

THE DEVELOPING COUNTRIES -
PRODUCE AND TRADE

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PART I

MARKETS IN TROPICAL PRODUCTS

COFFEE

Market trends

Indicator prices under the International Coffee Agreement during 1967 and early 1968 were as follows:

				(cents/lb)
<u>1967</u>	<u>Colombian</u> <u>milds</u>	<u>Other mild</u> <u>arabicas</u>	<u>Brazils</u>	<u>Robustas</u>
January	43.23	38.56	38.75	32.01
February	42.36	38.29	38.02	33.06
March	40.89	37.37	38.00	32.92
April	41.37	38.54	38.43	33.89
May	42.11	40.33	38.75	34.91
June	42.43	41.24	38.41	35.46
July	41.55	40.94	37.88	33.60
August	40.68	39.74	37.31	32.55
September	40.25	39.04	37.08	32.84
October	40.53	38.43	36.76	33.07
November	42.77	39.31	36.63	33.94
December	<u>41.14</u>	<u>38.61</u>	<u>36.63</u>	<u>33.97</u>
Average 1967	41.61	39.20	37.72	33.52
 <u>1968</u>				
January	41.58	39.28	36.93	34.40
February	41.87	39.42	37.13	34.32

The trend towards lower prices for mild arabicas, which was very marked during 1966, eased off in 1967; prices for unwashed arabicas (Brazil) dropped steadily during the 1966/67 marketing year (from 40 to 37 cents a pound). Robustas were the only coffees to maintain their average 1966 price level (33.5 cents). These differing trends for the major varieties of coffee explain the adjustments in quotas made during the year to keep prices within the ranges

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fixed by the International Coffee Organization and the alteration made in the arabica price ranges in October 1967.

The minimum and maximum prices fixed for the four main types of coffee were:

	<u>Colombian milds</u>	<u>Other mild arabicas</u>	<u>Brazils</u>	(cents/lb) <u>Robustas</u>
<u>1966/67</u>				
Min.	43.50	40.50	37.50	30.50
Max.	47.50	44.50	41.50	34.50
<u>1967/68</u>				
Min.	38.75	37.25	35.25	30.50
Max.	42.75	41.25	39.25	34.25

This brought the gap between Colombian milds and robustas down from 13 cents to roughly 8 cents. In fact, the differences in price between the various types of coffee are being steadily reduced: in 1962, a year when prices were very low, the gap was almost 20 cents, Colombian coffees being worth almost twice as much as robustas; even in 1965, when prices for arabicas were very high, the difference was still 18 cents.

This gradual narrowing of the price gap between the principal varieties of coffee is mainly due to the fact that prices for mild arabicas, and to a lesser extent Brazilian coffees, have been falling, while robusta prices have been firm for the last four years because of the steady growth of demand for this type of coffee.

The International Coffee Agreement

Negotiations with a view to renewing the 1962 Agreement took place in 1967, but it was February 1968 before the International Coffee Council could solve all the problems involved and proceed to approve the entire text of the renewed and amended Agreement.

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Many Council and Executive Board sessions, various working party meetings, bilateral negotiations, and goodwill missions were needed before this result was achieved - a result which is essential for the 41 coffee-producing developing countries who are parties to the present Agreement.

It may be said that any points involving considerable amendment of the 1962 Agreement, or representing a complete departure from it, gave rise to great difficulties. This was particularly true of the following:

- (a) The revision of basic quotas, corresponding to the division of the market between the producing countries;
- (b) Adjustment of quotas to price movements for the main types of coffee;
- (c) Increased control of quotas;
- (d) Production targets;
- (e) Diversification funds;
- (f) Obstacles to consumer trade;
- (g) Measures regarding processed coffee.

Brazil and the United States, the two most important parties to the Agreement, were completely at odds over this last problem, which put the chances of arriving at a new International Coffee Agreement in jeopardy for several months.

In many respects the new text is a considerable improvement on the 1962 Agreement. This Agreement has made it possible for the coffee-producing developing countries to increase their revenue by \$500 million on average (world trade in coffee totalled \$2 500 million in 1966), which is a measure of the importance for the development of these countries of renewing the only existing stabilization agreement for a tropical product.

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Study on the possibility of using robustas from the African Associates and the problems posed in EEC Member States

This study was carried out by Dr. Ernesto Illy, President of the International Scientific Association of Coffee, on behalf of the Commission; it has two aims in view - one technical, the other economic:

1. To itemize the characteristics of coffee, preparation techniques, quality standards, roasting and solubilization processes.
2. To determine the advantages and disadvantages of using robustas from the associated African countries in the EEC and to find out what obstacles and limitations there are to doing so.

These problems are of interest both for those Yaoundé countries which produce coffee and for the Member States, particularly industrial users and the trade. The study was made available in the four official languages of the Communities and was distributed to government and business quarters in the EEC Member States and in the Yaoundé countries concerned.

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COCOA

Market trends

During 1967, prices for spot cocoa were as follows (monthly average for Ghana cocoa):

<u>1967</u>	<u>London</u> (shillings/cwt)	<u>New York</u> (cents/lb)
January	223	27.5
February	243	29.7
March	241	29.1
April	235	27.9
May	226	28.0
June	227	28.3
July	224	27.6
August	229	28.3
September	245	30.3
October	246	29.5
November	273 ¹	31.3
December	290 ¹	31.5
<u>Average</u>	<u>242</u>	<u>29.1</u>

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¹ After devaluation.

