

**THE DEVELOPING COUNTRIES-
PRODUCE AND TRADE**

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Part IMARKETS IN TROPICAL PRODUCTSCOCOAMarket trends

During 1966, the trend of prices for spot cocoa was as follows (monthly average for Ghana cocoa):

	<u>London</u> (sh/cwt)	<u>New York</u> (cts/lb)
<u>1966</u>		
January	179/6	22.63
February	177/4	22.42
March	185/1	23.21
April	201/4	25.17
May	198/7	24.35
June	202/11	24.89
July	217/10	27.21
August	213/4	26.62
September	189/2	23.45
October	195/4	23.87

The rise in prices which took place at the end of 1965 continued during 1966, the highest summer prices showing a 13 to 14 cents increase on the corresponding period of 1965.

The 1966-67 harvest is provisionally estimated at 1 320 000 tons; grindings should reach about 1 400 000 tons, the forecast figure for 1967 being 1 440 000 tons. There would therefore be a considerable deficit in 1967, which should mean fairly steady prices.

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Problem of an International Cocoa Agreement

In 1966 the International Conference again failed to negotiate a cocoa agreement. This, the tenth anniversary of the commencement of a world-wide examination of the cocoa problem, seems an appropriate time to recall briefly what has been accomplished and to take stock of the present situation.

The FAO Cocoa Study Group was in fact formed in 1956, and held numerous meetings before drawing up, over the period 1961 to 1963, a draft international agreement based on a system of export quotas related to price trends.

The first United Nations Conference on Cocoa met at Geneva in September-October 1963 to discuss this draft. There was wide divergence between the views of producing countries and consuming countries on prices, particularly with regard to the minimum price, so that no agreement was reached. The Conference adjourned without achieving anything.

Faced with this situation, the alliance of cocoa-producing countries (Ghana, Nigeria, Ivory Coast, Cameroon, Brazil, Togo), which export more than 80% of the world's cocoa, tried unsuccessfully at the end of 1964 to introduce a co-ordinated sales policy based on an agreement among its members.

Following the serious drop in cocoa prices at the beginning of 1965, UNCTAD took steps to organize a new conference. Discussions between the 12 principal producing and consuming countries (X) took place in the Working Party on prices and quotas (set up at the 1963 Conference) following a recommendation

(X) Producers: Ghana, Nigeria, Ivory Coast, Cameroon, Brazil, Mexico.

Consumers: USA, Germany, France, Netherlands, UK, Switzerland.

made by the Trade and Development Council during its first session in April 1965. The Working Party met on several occasions in 1965 and 1966 to prepare a new draft agreement providing for a system of buffer-stocks and financing of stocks as well as sales quotas and a scale of prices.

This was the background to the second Conference (New York, May-June 1966). Despite a composition of the divergent views of producer and consumer countries (with the exception of the United States) on the minimum price level, the Conference did not reach agreement on this essential point; other problems relating to the mechanism of the agreement and financing (of buffer-stocks in particular) were also left in abeyance.

Situation after the failure of the New York Conference

In September 1966, the Trade and Development Council received a report from the Secretary-General of UNCTAD on the main difficulties still to be resolved following the adjournment of the Conference and on the discussions being held to find solutions acceptable to all. The Group of 31 developing countries represented on the Council adopted a motion expressing their disappointment at the failure of the Conference and recalling the efforts made by the producer countries with a view to reaching agreement.

The Secretary-General of UNCTAD resumed bilateral and multilateral discussions following the adjournment of the Conference in June 1966, and called a meeting of a "consultative group" comprising the twelve principal producer and consumer countries with the addition of Ecuador and the USSR. This Group did not make much progress towards a resumption of the Conference,

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which had been scheduled in principle for the end of 1966. Among the problems raised by some of the producing countries forming the Group was that of the tariff preferences granted by the EEC to the Associated States.

The General Assembly of the United Nations adopted at its last session a resolution proposed by a certain number of developing countries urging the necessity of arriving at an agreement before the next marketing year (67-68). The resolution emphasizes the importance of agreements on commodities to developing countries and the advisability of concluding an agreement on cocoa, outlining UNCTAD's role in this sphere.

