to the EEC, and the Commission's spokesman was questioned at length about the precedents created by the accession of the United Kingdom, Ireland, Denmark and Greece, the formulas adopted in the actual Acts of Accession, compensation negotiations under GATT and the progress of the discussions with the USA on citrus fruit.

3. The second set of discussions concerned the content of the framework agreements on the multiannual supply of agricultural products. As had already been observed with Algeria and Egypt, the format proposed by the Commission in its Communication to the Council seemed to square with the general ideas of the countries seeking such agreements, including Tunisia. Particular attention was paid to the matters of prices and financing (terms of payment - credit terms). Explanations were given as to the present rules governing the granting of refunds and of the form these rules could take under the LTAs

As for the matter of financing, it is

regrettable that the Community has no specific instruments of the same kind and type as those available to farmers across the Atlantic (the Tunisians gave a few examples in this connection of what was done in Canada and the United States), especially as 50% of its agricultural exports go to developing countries and the problem is at present either disregarded or tied up with other problems linked with supporting the CAP, but it was made perfectly clear that at present the EEC could not include a credit component in the LTAs, although this would not prevent the Member States from granting credit.

The Tunisians took note and said that this would not hinder the conclusion of LTAs provided they were backed up by other efforts on the part of the EEC (see end of paragraph 2).

It is worth noting here the United States PL 480 operation (sale in local currency with use of counterpart funds for agricultural development and the improvement of security arrangements) which, although on a small scale, was very well received by the Tunisians and also the fact that the EEC's efforts are not always fully appreciated since they are not properly presented.

4. At the Commission's request, the Tunisian delegation explained in great detail the guidelines of the Sixth Five-Year Plan in respect of agriculture, especially as regards the import requirements which would result.

Tunisia's overall objective is to maintain the agricultural shortfall at its present level (\$ 200 million) from now until the end of 1986, which would mean increasing agricultural production by 5%, stabilizing imports of veal and milk products and maintaining olive oil exports at about 75 000 t.

The guidelines by sector are as follows:

- Cereals: the objective is to raise production to 13.5 million quintals (as against 10 million at present), i.e. a 36% increase.  
Common wheat imports would amount to 400 000 t and durum wheat imports 200 000t. It might be possible to export barley.
- Stock farming: as much as 72 000 t of red meat could be produced (as against 60 000 t at present). There could still be a shortfall of 6 000 t. Self-sufficiency in poultrymeat would be maintained; there could be surplus egg production, which could be exported to neighbouring countries (Algeria).
- Milk products: in this sector (present rate of self-supply 63%), it is hoped to halve the shortfall by increasing production by 48% during the period covered by the Five-Year Plan. If this target were achieved imports of the various milk products would nevertheless stay at 6 000 t (26%) for milk powder, 2 000 t for skimmed milk powder and 5 000 t for butter (in bulk) per annum, and this would also entail the importation of 7 000 milk cows a year and the installation of refrigerated units for collecting the milk.
- Sugar: imports are expected to amount to 100 000 t with consumption between 120 000 and 130 000 t.

- Tree-growing: The Tunisian Government would maintain its policy of not planting any more trees while continuing to prune the present olive groves. Production would rise slightly, so that, in order to maintain some degree of balance, a policy of incentives for the consumption of olive oil and also an export level to the EEC of about 70 000 t/year would be required.

Citrus fruit production would amount to 248 000 - 250 000 t/year, thereby releasing some 30 000 to 35 000 t for export to Europe (hence the concern expressed regarding the marketing premium for Italian citrus fruit and particularly the USA's hopes for a reduction in customs duties in the EEC).

- Vineyard: The ageing of the vines is a factor which the Tunisian Government would endeavour to combat if wine imports into the EEC and elsewhere were not so restrictive and if Tunisia did not come up against the fierce competition of EEC exporters on other countries' markets (particularly in Africa).

- Market garden produce: The Tunisian authorities encourage out-of-season production of crops grown under glass in the Sahel, Sousse and Monastir regions. The request already sent to Mr Pisani for a study of the possibilities of disposing of this supplementary production on the EEC market was confirmed.

5. The Tunisian Delegation also described, at the Commission Delegation's request, the organization dealing with imports into Tunisia.

Imports described as "strategic" are in the hands of the State, which has delegated its powers to the following boards or companies:

- Office des Céréales - Cereals Board
- Office du Commerce tunisien - Tunisian Board of Trade (sugar, coffee, tea, spices)
- Office de l'Elevage - Stock-farming Board (imports of lean calves)

- Société tunisienne de l'Industrie du Lait (STIL) - Tunisian Dairy Industry Company
- Société tunisienne de la viande - Tunisian Meat Company (imports of meat - live animals and carcasses - for direct consumption)

It would therefore be each of these organizations which would administer any LTA negotiated with the EEC.

## 6. Conclusion

Tunisia is interested in concluding multiannual agreements for the supply of agricultural products from the Community covering cereals, stock-farming products (certain types of powder, butter, milch cows), meat (lean meat) and sugar.

Tunisia considers, however, that at the same time the EEC should in return step up its aid for agricultural products - in all its forms - and take into account Tunisia's export interests, particularly given the prospect of enlargement.