The upward trend of prices in 1966, following the depression of 1965, persisted in 1967, despite a temporary decline during the second quarter. The many extraneous events of 1967 (the political situation in Ghana, the Middle East crisis, internal difficulties in Nigeria) had no great effect on the market; the considerable increase in prices noted since the end of the summer was probably due in the main to the announcement of yet another poor harvest for 1967/68. Devaluation of the pound sterling in mid-November was, of course, reflected in prices on the London market, while on other markets prices remained stable in November and December. This tendency for prices to flatten out was confirmed in January and February 1968.

Present prices are the highest recorded since 1959, following the substantial production deficit in 1957/58 (when output totalled 780 000 tons). Since 1965/66 production figures of 1.2 to 1.3 million tons have been considered rather inadequate, which gives some idea of how trade in cocoa and consumption of this product have grown over the last ten years.

Grindings remained at a high level in 1967 (1.4 million tons). This level will be maintained (or exceeded somewhat) in 1968 only if there is a further reduction in stocks, held mainly by the consumer countries. These have already been run down considerably - on 1 October 1967 they were estimated at 340 000 tons as against 590 000 tons on 1 October 1965.

Problem of an International Cocoa Agreement

Despite numerous and fruitful consultations between the main producer and consumer countries, both within UNCTAD and on a bilateral basis, the third United Nations Conference on Cocoa, which met in Geneva at the end of November 1967, failed to reach agreement. The deadlock on problems relating to the mechanism of the agreement (sales quotas and buffer stocks) was mainly due to the position adopted by the United States, the most important importer of cocoa, and forced the Conference to adjourn sine die. During the consultations

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held in October 1967, however, the essential problem of determining a minimum price level, the key to the failure of the first two conferences, was the subject of a memorandum which also fixed the range of prices (minimum 20 cents/lb, maximum 29 cents/lb) and the various intervention prices within this range.

Many other problems were left in abeyance when the Conference adjourned and could not be resolved because the time available (3 weeks) was too short. From among these problems we might single out the special case of fine cocoa, control of sales, regulation of imports from non-member countries, obstacles to trade and consumption, processed products, the voting system and the headquarters of the Organization.

A further conference is to be held during 1968 in the light of the recommendations of the New Delhi Conference, and this should make it possible to arrive at an international agreement at long last.

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BANANAS

EEC banana imports

I. The situation in 1966

In 1966 the EEC countries took 29% of world imports of bananas. They lie second to the United States, which accounts for 31%, and are followed by Japan and the United Kingdom with 8% and 7% of the world total.

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The following table shows the six countries' total imports and imports per head of population.

	'000 t	kg per head
Germany (FR)	606	10.3
France	460	9.4
Italy	322	6.1
Netherlands	100	8.1
Belgium-Luxembourg	<u>98</u>	<u>10.0</u>
EEC	1 586	8.7

As can be seen, Germany comes out on top on both counts. In total imports, it is followed by France and Italy. Italian imports are only 70% of French imports despite the fact that Italy has a larger population. In imports per head of population, France lies third and Italy at the bottom of the EEC table.

Total imports by BLEU and by the Netherlands are virtually the same. BLEU comes second, however, in imports per head, while per capita consumption in the Netherlands is slightly below the EEC average.

II. The import trend from 1960 to 1967

World imports of bananas have increased considerably since 1960; this increase has not, however, been regular. The table below shows the rates of increase of EEC and world imports over the last four years (1964 to 1967) compared with 1960.

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Index of banana imports 1964-67

(1960 = 100)

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Germany (FR)	107	129	134	138
France	100	113	119	126
Italy	264	366	370	...
Netherlands	119	143	175	176
Belgium-Luxembourg	103	120	149	141
<u>EEC</u>	112	144	156	...
World	108	122	133	...

It is clear from the table that the increase in imports between 1960 and 1964 was relatively slight in EEC countries, the only exception being Italy, where consumption had been very low in 1960. Indeed French imports tended to mark time in 1963 and 1964 because of the damage caused by cyclones in Martinique and Guadeloupe.

There was a sharp increase in imports by all EEC countries in 1965. Italian imports showed the sharpest rate of increase, mainly because the government monopoly had been abolished.

In 1966 the upward trend continued at a rate which was at times slower than that registered a year earlier. In 1967 Germany and France increased their imports yet again; Dutch imports were at the same level as in the previous year, while BLEU imported some 5% less than in 1966.

The appreciable increase in imports during 1965 and 1966 is largely explained by the advent of cardboard packaging. This new form of packing led to a substantial increase in demand because it considerably facilitated sales, bananas having previously been shipped in a more rudimentary type of packing. By assuring better protection, cardboard packaging made it possible to supply quality fruit and, at the same time, widen the range of customers.

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The poor increase in imports in 1967 is largely explained by the fact that the use of cardboard packaging was widespread by then and was no longer a major stimulus to demand. It is too early to say whether demand has been influenced by other factors - such as the drop in deliveries from Guadeloupe to France as a result of cyclone damage to banana plantations there or the fall in Somali exports to Italy because of the closure of the Suez Canal.

III. The associated countries' share in EEC imports

The Yaoundé countries' share in EEC banana imports was 23.6% in 1964, and 25.7% in 1965; it dropped to 18.6% in 1966. Figures for 1967 are not available at the time of writing, but the associated countries' exports to France and Italy, which take the vast bulk of bananas from the African associates, give us some idea of the situation. Ivory Coast exports to France increased by 15% in 1966, while Cameroon exports dropped by 13% mainly because production was down. Somali exports to Italy for January-November 1967 were 17% lower than in the corresponding period of 1966. The main reason for this was undoubtedly the closure of the Suez Canal. As against this, the Ivory Coast's exports to Italy increased by 25%.