COFFEE

Market trends

The trend of indicator prices under the international agreement since the beginning of 1966 has been as follows (monthly averages):

<u>(in cts/lb to nearest 1/10 ct.)</u>	<u>Arabicas (mild)</u>	<u>Arabicas (unwashed)</u>	<u>Robustas</u>	<u>Average price</u>
1966 January	47.5	42.6	36.4	42.1
February	46.9	41.5	34.4	40.9
March	46.0	40.7	33.7	40.1
April	45.8	40.6	34.5	40.3
May	45.9	40.8	34.7	40.5
June	45.1	40.7	33.6	39.8
July	44.8	40.6	33.1	39.5
August	44.5	40.3	32.6	39.1
September	43.2	40.0	31.7	38.3

As from October, the system of price calculation was modified in the case of arabicas, which will henceforth be divided into two categories "Colombia" and "others", and there will no longer be any "average price", (cf. resolutions of the International Coffee Council summarized below). A definite tendency towards

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lower prices was noted during 1966; the tendency was rather sharp during the early months, but eased off later, especially for unwashed arabicas (Brazil chiefly). A slight recovery was noted in robustas in October.

The 8th session of the International Coffee Council

The International Coffee Council held its last session for 1965/66 in London from 22 August to 6 September. It was attended by delegates from 35 producing and 23 consuming countries.

The agenda included numerous important points, notably, the revision of Annex A to the Agreement (basic quotas for exporting member countries), the selective system for adjusting annual quotas, the control of production, policy in relation to stocks, export control, import regulation, the diversification fund and preparations for the 1966-67 coffee year.

The central problems in the session's debate were essentially those dealing with quotas and these problems were closely linked together in the course of the proceedings.

The producing countries were divided on the advisability of a revision of basic quotas. The consuming countries were in principle in favour of it, believing that the present allocation of export markets between the producing countries or groups of producing countries did not meet the real needs of the market.

The producing countries were also divided on the matter of the selective adjustment of quotas, some of them being firmly opposed to it. The consuming countries were divided on the advisability of introducing a system of this kind at the present

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stage of the functioning of the agreement; most of them however recognized the advantage of such a measure as a means to achieving greater flexibility in the allocation of quotas. Stricter control of the apportioning of quotas both on export (by enforcing the system of certificates of origin and re-exportation) and on import (in applying Article 45 which makes provision for restrictions by importing member countries on imports from non-member countries) was regarded as indispensable by all parties to the Agreement, some consuming countries placing conditions on the application of Article 45, in particular where the accession of new exporting countries did not become effective. The need for stricter controls was evidenced by diversions of trade through non-member countries which occurred during the 1965/66 coffee year.

Results of the session

Resolutions were adopted dealing with quality standards for coffee, the annual check on stocks in exporting countries, the extension of the agreement (the preliminary work was entrusted to the Executive Committee) and the advertizing schemes presented by the World Coffee Promotion Committee.

The Council made elections and appointments for the 1966/67 coffee year.

The following countries were elected to the Executive Committee:

Exporting countries: Brazil, Colombia, Nicaragua, Dominican Republic, OAMCAF (Organisation Africaine et Malgache du Café), Congo (Kinshasa), Uganda.

Importing countries: USA, Germany, France, United Kingdom, Norway, Belgium, New Zealand.

M. Ramon Gonzalès (Salvador) was appointed chairman of the Executive Committee.

M. Jean Wahl (France) was elected chairman of the Council for the coming coffee year.

The remaining problems with regard to quota-fixing, prices, production targets and diversification were solved by a general compromise. The Council adopted a resolution establishing a permanent high-level working party, composed of importing and exporting members and the Executive Director, with the participation of the Director of the tripartite FAO/BIRD/OIC study programme. The group's very wide terms of reference are to present to the Council a complete picture of the coffee economy in each exporting member country so as to facilitate the search for an overall solution to problems connected with basic quotas, production targets, production control, stocks, quantities permitted in addition to annual quotas, and diversification.

Having studied various possible means of making the certificate of origin system more effective, the Council adopted a new regulation making obligatory the attaching of stamps to certificates of origin issued by producing countries. The system will come into force in April 1967 and the stamps will be necessary for the entry of coffee exported under quota into other member countries (excepting those in Annex B).

The Council also decided to put into operation Article 45(3) of the Agreement to regulate imports by member countries from non-member countries. The restrictions provided for will apply to all imports whose origin cannot be attributed to a member country; they will be valid up to 30 September 1967.