RECORD OF THE MISSION TO MOROCCO IN  
CONNECTION WITH LONG-TERM AGREEMENTS

(Rabat, 28 to 29 December 1981)

1. At its meeting on 22 July, during which it adopted a communication to the Council concerning the negotiation of framework agreements on the multiannual supply of agricultural products (COM (81) 429), the Commission, at Mr Natali's initiative, agreed to instruct the departments concerned to open exploratory talks with Morocco, as had been done with other Mediterranean countries.
2. These exploratory talks were held in Rabat on 28 and 29 December 1981. As in Algeria, Egypt and Tunisia, the Commission Delegation was led by Mr M.J. Jacquot (DG VI) and was made up of officials from the Directorates-General for External Relations, Agriculture and Development, and one representative of the Commission Delegation in the host country.

Separate talks were held with the Prime Minister's Director for Economic Affairs, the Director for Planning and Economic Affairs at the Ministry of Agriculture and Agrarian Reform, the Director for the Treasury and External Finance and with Mr Abouyoub, the Director for Foreign Trade (and his colleagues from the same Ministry). Mr Abouyoub accompanied the Commission Delegation to the various Ministries and coordinated all the discussions.

3. The Delegation explained in great detail the possible scope and content of an agreement between the EEC and Morocco for the multiannual supply of Community agricultural products and asked its Moroccan partners how they saw this new instrument in their relations.

i) It appears firstly that Morocco's normal supply situation (1981 was exceptional owing to the drought) and the prospects for developing its own production of essential agricultural products (cereals, milk, sugar, meat) are considered by the authorities to be satisfactory and promising, so that Morocco does not feel as deeply as the other Mediterranean partners the need to ensure that it has pre-arranged and constant access to the supplies which the Community has available for export. It is therefore possible that Morocco might show less interest than other countries which buy from the EEC.

ii) The Moroccans also stated that they considere

that the long-term agreements could be seen as a means of restoring the balance in the Cooperation Agreement between Morocco and the EEC, since infringements or distortions by the Community of some of the provisions of this Agreement (concerning in particular fruit and vegetables and textiles) could be offset by favourable terms for the sale of Community agricultural products under the long-term agreements.

The Commission Delegation made it very clear that this did not coincide with the Commission's present view as set out in its Communication to the Council of 24 July, which served as a guide for talks with non-member countries and that the Community must in any event meet its international commitments with regard to exports (GATT).

iii) Lengthy exchanges of views were also held concerning the terms for sales or purchases under the long-term agreements. Our Moroccan partners seemed rather taken aback and even disappointed that no undertaking could be given by the EEC concerning prices under such agreements and that the guarantee offered by the EEC could apply only to the level of the refund and its period of application, since private operators were responsible for concluding their own commercial contracts. An exchange of views was also held on the system of imports into Morocco; the State intervenes directly in the purchase of basic essentials by organising the invitations to tender and monitoring import prices, the actual importation being left to private companies.

The Commission Delegation was also asked about the financing terms which could be provided under the long-term agreements; the Moroccans mentioned, as an example, the advantages of US wheat supplies under PL 480 and the GSM (10-year credit sale), of the COFACE credit granted in 1981 and 1982 for imports of French wheat and of the special payment terms for UK barley. The answer given to this question was that there was at present no Community solution but that the conclusion of such agreements could encourage Member States to grant special financing terms. It should be noted, however that the Ministry of Finance was not in favour of incorporating credit terms for supplies of agricultural products, but preferred a PL 480/US formula (possibility of using counterpart funds for developing domestic agricultural production).

- iv. When questioned about the products which could be subject to multiannual supply contracts, Morocco said that these could be basic essentials: cereals (wheat and barley), sugar, butter, milk powder, vegetable oils and frozen beef and veal. It was also pointed out that other products could be considered as an exceptional measure to meet any sudden demand for foodstuffs (fresh milk during Ramadan) or to help launch a programme to expand agricultural output. The quantities stated, namely 1 600 000 t for wheat, 200 000 t for raw sugar, 21 000 t for butter, 18 000 t for powders, 4 000 t for frozen beef and veal, constitute total estimated requirements from all quarters.
  - v. Our Moroccan partners made several references to the benefits granted by the USA. Without minimizing these efforts, the EEC representative did not omit to point out that the United States purchased practically no agricultural products from Morocco (whereas the latter had an agricultural trade surplus with the EEC) and that within GATT the USA was attacking the preferences granted by the the EEC to Morocco for citrus fruit; the EEC did not consider the USA's conduct to be as admirable as it was painted by the Moroccan side.
4. If an initial conclusion could be drawn from these talks, it would be that Morocco did not seem to be seeking a long-term agreement of the kind at present envisaged by the Commission, but sees this instrument as part

of a wider vision of political and economic cooperation between the EEC and Morocco, with the procedures to be agreed upon for the multiannual supply of Community agricultural products depending on the need to restore the balance of the present Cooperation Agreement.

The Moroccan authorities will set out their views in a letter of intent in the course of the next few weeks.

M. JACQUOT