All in all, then, it can be estimated that the Yaoundé countries' share in EEC banana imports increased slightly, at the very most, in 1967.

Work of the FAO Study Group

The FAO Banana Study Group held its second meeting in the Canary Islands from 9 to 17 October 1967. Delegations from 26 countries responsible for approximately 90% of world production and accounting for some 75% of world consumption took part in the meeting. The programme included discussions of the problems posed by the international banana market today.

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The results of this meeting are of importance for the banana industry as a whole. It was decided to hold further meetings whenever circumstances warranted. FAO was urged to intensify its research activities in the banana sector. Despite differences of opinion on certain problems which gave rise to many lively exchanges, the meeting was held in an atmosphere of mutual understanding. Its success is largely due to FAO, which provided interesting documentation on all the problems appearing on the agenda. The following remarks might be made about the main items discussed at the meeting:

(a) Market trends

The considerable increase in demand for bananas was reflected over the last three years in a relatively stable market trend. Surveys have shown, however, that a slackening in the rate at which consumption is expanding is to be expected. On the other hand, to judge from production programmes in the producer countries, the area under bananas is likely to be extended quite substantially. It is only to be expected therefore that surpluses will continue to grow. This is why Governments and private organizations were urged to be realistic and to revise their expansion programmes in the light of available markets, paying particular attention to the economic and social aspects of the problem.

(b) Access to markets and national import policies

This item on the agenda gave rise to lengthy debates between, on the one hand, countries which protect their markets and suppliers with whom they have preferential arrangements, and, on the other, importing countries where the market is freely accessible and the exporting countries that supply them.

In its report to the FAO Committee on Commodity Problems, the Study Group urged importing countries to do away gradually with customs duties and other restrictions on imports where this would not involve any serious disadvantages for less-developed producer countries.

(c) Statistical problems

The delegates agreed that more attention should be given to the observation of market trends, to studying the factors determining these and to projecting supply and demand. Statistics available at present for the banana industry

have been shown to be inadequate and do not provide all the necessary basic data. The Study Group will attempt to improve these statistics, and it has set up a committee which will meet between Study Group sessions to look into this matter.

(d) International quality standards

The delegates were unanimously agreed on the advantages of quality standards for international trade in bananas. Because of the difficulties encountered in standardizing bananas, it has not been possible to adopt any standards up to now. However, work carried out by FAO has thrown much light on the problem and has reduced the difficulties. The Study Group recommended that this work should continue. The next step will be to obtain more detailed information on prevailing conditions in the various countries by sending out questionnaires.

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OILS AND FATS

World prices

(US\$/t, cif European ports)

	1963	1964	1965	1966	1967			1968 March ¹
					I	II	III	
	(averages)				(quarters)			
Groundnuts, shelled (Nigeria)	173	187	206	187	189	183	183	(159)
Groundnut oil, 3.5% acidity, in bulk (Nigeria)	268	315	325	297	301	292	287	244
Palm kernels, 49% oil, in bags (Nigeria)	...	150	179	155	148	150	...	(207)
Copra, in bulk (Philippines)	184	195	226	185	184	186	197	271
Coconut oil, 1% acidity, in bulk (Ceylon)	268	297	347	312	301	299	309	418
Palm oil, 5% acidity, in bulk (Nigeria)	218	234	270	233	(189)
Soya beans, No. 2, in bulk (USA)	110	111	116	127	116	117	113	116
Soya-bean oil (all sources)	...	229	270	262	229	226	209	189

Trend of world exports

('000 t oil or fat equivalent)

	Average <u>1955-57</u>	<u>1965</u>	<u>1966</u>
Soft oils ²	2 366	4 093	4 339
Lauric acid oils ³	1 871	1 737	1 831
Hard oils ⁴	1 730	2 688	2 656
Industrial oils ⁵	733	762	731
Butter	425	545	559
Lard	<u>421</u>	<u>335</u>	<u>310</u>
	7 546	10 114	10 361

¹ March 1968: shelled groundnuts and palm kernels, resale Nigeria; palm oil, average Malaysia-Indonesia.

² Groundnuts and oil; soya beans and oil; cottonseed and oil; rape seed and oil; sesame seed and oil; olive oil.

³ Copra and coconut oil, palm kernels and oil.

⁴ Tallow, palm oil, whale oil, fish oil.

⁵ Linseed and oil; castor oil seed and oil, tung oil.

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Recent market trends

In 1967 the salient features of this market were the big drop in the price of soft oils and a substantial rise in prices for products containing lauric acid from the end of the third quarter onwards.

Despite a slight rise in March 1968 - and it is not yet possible to say whether this is merely temporary or whether it marks the beginning of a more permanent recovery - prices for soft oils remained very depressed compared with previous years.

Shelled groundnuts (prices for these, expressed in dollars at the current exchange rate, reached the lowest level since 1958 at the end of 1967) were more than 16% lower than in the first quarter of 1967. Groundnut oil dropped even more steeply (19%). Although soya beans are maintaining their position because of the vigorous demand for oilcake, soya-bean oil prices dropped more than 17%.

Palm-oil prices also fell by about 17%, mainly because of increased sales by South-East Asian suppliers.