The problem of the application of Article 45 is linked for many consumer countries with the problem of new exporting countries - notably Kenya - acceding to the Agreement, taking into account their growing imports from these countries.

Resolutions were adopted on conditions for Bolivia, Honduras and Kenya to accede to the Agreement.

In the case of exports without quotas to new markets (Annex B to the Agreement), the Council decided to tighten controls on coffee re-exported by these Annex B countries.

The Council adopted estimates of world imports in 1966-67, namely 50.6 million bags, out of which the total number of export authorizations for member and non-member countries signatories to the Agreement were estimated at 46.5 million bags, a figure which corresponds fairly well with forecast sales for 1965/66 taking into account the quotas fixed, supplementary quantities authorized and exports marginal to the Agreement.

The Council fixed annual export quotas at a total of 43.7 million bags allocated in proportion to the basic quotas set out in Annex A. An important resolution provides for a selective adjustment of quotas and allots to each exporting member, in proportion to its basic quota, a share of the special export authorizations covering 1 083 500 bags. The great innovation lies in varying the special export authorizations of each member in relation to the price of each of the four types of coffee, for which minimum and maximum prices are laid down in

the resolution. Exporting countries are divided among the four types:

<u>Type</u>	<u>Minimum price</u>	<u>Maximum price</u>
<u>Mild Colombian</u> (Colombia-Kenya)	43.50	47.50
<u>Other mild arabicas</u> (Latin-American countries not elsewhere mentioned, India, Burundi, Rwanda, Tanzania)	40.50	44.50
<u>Unwashed Arabicas</u> (Brazil, Bolivia, Ethiopia)	37.50	41.50
<u>Robustas</u> (African countries not elsewhere mentioned, Indonesia, Trinidad and Tobago)	30.50	34.50

The selective adjustment system will be valid for 1966/67. It replaces the former system of adjustments in proportion to the overall annual quotas which, therefore, no longer applies. It will be noted that the resolution on the selective adjustment system refers to Article 41 of the Agreement (guaranteed supplies to consuming countries). Finally, the Council decided to grant permission for supplementary exports in 1966/67 to take account of the special situation in certain producing countries, and with a view to contributing indirectly to the solution of the problems of overproduction, heavy stocks and diversification away from coffee. These supplementary quantities amount to 2 078 500 bags of which approximately 1 200 000 bags are allotted to African countries. They are allocated on a quarterly basis, those for the last two quarters being subject to the fulfilment of certain conditions; either (a) placing in reserve foreign currency corresponding to

20% of the value of the coffee exported under supplementary permit, this reserve to be used for financing the diversification and development programme; or (b) placing a tonnage equal to the total supplementary amount permitted for the year under the joint control of the member country concerned and the Executive Director of the International Coffee Organization; or (c) a combination of these two conditions.

To sum up, then, the export quota of a member country for 1966/67 will comprise the following elements:

- (i) the annual quota;
- (ii) special authorization to export;
- (iii) in certain cases permission to export a supplementary amount,

the whole quota being subject to selective adjustment during the year; the annual quota element cannot, however, be reduced.

In conclusion it may be said that all the important problems which were debating points at this session of the International Coffee Council were the subject of negotiations which resulted in a compromise acceptable to all parties to the Agreement. This is not a definitive settlement of all the problems posed but rather a provisional solution applicable to 1966/67; the hope is that the various working parties which have been appointed will succeed in arriving at more lasting solutions. Nevertheless, the measures adopted do constitute valuable guidelines for the future; they cannot but influence future debates on eventual amendments and the extending of the Agreement, which expires on 30 September 1968.

TEA1. Survey of the world market

Tea is one of the few tropical commodities which has a stable market. Despite the fact that production has expanded more rapidly than world trade, a marked increase in consumption in the producing countries themselves has been an important stabilizing factor; indeed almost 50% of production is now being consumed in the producing countries.

Trends over the last 15 years (in '000 t.)

