

EUROPEAN PARLIAMENT

80/30

COMMITTEE ON DEVELOPMENT AND COOPERATION

Notice to Members

Please find attached for your information a document on the situation of the French overseas departments (FODs), prepared by the Directorate-General for Research and Documentation.

DIRECTORATE-GENERAL FOR COMMITTEES
AND INTERPARLIAMENTARY DELEGATIONS

Annex: PE 61.512

16.6.80

DIRECTORATE-GENERAL FOR
RESEARCH AND DOCUMENTATION

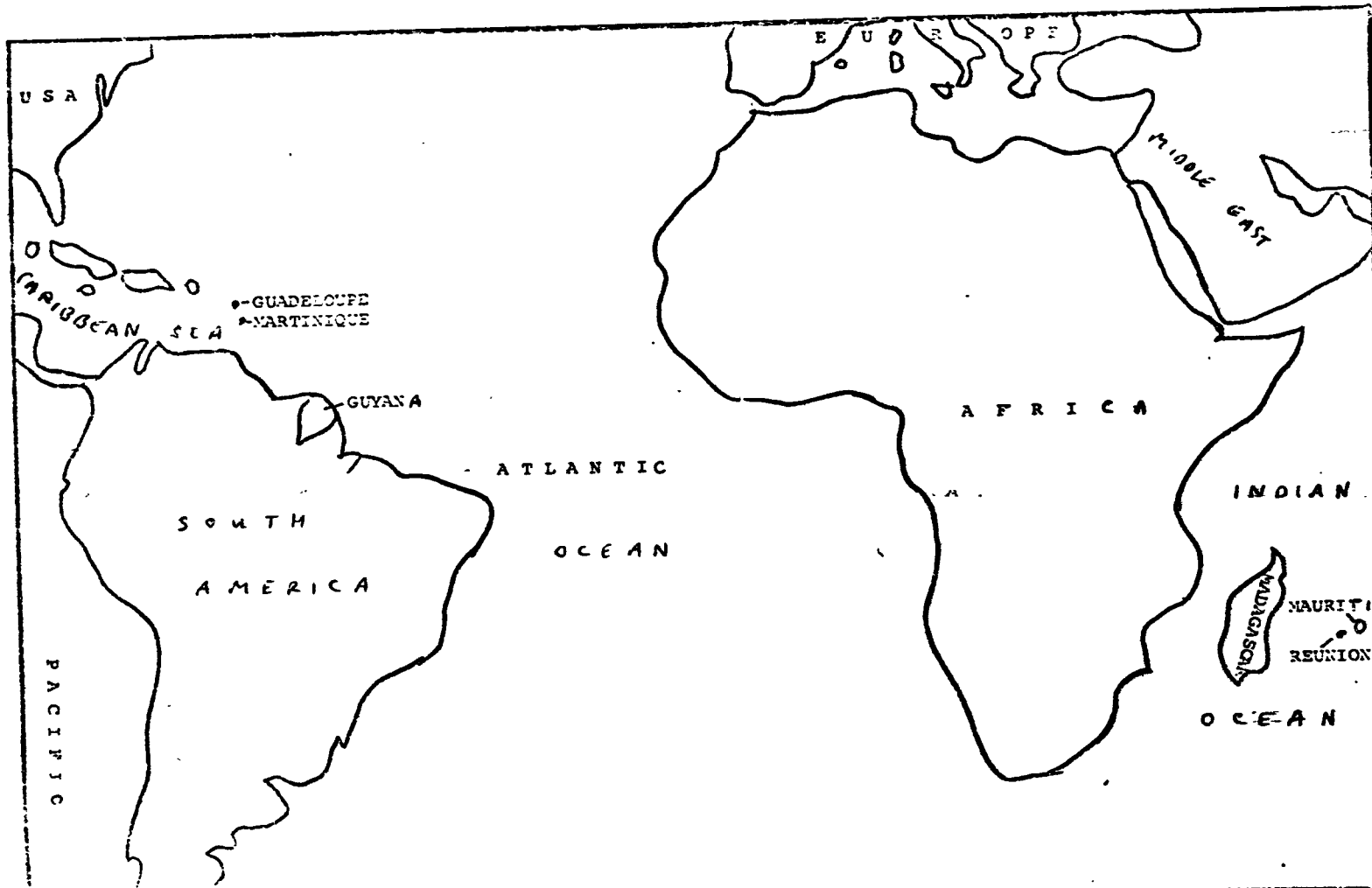
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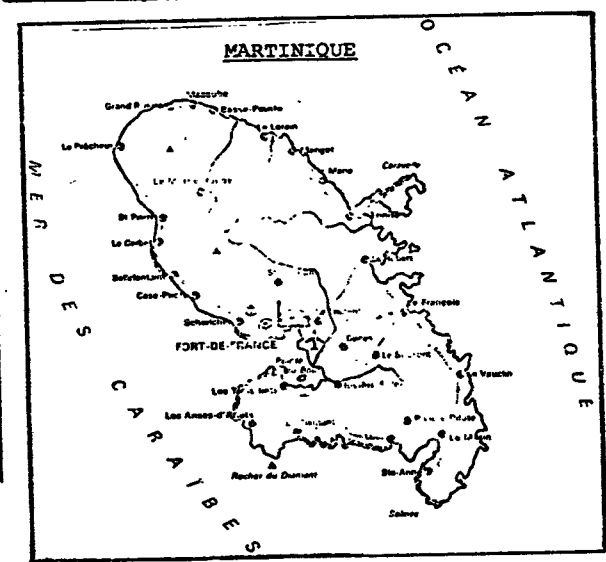
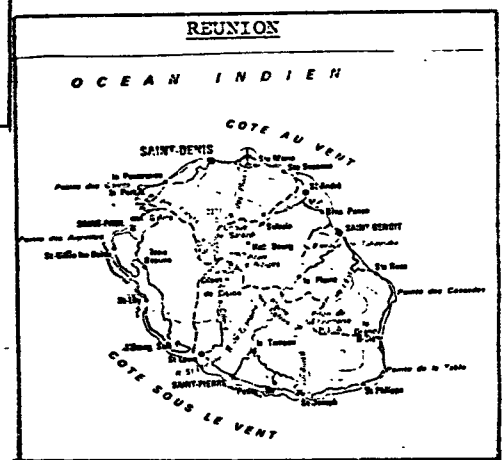
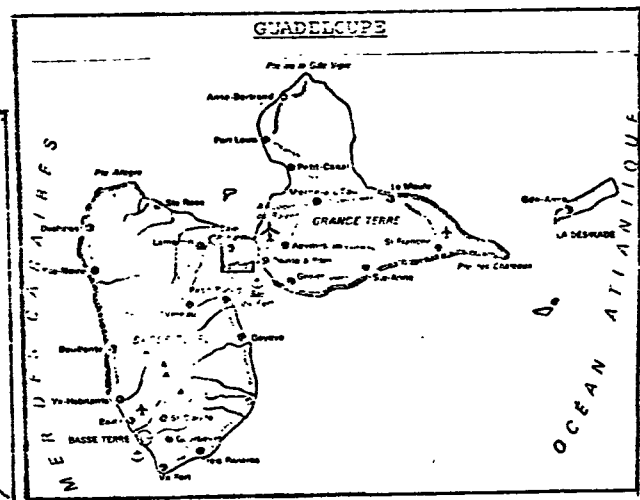
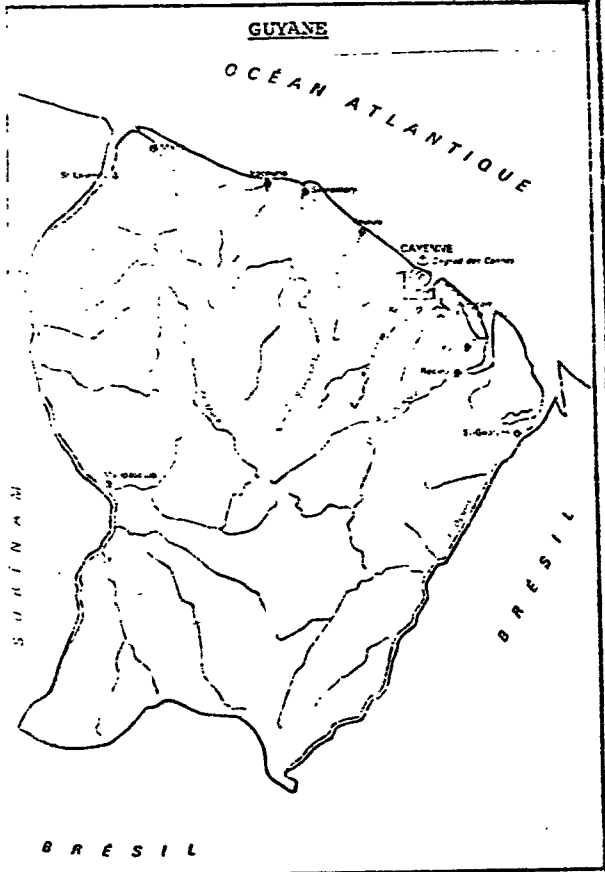
F R E N C H O V E R S E A S D E P A R T M E N T S (FODs)