Dominated and influenced by copra, the market in products containing lauric acid (copra, palm kernels) has definitely been rising - chiefly because of the effects of the 1966 drought in certain parts of the Philippines and the closure of the Suez Canal since June 1967. In a single year there was an increase of some 40% in the various products (raw materials and oils) in this group. Events in Nigeria and in the Middle East had some influence on market developments. Devaluation of the pound in November 1967 was also significant (although the Nigerian pound was not devalued).

The market in soft oils

In soft oils more particularly, the drop in prices is mainly due to a substantial simultaneous increase in export availabilities of most products in this group in several areas of the world (soya in the United States; sunflower in the Soviet Union and south-eastern Europe; rape seed in Canada, Scandinavia, north-eastern Europe and the Community; groundnuts in Africa thanks to the

abundant harvest expected at the end of 1967 and, in addition, the considerable supplies carried over by Nigeria from the previous harvest) plus the added factor of increased exports of animal oils and fats which compete with these vegetable oils.

The Community's agricultural policy

The single market for oil and oilseeds in the Community, the main lines of which had been laid down at the end of 1963, came into being on 1 July 1967; a single market for olive oil had been introduced in November 1966. A special provision covering the second quarter of 1967 made it possible for franc-area groundnut agreements to run their full term.

The single market is based in essence on the application of the duties of the common customs tariff (the nil duties on oilseeds and oilcake have been bound in GATT), the abolition of all quantitative restrictions or measures having an equivalent effect (unless an exception is made) and, as a corollary, the granting of aid to colza, rape, and sunflower seed harvested and processed in the Community, corresponding as a rule to the difference between the Community's target price and the world market price.

African associates and overseas territories

Customs duties and charges having an equivalent effect have been abolished for oilseeds imported into the Member States from the Associated African States and the overseas countries and territories, and for the main products provision has been made for aid corresponding to a portion of the difference between reference prices and the world market price.¹

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¹ The basic reference prices are as follows:

	(u.a./ton, cif)
(a) Shelled groundnuts:	186
(b) Copra	: 188
(c) Palm kernels	: 145
(d) Palm oil	: 225

The prices for groundnuts and palm oil are considerably higher than world prices at the end of 1967 and during the early months of 1968.

General features of the world market

The main trends on the world market in oils and fats in the past - and these are likely to persist in the future unless some new elements come into play - remain unchanged. These are:

- (a) the substitutability of the different vegetable oils and animal fats, to judge from the ratios between current prices, though there are limits to this substitutability despite technical progress - witness the recent diverging price patterns for soft oils and products containing lauric acid;
- (b) the growing importance of by-products: soya-bean oil, fish oil, tallow, lard;
- (c) the growing share of the developed countries in international trade; this applies in particular to exports of sunflower oil by the Eastern European countries and above all to US exports of soya-bean seed, which have increased by more than 50% in six years.

More precisely, over the ten years between 1956¹ and 1966 the share of the various exporting countries, by main category, in gross world exports of all oils and fats including butter developed as follows:

	<u>Volume</u>		<u>Value fob</u>	
	<u>1956</u>	<u>1966</u>	<u>1956</u>	<u>1966</u>
Developed countries	46	50	50	58
Developing countries	48	40	40	32
Countries with centrally planned economies	6	10	10	10

Although completely comparable figures are not yet available for 1967, the tendency for the developing countries' share in world exports to contract seems to have been confirmed once again during the past year, and it may even have become more marked.

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¹ Average 1955-57.

Another feature to be taken into consideration is the small share of developing countries in world imports of oilseeds; it is approximately 20%.

Activities within FAO

The FAO Study Group on Oils and Oilseeds (the former Group on Coconut and Coconut Products, which has been given a wider mandate and broader terms of reference) met for the first time in September 1966; it held its second and third meetings in close succession in September 1967 and February 1968 because the second United Nations Conference on Trade and Development was scheduled for February-March 1968.

At its last meeting, which was preceded by a meeting of a technical working party, the Study Group drew up a list of items which should be examined with a view to placing the market in vegetable oils and fats on a sound footing and alleviating the grave consequences of the present market imbalance for developing countries which export these products.

This list was as follows:

- (a) trade liberalization measures;
- (b) compensation measures;
- (c) international food aid;
- (d) buffer stocks;
- (e) market surveys.

The possibility of setting up an advisory sub-committee of government representatives in whose work representatives of the trade and industry could join was also discussed.

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COTTON

Developments on the world cotton market and their effects on the market for cotton from the Yaoundé countries

Prices

Quotations at the beginning of each month in FF/kg cif (futures market)

Quality: Standard No. 1 from Chad/Cameroon. Length of fibre 1 1/16 of an inch

1965		1966			1967				1968	
Feb.	Dec.	Jan.	Nov.	Dec.	Jan.	Apr.	Oct.	Dec.	Jan.	Mar.
3.12	3.03	2.95	2.87	2.89	2.93	3.04	3.15	3.28	3.40	3.39

World market trends

During the three years from 1965 to 1967 the world market experienced a slump followed by a recovery in prices which was quite spectacular when one remembers that in the years since the end of the Korean War the market had been quiet and prices had gradually been deteriorating.

The world market reacted unfavourably during 1966 to the announcement of new cotton legislation in the United States¹ to come into force with the 1966/67 cotton year²; by the end of 1966 cotton prices were at one of the lowest points ever.