	<u>1950/52</u>	<u>1955/57</u>	<u>1961</u>	<u>1965</u>
Production	680	845	1010	1090
Trade	412	460	550	580

1) Production: Asia's predominance over the other continents in tea production is even greater than Latin America's in coffee production or Africa's in cocoa production, since it grows more than 90% of world production, estimated at 1 100 000 tons in 1965 (including the People's Republic of China and the Soviet republics). Africa accounted for about 6% and America for 2%. The largest producers are India (375 000 t.); Ceylon (220-230 000 t.); China (160 000 t. - an estimate which has not been revised for many years); Japan (80-85 000 t.); USSR and Indonesia (45 000 t.) and Pakistan (28 000 t.).

In Africa, where production is concentrated in the East, only Kenya reaches 20 000 tons, Malawi and Mozambique producing 10-12 000 tons. The Associated African States together produce 5-6 000 tons. The development of African production has been remarkable; it has doubled in 10 years, reaching more than 65 000 tons in 1965, and may, it is thought, reach 100 000 tons in 1970. In the Americas only the Argentine produces anything worth mentioning (13 000 tons).

2) Exports

Many tropical commodities (coffee, cocoa, rubber, hardwoods) are principally for export, having a relatively low consumption in the producing countries (with the exception of coffee, in the Latin-American countries particularly). Trade in tea, on the other hand, represents only 550-600 000 tons out of a total production of more than 1m. tons, 95% of this trade being in black, and 5% in green tea. India and Ceylon exported three quarters of the total volume of 555 000 tons in 1964: India 210 000 tons, and Ceylon 208 000 tons, representing the greater part of its production.

Exports ('000 tons)

	<u>1961</u>	<u>1965</u>		<u>1964</u>	<u>1965</u>
India	210	196	Kenya	23	16
Ceylon	207	224	Malawi	12	13
Indonesia	25	...	Mozambique	9	11
Formosa	15	20	<u>Africa</u>	55	...
<u>Asia</u>	495	...			

World exports of tea represent an annual value of approximately 615m. dollars. Tea is the principal source of income for Ceylon (67% of exports) and an important source of income for India (18%), Kenya (14%) and Mozambique (6% of exports).

3) Imports

The United Kingdom and the United States account for more than half the world's imports of tea; the EEC is a small importer, and the countries of North Africa and the Middle East import about 20% of the world total, estimated at 530 000 tons in 1964.

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Imports ('000 tons)

	<u>1964</u>	<u>1965</u>		<u>1964</u>	<u>1965</u>
United Kingdom	244	254	Germany	9.1	8.4
USA	61	59	Netherlands	10.8	9.8
Canada	21	21	France	2.4	2.5
Australia	31	30	Italy	2.3	2.5
Irak	20	15	BLEU	<u>0.7</u>	<u>0.7</u>
UAR	26	29	EEC	25.3	23.9

4) Consumption

Consumption per head of the population is particularly high in the United Kingdom, where it reaches 4.3 kg. a year. There are signs that it is nearing its maximum; the market is at saturation point and is meeting competition from other beverages (especially coffee). Consumption is also very high in Australia (2.7 kg.) and New Zealand (3.1 kg). Per capita consumption in other western countries is much lower: Canada 1 100 gm, Netherlands 800 gm, USA 400 gm, Germany 130 gm. and the other EEC countries less than 100 gm.

In the Asian and African countries which are traditional tea drinkers, per capita consumption sometimes reaches quite a high level, even in the non-producing countries.

(1960/62 average):

Ceylon :	1 300 g	Marocco :	1 070 g
Japan :	760 g	Irak :	2 800 g
India :	300 g	UAR :	860 g
Iran :	870 g		

5) Prices

The trend of world tea prices is illustrated by the following figures for the last 10 years, which reflect a slow retreat:

	<u>1955</u>	<u>56</u>	<u>57</u>	<u>58</u>	<u>59</u>	<u>60</u>	<u>61</u>	<u>62</u>	<u>63</u>	<u>64</u>	<u>65</u>
London All tea (d/lb)	60.9	58.0	53.2	55.1	54.8	55.2	52	53	50.7	51	50

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After the high prices of the years 1954-56 a certain stability at around 54-55 d/lb obtained in the years that followed, but a new low was reached in 1961, affecting Ceylon teas in particular. In real terms, the drop between 1957-59 and 1964 was 8% on the London market, but 15% on prices at the auctions in Ceylon. However, from the point of view of quality, the picture was different, high quality teas being less affected by this downward drift of prices, as shown by the figures below for Ceylon tea on export (in rupees/lb), despite the contrary tendency noted in 1965.