At a meeting in the autumn of 1979 the Committee on Development and Cooperation of the newly elected Parliament under the chairmanship of Mrs Colette FLESCH requested the Directorate-General for Research and Documentation to draw up a document on the situation of the French overseas departments (FOD's).

This document is attached hereto. It deals mainly with the economic facts, leaving aside both the political aspects, which are outside the scope of this request, and the aspects relating to the social provisions in force in the FODs compared with those in force in the parent country, a detailed study of which would have delayed publication of this survey.



PE 61.512



PE 61.512

C O N T E N T S

SITUATION OF THE FRENCH OVERSEAS DEPARTMENTS (FODs)

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A. STATUS OF FODs

I. THE FODs in FRANCE

1. Introduction

As integral parts of the French Republic, the four 'old' colonies, Guyana, Guadeloupe, Martinique and Réunion (and, since the law of 19 July 1976, the archipelago of St-Pierre-et-Miquelon¹) enjoy Overseas Department status as recognized by the French Constitutions of 1946 and 1958.

Wishing to escape from the colonial system but of too little consequence, politically or economically, to aim at full independence and in danger of being overwhelmed by more powerful neighbours, the two West Indian islands (Martinique and Guadeloupe), Guyana and Réunion have opted for a position similar to that of the departments in metropolitan France. This is accorded to them by the 'assimilation' law of 19.3.1946, which envisages the possibility of a subsequent 'adjustment' to their 'department' status. The French Constitution of October 1946 defines this status, observing: 'the legislative system of the FODs is the same as that of the metropolitan departments, save for the exceptions laid down by law'.

Article 73 of the 1958 Constitution adds other provisions, in particular: 'the legislative system and administrative organization of the FODs may be adjusted to meet the requirements of their particular situation'.

The political, economic and social measures adopted by the French authorities in the FODs are tending to assimilate them more and more closely to metropolitan France, while allowing them special arrangements to take account of their situation.

Apart from the FODs the 1946 Constitution also establishes the status of Overseas Territory; this legal category applies to most of the French overseas territories of that time, that is to say, the

¹This survey will not, however, take St-Pierre-et-Miquelon into account because of its special position: from the socio-economic angle, it differs from the other FODs because of the following features: sparse population, virtual absence of agricultural production, economic activity based mainly on fishing, importation (from Canada) of most consumer goods and machinery. Moreover, from the administrative angle, the change in its status from OCT to FOD is very recent; the orders and implementing decrees were adopted only at the end of 1976 and the beginning of 1978 and it is too soon to make a detailed study of its position.

colonies constituting decentralized authorities. The intention behind the establishment of Overseas Territory status can be summed up under three points: to allow these territories to participate as much as possible in the economic life of metropolitan France by integrating them as far as possible into the French legal system; at the same time, to respect local differences by granting them a certain degree of administrative autonomy; by these means to prepare their future development towards either fuller assimilation or greater autonomy.