This drop in prices was felt to the full by the African countries associated with the EEC. The table shows, for example, that the price for Standard No. 1 from Chad/Cameroon in November 1966 was FF 2.87/kg (cif), 8% lower than the price it fetched early in 1965 (FF 3.12/kg). The blow dealt by this drop in prices to several of the cotton-growing Yaoundé countries was all the more considerable because the surplus cotton which some of them have available for export has been the subject of structural improvement programmes and degressive price support

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¹ See The Developing Countries - Produce and Trade No. 4, January 1966 (p.11).

² The cotton year begins on 1 August and ends on 31 July.

under the five-year production aid programmes provided for by the Yaoundé Convention.

This means that a country like Chad, whose economy is largely dependent on revenue from cotton-growing, has been forced to apply to the European Economic Community through the Cotton Prices Stabilization Fund for an advance under Article 17(4) of the Convention to help alleviate the effects of temporary fluctuations in world prices.

If 1966 was a catastrophic year for many cotton-growing countries, the omens at the beginning of 1967 were much more hopeful. The aims of the US Congress - to cut back production and run down the large stocks held by the Commodity Credit Corporation (CCC), which had been burdening the market for a long time - were to be realized beyond all expectations during the 1966/67 marketing year.

The American harvest fell from 14.9 million bales in the 1965/66 cotton year to 9.5 million bales in 1966/67, which means a 36% drop in production.

The carry-over stock held by the CCC on 1 August 1967 was 12.4 million bales, representing a 26% reduction on the 16.9-million-bale carry-over on 1 August 1966.

In a single cotton year, then, world production fell by about 10%. A better overall balance on the market was bound to affect cotton prices, which moved upwards throughout 1967, particularly prices for superior medium- or long-stapled qualities, which are the ones most in demand.

This explains why prices for superior-quality cottons from the associated African countries, such as Standard No. 1 from Chad/Cameroon, were approximately 15% higher at the end of 1967 than in December 1966, while prices for more ordinary qualities were only 7% or 8% higher. This is significant and has been particularly heartening for certain African countries which have concentrated on improving the quality of their production.

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World market prospects

The short-term prospects for the world market in natural fibres, particularly for medium and superior qualities, look much brighter than in the past.

There will be a further reduction in overall production in the United States in 1967/68, with an increase in the proportion of quality cottons grown.

World production of cotton will, for the second time, be lower than total estimated consumption, so that the carry-over on 1 August 1968 will again be considerably reduced.

Thanks to two deficit years, a better statistical balance of the market has been established, so that prices in 1968 are likely to remain at a relatively high level.

In the longer term, stable prices will depend on the expansion of world cotton consumption, which is growing at the relatively slow annual rate of 2%, and on competition - always formidable - from man-made fibres. However, the conclusions contained in the cotton section of FAO's projections for 1975 and 1985 indicate that equilibrium between world supply and demand may well settle at relatively high production and consumption levels.

It looks as if natural fibres still have every chance of benefiting from the increase in world consumption of textile fibres at prices which the producing countries will still find remunerative, provided these countries redouble their efforts to preserve and improve the quality of the natural product to meet the needs of the market.

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On this point it can be said that as far as the Yaoundé countries are concerned, thanks to the combined efforts of these countries and the EEC, development and modernization programmes for cotton-growing with the emphasis on increased yields and improved quality and packing are forging ahead. This should mean that in the years ahead African cotton will be assured of a good place on the world market.

PART II

TRADE WITH THE ASSOCIATED AFRICAN STATES

THE YAOUNDE CONVENTION AND TRADE: A PROGRESS REPORT

With only a few months to go before the date by which, under Article 60 of the Yaoundé Convention, the Contracting Parties must examine what provisions might be made for a further period, it might be worth while to take stock of measures adopted with regard to trade and give some idea of how trade between the EEC and its African associates has developed since 1964, when the association agreement came into force.

I. Application of Title I of the Convention - Trade

With a view to facilitating and promoting trade between the Associated States and the EEC, the Yaoundé Convention set up a free-trade area between the Community and each of the eighteen associates. To make these free-trade areas possible, the Convention imposed a certain number of obligations in the matter of customs duties and quantitative restrictions on the Member States and on the Associated States.

Customs duties

(1) Measures adopted by the Member States

Goods imported into the Member States from the Associated States benefited from the gradual abolition of customs duties and charges equivalent in effect in intra-Community trade. It follows that on 1 July 1968, the date on which customs duties on intra-Community trade will be totally eliminated, products originating in the associated countries will, generally speaking, be admitted duty-free into the Community.

Many exceptions have been made to this general rule - some of them more favourable, others somewhat less favourable.

Since the Convention came into force, for instance, the Member States have abolished all customs duties on certain tropical products originating in the associated countries - pineapples, desiccated coconut, green coffee, tea, pepper, vanilla, cloves, nutmeg and cocoa beans. At the same time, they have applied the duties of the common customs tariff to imports of these products from non-member countries, although the rates of duty were considerably reduced.

The preference enjoyed by two products from the associated countries, however, is subject to limitations in certain Member States. The Benelux countries are free to import green coffee at a reduced rate of duty until the end of the transition period, and Germany is entitled to import bananas duty-free from non-member countries on conditions laid down in a special protocol.

There are two further exceptions - one laid down in Article 11 of the Convention, the other contained in a special regulation - from the general rule that intra-Community customs arrangements apply to products originating in the associated countries.