	<u>1960</u>	<u>61</u>	<u>62</u>	<u>63</u>	<u>64</u>	<u>65</u>	<u>66</u> (7 mths)
Hill teas	2.06	2.02	2.03	1.92	1.97	1.92	1.84
Lowland teas	1.83	1.67	1.57	1.53	1.49	1.65	

This widespread gradual decline in tea prices accentuated the fall in the purchasing power derived from export earnings for the commodity, all the more so since production and marketing costs have increased. However, the effect on the income of growers was cushioned by increased yields.

6) Market prospects for tea

According to the latest projections made by FAO, world production may reach 1 010 000 to 1 100 000 tons in 1970, if development plans materialize, while consumption should be somewhere between 965 000 and 1 030 000 tons.

On a pessimistic assumption, there could therefore be a certain imbalance between supply and demand in 1970 amounting to 75 to 140 000 tons, but current trends (a slowdown in production expansion programmes) make a balanced situation seem more likely.

One unknown factor remains: the development of Russian policy, and even more notably Chinese policy, in regard to this commodity. Chinese exports fell appreciably during the last eight years but new supplies on the world market may upset the expected balance. As for Russia, its net imports are dwindling steadily and may cease altogether by about 1970, its own production being sufficient to meet home needs.

The trend of prices will depend on the degree of balance in the market in 1970; a production surplus would lead to a certain fall in prices, which would stimulate consumption in the low-income countries (especially producing countries) but not sufficiently to absorb a large surplus.

Despite the limited growth of consumption in the high-income countries, these will again constitute three quarters of the export markets in 1970, and consumption in these countries will remain more sensitive to quality than to price.

II. Tea in the EEC

Trading system

It should be recalled, first of all, that customs duties on tea were suspended from 1 January 1964 to 31 December 1965 as a result of a tariff arrangement between the EEC and the United Kingdom, and that this suspension was extended for a year from 1 January 1966 and then by a further period of one year from 1 January 1967.

This measure affects:

Tea presented in packages with a net weight of 3 kg or less: duty reduced to 5%.

Other tea, that is to say bulk tea or tea in packets weighing more than 3 kg : complete suspension of duty.

The suspension of duties also applies to maté, a beverage little known in Europe (214 tons imported into the EEC in 1964, of which 178 tons went to Germany, principally from Brazil).

Tea extracts or essences, or preparations based on these extracts or essences, are not affected by this measure and the CCT duty applicable is 24%.

The suspension of duties on tea, which were high in most Member States, does not seem to have caused any appreciable increase in imports, which have been as follows since 1961 (thousand tons)

	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
Netherlands	10.1	9.4	9.0	10.8	9.8
Germany	6.7	8.6	6.9	9.1	8.4
France	1.7	1.9	1.8	2.4	2.5
Italy	1.7	2.0	1.8	2.3	2.5
BLEU	0.3	0.4	0.4	0.7	0.7
EEC	20.5	22.3	20.0	25.3	23.9

However, customs duties are not an important factor in retail prices in most of the Member States: charges are rather high in some of them and in general there is not much elasticity of consumption in relation to prices.

Consumption

Consumption of tea in the EEC is low, but the situation varies from one Member State to the next. Thus tea consumption is relatively high in the Netherlands, where it reaches approximately 800 gm a year per head of the population. The chief sources of tea imports into the Netherlands in 1965 were Indonesia (22%), Ceylon (20%), India (7%) and East Africa (12%).

Germany is the second largest consumer of tea in the EEC: approximately 130 gm a year per head of the population. Imports in 1965 (8 400 t.) which were lower than those of 1964 (9 110 t.), came mostly from India (46%), Ceylon (26%) and Indonesia (20%).

France, Italy and BLEU consume very little tea; consumption per head of the population does not even reach 50 gm a year. They import from Ceylon (55-60%), with the exception of BLEU, which obtained supplies indirectly from the United Kingdom and the Netherlands to meet 75% of its needs in 1965. The AASM supply very little tea to the EEC: 440 tons of the total of 25 200 tons imported in 1964.