The first concerns agricultural products similar to and competing with Community products. The Community has undertaken to take the interests of the Associated States into consideration in defining the treatment applicable to imports of these products and to consult the Associated States concerned on this question.

Regulations have already been adopted to deal with rice, manioc products (roots, flour, starch), fruit and fruit preserves with added sugar, and oil-seeds; proposed regulations for raw tobacco and sugar are being studied.

The provisions of Article 11 of the Convention are very general and were not uniformly interpreted by the Community; the regulations mentioned above were therefore adopted for each individual case by the Council on a proposal of the Commission, following consultation with the Associated States.

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The second exception concerns the import treatment of certain goods resulting from the processing of agricultural products. The Community felt that since customs duties had been abolished for goods imported from member and non-member countries alike and replaced by an import charge made up of a fixed and a variable component, the general rule that goods originating in the associated countries should be imported duty-free could no longer apply. It was for this reason that the regulation adopted in June 1967, and subsequently extended, made provision for the temporary retention of duty-free import arrangements for two products only - tapioca and chocolate - because of the special interests of certain associated countries that export them.

This section would be incomplete if no mention were made of the decisions adopted by the Association Council in 1966 which established a common definition of the origin of goods in trade between the EEC and its African associates. These decisions, which will be uniformly applied in the Member States and in the Associated States, were taken with a view to ensuring that the reciprocal preferential system laid down by the Association Convention would be correctly applied.

(2) Measures adopted by the Associated States

In customs matters, the Associated States had two sets of obligations to fulfil: on the one hand, they had to treat products originating in all the Member States in the same way, and, on the other, they had to eliminate gradually customs duties and charges having equivalent effect levied on imports from the Member States.

All the Associated States now apply the same import tariff, protective and revenue, to all the Member States without discrimination.

On the second point, the present situation is as follows:

- (a) Thirteen Associated States admit goods originating in the Member States completely free of duty. These are the five countries of the Central African Customs and Economic Union (Cameroon, Central African Republic,

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Chad, Congo (Brazzaville) and Gabon), the seven members of the Customs Union of West African States (Dahomey, Ivory Coast, Mali, Mauritania, Niger, Senegal and Upper Volta) and Madagascar.

- (b) One Associated State, Rwanda, has introduced a double-column preferential tariff and, at the same time, effected an initial reduction of 15% of the customs duty in the tariff in favour of Community goods.
- (c) Four Associated States - Burundi, Congo (Kinshasa), Somalia and Togo - have not yet accorded a preferential tariff to the Community, relying on Article 61 of the Association Convention (exceptions to the principle of reciprocity).

Quantitative restrictions

(1) Measures adopted by the Member States

The Member States extended the measures for enlarging quotas applicable to intra-Community trade to goods originating in the Yaoundé countries. The liberalization measures adopted in implementation of Article 33(4) of the Treaty of Rome have been extended to all the associated countries and to all products except bananas.

The present position with regard to products imported into the Community from the associated countries is roughly as follows: industrial goods are freely admitted, but this liberalization offers little or no advantage to the associated countries, which export virtually no industrial products; agricultural products similar to and competing with European products covered by the common agricultural policy are admitted under the conditions laid down by existing regulations; lastly, France still has a quota arrangement for bananas which restricts imports from associated countries lying outside the franc area.

(2) Measures adopted by the Associated States

Since 1 July 1964 the Associated States with quota arrangements have regularly opened general quotas in favour of Member States other than the one already entitled to free entry. In accordance with the provisions of Protocol 2 to the Yaoundé Convention, these general quotas have been gradually

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increased - by 20% in 1964, 20% in 1965, 30% in 1966 and 40% in 1967. Several of the associated countries have adopted special liberalization measures in favour of imports from EEC countries ahead of schedule. In any event, all Associated States must abolish the remaining quantitative restrictions by 31 May 1968 at the latest. After that date only those quotas allowed under the Convention because of industrialization requirements, balance-of-payments difficulties, or requirements arising from existing regional market organizations may remain.

- (a) Protection of industrialization. The following countries have introduced quotas for the products shown for this reason: Senegal (lorries in excess of three tons); Ivory Coast (matches, paints, detergents, wheat flour, oil products, coffee-hulling machines); Madagascar (television sets, blankets, shoes, biscuits, cement and soap); Cameroon (certain agricultural equipment); Chad, Central African Republic and Congo (Brazzaville) (wheat flour, oil products).
- (b) Balance-of-payments difficulties. Two Associated States, Congo (Kinshasa) and Mali, have indicated that they are unable to liberalize imports from EEC countries at the moment because of payments difficulties.
- (c) Regional organization of the market. The members of the Common Afro-Malagasy Organization (OCAM) have set up a regional market organization designed to give priority to sales of sugar from the exporting associated countries - Congo (Brazzaville) and Madagascar - in the sugar-importing countries.

Apart from Congo (Kinshasa) and Mali, whose financial difficulties make it impossible for them to consider liberalizing imports in accordance with the provisions of the Yaoundé Convention in the near future, the other derogations from the Convention set out above account for less than 10% of the imports of the associated countries concerned.

Taken as a whole, the elimination of more than 90% of quantitative restrictions on imports from the EEC Member States represents a trade advantage over and above the tariff preferences granted them, an advantage which is all the more appreciable in that imports from non-EEC countries still require import licences up to a certain maximum quantity or quota.

II. Development of trade between the EEC and African associates 1964-66¹

A. EEC imports

Between 1964 and 1966 there was an overall increase in EEC imports from the associated countries - from 10 200 237 tons to 12 586 418 tons and from \$1 149 583 000 to \$1 139 030 000. These imports represented 2.5% of the EEC's total import tonnage (from outside the EEC) in 1964 and 2.7% in 1966; in terms of value, the percentage was 4.3% both in 1964 and in 1966.

It must be noted, however, that the progress registered in absolute figures is largely attributable to mining products. An analysis based on 26 products (7 mining and 19 crop products) which represent 97% of the volume and 87% of the value of total imports from the associated countries in 1966 gives the following results (see table below).

Taking 1964 as base year, the volume index of mining products moved from 131 in 1965 to 141 in 1966; the value index for the same products moved from 100 in 1964 to 113 in 1965 and 159 in 1966. The volume index for crop products, on the other hand, fell slightly from 100 in 1964 to 97 in 1965 and 99 in 1966; the value index also fell, from 100 in 1964 to 94 in 1965 and 96 in 1966. This slight decline in imports is partly due to internal

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¹ Only provisional figures for overall trade in 1967 are available at the time of writing; they are given on page 30 of this Bulletin.

difficulties in certain countries - Congo (Kinshasa), for example - where production has contracted; another point is that some African countries have diversified their markets for certain products outside the Community; lastly, the abolition of the market and price guarantees given by France in particular when the Yaoundé Convention came into force were only partially offset by the trade preferences accorded the African associates by the Community.

B. EEC exports

Total EEC exports to the associated countries increased slightly in terms of value between 1964 and 1966 (from \$820 707 000 to \$846 669 000). The most remarkable feature of the export pattern has been the decline in the proportion of French goods included in these exports and the increase in the proportion of goods from other Member States. The proportion of French goods was 74% in 1963, but it fell steadily to 71% in 1964, 68% in 1965 and 67% in 1966. Between 1964 and 1966, the share of the other member countries in EEC exports expanded as follows: BLEU from 8.5% to 11.1%, the Netherlands from 3.7% to 4.9%, Germany from 8.8% to 10% and Italy from 4.9% to 7%.

These different trends in exports by France and by the other Member States is largely explained by the gradual opening of African markets to exports from the Member States, which had hitherto been subject to numerous quantitative restrictions. Furthermore, the extension of tariff preferences to all EEC member countries made it easier for the associated countries to diversify their sources of supply.

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EEC IMPORTS OF 26 PRODUCTS (7 MINING AND 19 CROP PRODUCTS)
REPRESENTING THE VAST BULK OF IMPORTS FROM THE AFRICAN ASSOCIATES

(1964 = 100)

	Volume		Value	
	1965	1966	1965	1966
Bananas	147	115	140	111
Coffee	91	93	83	93
Cocoa	124	106	98	90
Pepper and pimentos	91	96	108	119
Vanilla	269	321	242	316
Tobaccos	93	106	99	98
Copra	67	52	80	55
Groundnuts	99	114	90	107
Palm kernels	73	54	84	58
Groundnut oil	101	101	100	91
Palm-kernel oil	183	195	205	203
Palm oil	65	73	75	78
Rice	63	77	63	69
Sugar	44	25	39	7
Essential oils	93	86	119	115
Tropical woods	94	98	94	101
Rubber	82	120	83	121
Oilcake	102	107	109	116
Cotton	78	98	78	92
Total for 19 crop products	97	99	94	96
Iron ores	139	160	137	157
Manganese ores	102	99	119	114
Petroleum oils	130	102	129	104
Calcium phosphate	139	159	142	174
Tin ores	85	98	93	99
Unwrought copper (refined or not)	93	103	107	174
Zinc ores	112	115	113	105
Total for 7 mining products	131	141	113	159
TOTAL FOR ALL 26 PRODUCTS	117	123	99	114

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TRADE TRENDS 1964-67

Allowing for the provisional nature of the figures for 1967, the trend of trade between the Community and its African associates set out in the table on the next page can be summed up as follows:

(a) EEC imports from the associated countries

The slight slackening noted in 1967 was mainly due to the special case of BLEU's imports of mining products: from 1964 to 1966 imports had increased by a record 50%; even in 1967 imports were 27% higher than in 1964. In the other Member States there has been an increase in imports from the Associated States, particularly in imports by Italy.

(b) EEC exports to the associated countries

The upward trend continues, although there is again a decline in the case of BLEU; there has been a remarkable expansion of exports by the Netherlands and Italy.

(c) The total volume of trade

These trends are apparent here too, again with the exception of BLEU in 1967.

It is remarkable that in the space of three years:

- (i) France's share in total EEC trade fell by approximately 9%, though it increased by 4% in terms of absolute value.
- (ii) The other Member States considerably increased their trade with the associated countries: Germany 15%, BLEU 18%, the Netherlands 27% and Italy 71%.

(d) The EEC's trade balance with the associated countries

This continues to show a deficit, which regularly exceeds \$300 million: it totalled \$472 million in 1966 and \$378 million in 1967.