III. Tea in the AASM

The largest producer among the Associated African States and Madagascar is the Congo (Kinshasa), where production, though still modest, has increased appreciably during the last ten years, rising from less than 1 000 tons in 1955 to 3 400 tons in 1960 and 4 500 tons in 1964. In Rwanda, where production is already considerable (300 tons in 1963), and in Burundi, tea-planting should develop considerably. If all current expansion projects are carried out, production could reach 3 500 tons and 2 300 tons in those countries respectively within fifteen years, which would make tea their second export after coffee. In Cameroon production is still low, particularly in the eastern area; in the western area production amounts to about 400 tons. There are also interesting possibilities of tea-planting developing in other Associated States, especially Madagascar. All these States look in fact to this product to help

in their crop diversification.

It may also be noted that some of the AASM, notably Chad and the Central African Republic, are consumers of tea, their imports amounting to approximately 3 300 tons in 1964; of this 2 500 tons was of green tea, mainly from China.

IV. International co-operation

At the request of several producing countries, an international meeting on tea problems was held in Ceylon in May 1965 under FAO auspices. Having regard to the world market situation and prospects, no permanent tea study group was formed, but it was decided to hold ad hoc meetings to follow market developments. Thus an advisory group on tea statistics met in Rome in March 1966, and FAO intends to hold a meeting of producing and consuming countries in London at the end of February 1967.

Part IITRADE WITH THE ASSOCIATED AFRICAN STATES AND MADAGASCAR

Comparative development of EEC-AASM trade during the first nine months of 1964, 1965 and 1966

Comparative table (€1 000)

I. Imports from the AASM

	<u>Percentage change</u>				
	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1966</u> <u>1964</u>	<u>1966</u> <u>1965</u>
<u>EEC</u>	<u>876 011</u>	<u>861 332</u>	<u>1 016 708</u>	+ 16.0	+ 18.0
France	470 266	415 852	463 335	- 1.5	+ 11.4
BLEU	173 302	171 327	268 600	+ 55.0	+ 56.8
Netherlands	43 231	40 769	42 015	- 2.8	+ 3.0
Germany	119 393	118 865	130 946	+ 9.7	+ 10.2
Italy	69 819	114 519	111 812	+ 60.1	- 2.4

II. Exports to the AASM

<u>EEC</u>	<u>589 999</u>	<u>591 002</u>	<u>619 617</u>	+ 5.0	+ 4.8
France	420 554	404 332	420 840	+ 0.1	+ 4.0
BLEU	60 861	67 262	71 900	+ 18.1	+ 6.9
Netherlands	22 835	24 862	28 255	+ 23.7	+ 13.6
Germany	56 207	58 673	58 429	+ 4.0	- 0.4
Italy	29 542	35 873	40 193	+ 36.0	+ 12.0

III. EEC balance

- 286 012 - 270 330 - 397 091 + 38.8 + 46.9

IV. Total EEC/AASM trade

1 466 010 1 452 334 1 636 325 + 11.6 + 12.7

The table on the previous page calls for a few brief comments. All references to the years 1964, 1965 and 1966 are to the first three quarters of these years.

I. Import trade

The slight drop in total imports from the AASM in 1965 as compared with 1964 did not continue into 1966. On the contrary, there was a distinct increase in 1966; the growth rates for the first three quarters as compared with the corresponding periods in 1964 and 1965 are 16% and 18% respectively.

France showed a revival in 1966, without however returning to its 1964 level. Its share of total EEC imports from the AASM, which stood at 54% in 1964, was 46% in 1966.

BLEU imports show a spectacular increase, a growth of 56.8% in 1966 over 1965, a period during which imports were only slightly lower than in 1964.

The Netherlands almost regained in 1966 the level reached in 1964. Imports for 1966 are also slightly up on those for 1965 (+ 3%).

Germany progressed by about 10% in 1966 as compared with the two previous years.

Italy, which showed a spectacular increase in 1965, did not maintain this growth rate; its imports dropped slightly in 1966.

II. Export trade

During the periods referred to, total exports from the EEC to the AASM progressed little. There was a slight increase - 5% a year.

After the decline in 1965, France returned to its 1964 level in 1966. BLEU, Netherlands and Italy progressed steadily by 18%,

24% and 36% respectively in the two years from 1964 to 1966. It does not seem that the slight progress made by Germany in 1965 will be continued in 1966.

III. EEC balance with the AASM

This has always been in deficit, but the deficit has grown appreciably, since it has gone from 286 million u.a. in 1964 to 397 million u.a. in 1966 (270 million u.a. 1965).