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TOTAL TRADE BETWEEN THE EEC AND ASSOCIATED AFRICAN COUNTRIES 1964-67

(1964, 1965 and 1966 final figures; 1967 provisional figures)

	(\$'000)				(1964 = 100)			
	1964	1965	1966	1967	1964	1965	1966	1967
(a) Imports								
EEC	1 149 583	1 146 362	1 319 114	1 304 027	100	100	115	113
France	609 672	547 040	600 152	609 902	100	90	98	100
BLEU	227 227	233 927	340 922	287 828	100	103	150	127
Netherlands	55 576	53 493	54 055	61 875	100	96	97	111
Germany	158 213	160 827	170 534	179 841	100	102	108	114
Italy	98 893	151 075	153 431	164 581	100	153	155	166
(b) Exports								
EEC	820 707	827 501	846 854	926 121	100	101	103	113
France	583 389	565 626	569 978	627 253	100	97	98	108
BLEU	86 210	93 593	93 936	82 506	100	109	109	96
Netherlands	32 852	36 375	39 118	50 702	100	111	119	154
Germany	78 370	81 120	84 733	92 948	100	104	108	119
Italy	39 886	50 787	59 089	72 112	100	127	148	181
(c) Total trade								
EEC	1 970 290	1 973 863	2 165 699	2 230 148	100	100	110	113
France	1 193 061	1 112 666	1 170 133	1 237 155	100	93	98	104
BLEU	313 437	327 520	434 611	370 334	100	104	145	118
Netherlands	88 428	89 868	93 174	112 577	100	102	105	127
Germany	236 583	241 947	266 287	272 789	100	102	113	115
Italy	138 781	201 862	212 494	236 693	100	145	153	171
(d) BALANCE	- 328 876	- 318 861	- 472 361	- 377 906	100	97	143	115

PROGRAMME FOR ASSOCIATED COUNTRIES' PARTICIPATION IN FAIRS AND EXHIBITIONS

A programme has been launched whereby the associated countries will take part in fairs and exhibitions organized by the Member States as a means of promoting trade in goods originating in the Associated States in pursuance of Annex VIII to the Yaoundé Convention.

1. The programme and how it is to be implemented

The programme began during the first half of 1968 and will continue until the Association Convention expires on 31 May 1969. Its extension beyond that date will depend on decisions taken with regard to renewing the Association and results achieved in this particular sphere. The list of fairs and exhibitions involved include important shows in most of the Member States: the International Fairs in Milan, Brussels, Paris and Bari, the "Partners in Progress" Exhibition in Berlin etc.

This venture is to be financed as follows:

- (a) The Community country in which the show is being organized will pay the rental of the site for the exhibition stands;
- (b) The associated countries concerned will supply the various products to be exhibited; they will bear transport and insurance costs for these products to their destination and they will also pay the salaries of the staff running the stands;
- (c) The Community, through the EDF, will bear the cost of constructing, fitting and decorating the stands; it will also meet advertising expenses.

At all fairs, the stands of the associated countries taking part will be located in a single block. Apart from this requirement, arrangements are flexible and can be adapted to each exhibition.

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The theme chosen for each stand will emphasize the fact that the state concerned is associated with the EEC, though the individuality of the participating country will be preserved.

The Commission will plan the associated countries' participation in all the shows concerned, bearing in mind proposals put forward by the countries themselves.

The Commission will consult stand construction specialists in the Member State where the show is to take place, bearing in mind the advice given by the appropriate agencies in the Member States and possibly by the fairs commissioners.

As for the all-important business of advertising, experience has shown that the trade results of participation in fairs and exhibitions are directly related to the amount of publicity provided.

It is proposed therefore to send individual letters to importers, wholesalers, manufacturers and trade associations in the Member State concerned; to issue invitations which will entitle the bearer to free admission to the exhibition; to organize a special "Associated States Day", which could include meetings for the trade and lectures for those who have received invitations; to print and distribute publicity folders and specification sheets for each product.

2. Collaboration by the associated countries in the implementation of the programme

At a practical level, once the programme has been approved each associated country taking part will be responsible for forwarding, on a given date by its own choice of transport, the goods to be exhibited. This shipment may be accompanied by works of art or local handicrafts - whether or not for sale - which might add to the décor of the stand.

The Associated State will also be responsible for appointing staff to take charge of the actual running of the stands; the individuals chosen should as far as possible be nationals of the country concerned. They will be responsible for the presentation of the products on the stand and they should

.../...

be capable of supplying precise information on the nature and variety of the goods, marketable quantities, packaging, prices, names and addresses of exporters and so on; exhaustive and up-to-date trade documentation must therefore be made available.

The associated country will also help with the stands themselves - choosing the final design and formally taking over, for instance - and with the advertising.

3. Criteria for participation

The selection of exhibitions for each associated country will be governed exclusively by trade considerations, bearing in mind the products for which trade promotion is desirable, the sole purpose of the exercise being to find new outlets for products from the associated countries on the market of this or that Member State.

In actual fact, the possibility of participating in one or other of the exhibitions concerned is assessed by reference to the real marketing difficulties encountered by certain products, the possibility of increasing production, whether or not supplies of certain products should be channelled towards this or that Member State and, finally, the special features of each exhibition.

The nature, variety and quantity of products to be displayed at each of the shows concerned will be decided on this basis.

As for the theme of the stand and the way the products are presented, experience gained by the associated countries in recent years will be taken into consideration, allowing for the fact that the present programme provides for stands grouping several associated countries on a single site.

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It is essential that advertising literature intended for the specialist - and importers of tropical products, processed or not, are specialists - should include technical descriptions (varieties, technical qualities, utilization and processing possibilities and so on), information on delivery dates, quantities available, exporters' addresses and, where available, addresses of their representatives in Europe. Documentary films on growing and harvesting the crop or the manufacturing processes used for the products displayed could be shown to supplement the programme of meetings and lectures which the organizers have in mind.