IV. Total EEC/AASM trade

Total trade (imports plus exports) between the EEC and the AASM is expanding. We note an appreciable increase in 1966 as compared with 1965 (+ 12.7%) and 1964 (+ 5.9%). The slight slackening in 1965 as compared with 1964 did not therefore last long. However, it should be remembered that these statistical data and these comments refer only to the first nine months of 1966 compared with the corresponding periods in 1964 and 1965; this favourable development of EEC/AASM trade can only be confirmed by the final figures for 1966.

As to the reasons for the changes which have occurred, these can be determined by analysing the comparative development by volume and value of the principal products for each of the AASM.

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IMPLEMENTATION OF THE YAOUNDE CONVENTION

New customs system for Rwanda

On the date of entry into force of the Yaoundé Convention, Rwanda, formerly a trust territory, was still applying the non-discriminatory system to which it had been subject by its earlier international statute.

This Associated State could have invoked Article 61 of the Convention to maintain this system up to 1 June 1967. However, the Rwanda Government preferred not to wait for this deadline to comply with the provisions of Article 2 of Protocol No.1 to the Convention, and to this end proceeded to re-cast its customs system.

The Rwanda Government adopted the Brussels Customs Nomenclature and drew up a two-column tariff (one for customs duties and one for revenue duties) which came into force on 7 July 1965; it then granted a 15% reduction in customs duties on goods originating in the EEC Member States.

This last measure came into force on 1 July 1966 at the same time as the decision on the concept of "products originating ..." which Rwanda had regarded as a necessary preliminary.

EEC/AASM consultation with a view to GATT tariff negotiations

At its 3rd session in Tananarive on 18 May 1966, the Association Council held a consultation on the offers which the Community intended making in the multilateral negotiations in GATT (Kennedy round) in relation to tropical agricultural products.

The Community noted the views of the Associated States on these offers.

A second consultation was held, at the request of the AASM, during the Association Council meeting on 7 October 1966 in Brussels, dealing especially with certain offers on agricultural products. The Community delegation said that every consideration was being given to the interests of the Associates in this matter. It added

that if the Community were forced by circumstances to modify its offers, as they were now known to the AASM, further consultations would be held.

This intention was confirmed at the extraordinary meeting of the Association Council held on 28 October 1966 in Brussels, when it was stated that procedure for such consultations should be very flexible so as not to hamper the GATT negotiations.

At the thirteenth session of the Association Committee held in Brussels on 2 December 1966, the Community informed the AASM of the Commission's proposals relating to offers on oils and fats, sugar and tobacco. The Community noted the views of the Associated States on these offers.

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EEC-NIGERIA ASSOCIATION AGREEMENT : TRADING SYSTEM

On 16 July 1966, the Association Agreement between the EEC and Nigeria was signed in Lagos. This Agreement is based on the second possibility put forward by the EEC in its declaration of intent published on 20 July 1963, namely "an association agreement involving reciprocal rights and obligations, particularly in the sphere of trade".

The Agreement creates a free-trade area between the partners. However, in view of the different levels of development reached by the partners, even if Article 3 of the Agreement states that "products originating in Member States shall, when imported into Nigeria, benefit from the elimination of customs duties", it also makes an

important exception, namely, that "Nigeria may, however, retain or introduce customs duties ... necessary to meet its development needs or its industrialization requirements, or which are intended to contribute to its budget". In actual fact, a large part of Nigerian duties will not be modified and the elimination of duties in favour of the EEC will only apply to a certain number of products. Nigeria has undertaken to maintain tariff advantages granted in this way to the EEC for the period of the Agreement and not to reduce their effect by introducing quantitative restrictions.

The same general principle and the same exception are set out in the Agreement in the case of import restrictions:

- (i) the non-application by Nigeria of quantitative restrictions to goods originating in Member States;
- (ii) but exceptions are possible "in order to meet its development needs or industrialization requirements or in the event of difficulties in its balance of payments".

At the present moment, Nigeria restricts imports of a number of products which represent about 8% of the total imports of the country: this is done for the reasons given above.

The EEC Member States on their part have undertaken to apply to Nigerian goods the same system that they apply amongst themselves both as regards tariffs and quantitative restrictions. Provision has been made for exceptions to these general principles. A first exception was made in the case of certain agricultural products falling within the scope of the EEC's common agricultural policy. The Community has undertaken to take Nigerian interests into account for products of this kind exported by Nigeria. Furthermore, in an

annexed declaration the Community has undertaken, in the case of palm oil and groundnut oil, to maintain a balance between the advantages now enjoyed by Nigeria as compared with the Associated States under the Yaoundé Convention, and the advantages which it will enjoy as compared with these Associated States under the system to be determined in pursuance of the common policy.

On the other hand, it is with the interests of the states already associated in mind that the intra-Community system will apply only within tariff quotas to four commodities which compete with similar AASM products: cocoa, palm oils, groundnut oils and plywood. The amount of these tariff quotas was fixed by common accord on the basis of imports over the last three years.

A special system for Nigerian goods imported into the Community demands, of course, a precise definition of the concept of "origin". The contracting parties did not define this in the Agreement itself, but provided that the matter should be settled by the Association Council at its first session; the Community expressed the intention that the definition should be analogous to that adopted for the purposes of the Yaoundé Convention (see Annex to this Bulletin).

The Agreement contains further provisions on trade identical to those figuring in the Yaoundé Convention, namely:

- (i) Nigeria applies the most-favoured-nation clause;
- (ii) Nigeria may maintain or establish customs unions or free trade areas with third countries;

- (iii) The provisions referred to above may be waived for reasons of public security etc.;
- (iv) Arrangements are made for information and consultation on trade policy measures which may be damaging to the interests of the other Contracting Party;
- (v) There are general safeguard clauses;
- (vi) Internal fiscal measures leading to discrimination against the other Contracting Party are prohibited;

Finally, the Agreement provides for consultations on the implementation of provisions dealing with the treatment of Nigerian agricultural commodities which are similar to and competitive with European products, and with the safeguard clauses.

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TRADE AND CO-OPERATION AGREEMENTS SIGNED BY THE AASM

CAMERCON - UAR. A trade agreement was signed in Yaoundé on 19 August 1966 to facilitate the growth of trade and the granting of import and export licences. The two countries accord each other most-favoured-nation treatment and will organize trade centres and exhibitions on a temporary or **permanent basis**.

This agreement replaces the one concluded in 1961. Trade between the two countries now amounts to 500m. Frs. CFA for both directions. Cameroon exports aluminium, coffee and cocoa to the U.A.R. and imports cement, rice, and sugar from Egypt.

CONGO (KINSHASA) - CENTRAL AFRICAN REPUBLIC. A trade agreement was signed in August 1966. Congo (Kinshasa) will supply the Central African Republic with finished goods (copper wire, steel tubing, shoes, plastic goods, tyres and inner tubes, galvanized iron, cement, tea, margarine etc...). It will buy printed fabrics, leathers and skins, rubber, household goods, polished granite, industrial gas, hardwood, cotton, groundnuts, sesame, beer, tobacco, pimento, cola etc. from the Central African Republic.

IVORY COAST - TUNISIA. A further protocol to the trade agreement concluded between the two countries on 2 December 1965 was signed in Tunis on 12 October 1966. This protocol provides for two-way growth of external trade, notably trade in Tunisian agricultural and mineral products and Tunisian handicraft articles in exchange for food products such as bananas, cocoa and coffee from Ivory Coast. Provision has also been made for reciprocal tariff advantages.

MADAGASCAR - ISRAEL. An agreement on commercial, economic and technical co-operation was signed in Tel-Aviv on 23 June 1966.

MALI - UAR. A trade agreement was signed in Banako on 29 July 1966.

MAURITANIA- ALGERIA. An agreement dealing with trade, cultural, health, postal and air traffic matters was signed in Algiers in August 1966.

MAURITANIA - USSR. Trade relations were established between these two countries for the first time. A trade agreement was signed in Moscow on 17 October 1966 under which the Soviet Union will supply Mauritania with machines, equipment, laminates, cotton goods, medicaments and chemical products.

Mauritania for its part will supply groundnuts, gum arabic and dates.

NIGER - UAR. An agreement on trade and payments was signed in Niamey in August 1966. It replaces the 1962 agreement.

CHAD - CZECHOSLOVAKIA. A trade agreement was signed on 14 June 1966.