Between 1956 and 1964 the majority of these overseas territories did in fact become independent; they include Senegal, Upper Volta, Niger, Cameroon, Gabon, Madagascar, etc.; others, on the other hand, such as French Polynesia, the Wallis islands and Futuna, etc., still come under this category.

2. The VIIth Plan and the FODs (1976-1980)

France's VIIth Plan has two fundamental objectives:

- to develop the means of production,
- to improve the people's living conditions and health.

The measures envisaged are set out in a priority action programme to accelerate the economic development of the FODs in conformity with their department status. To this end, appropriations of the order of FF 1,399 million have been set aside for the duration of the Plan.

The main measures proposed are designed to encourage the setting-up of small and medium-sized undertakings, develop tourism, increase agricultural production and improve sanitation. In addition, there are projects relating to the detection and treatment of parasitic diseases.

The tables below show the projects involved and the State's contributions to the programme:

	1976	1977	1978	1979 ¹
Action 1 - Agricultural development:				
Irrigation: number of hectares under irrigation in the island departments (target: 9,000 ha in the Plan's lifetime).....	1,020	2,190	1,900	400
Action 2 - Housing and sanitation:				
Number of low-cost homes built (9,000 during the VIIth Plan).....	2,100	1,600	1,400	1,800
Number of sites developed (8,000 during VIIth Plan).....	1,300	1,800	1,800	1,800
Number of subsidized homes.....	1,600	2,200	-	-
Basic housing units ('very low-cost housing').....	-	-	2,200	2,300

¹ estimates

Contribution from the State budget to the programme:

(in million FF)

	In francs (current prices)					In francs (1975 prices)				
	1976	1977	1978	1979	1980	1976	1977	1978	1979	1980
Staff expenditure	-	-	-	-	-	-	-	-	-	-
Administrative expenditure (except staff)	10	10	10	10	10	9	8	8	7	6
Authorized expenditure on capital goods	234	295	379	353	393	213	248	291	247	252
Total.....	244	305	389	363	403	222	256	299	254	258

Total amount provided for the programme under the VIIth Plan for 1976-1980..... FF 1,339 million (1975)

Rate of budgetary implementation..... 96.3%

Source: Finance Bill for 1980;

Annex: Report on the implementation of the VIIth Plan.

3. FOD budget

The FOD budget in itself represents only a small part of the total aid provided by the French State for these departments (7.4% in 1977, 7% in 1978, 6.2% in 1979).

The major part of these appropriations for the FODs are administered directly by the technical ministries responsible for the FODs as for the other French departments.

The table below shows the budgetary and financial assistance granted to the FODs by the French State in 1979 and 1980 (St-Pierre-et-Miquelon and Mayotte are included)

(in million FF)

	1979			1980		
	Operation of services	Appropriations allotted	Total	Operation of services	Appropriations allotted	Total
I. CIVIL EXPENDITURE						
Agriculture.....	0.786	139.968	140.754	0.840	155.604	156.444
Ex-servicemen.....	"	30.461	30.461	"	32.947	32.947
Cultural Affairs and communications	0.762	5.946	6.708	0.847	5.134	5.981
Overseas departments.....	9.695	380.596	390.291	8.554	460.518	469.072
Economic affairs, budget.....	1.154	627.249	628.403	1.346	698.292	699.638
Education.....	"	2,985.949	2,985.949	"	3,368.855	3,368.855
Universities.....	"	58.706	58.706	"	61.036	61.036
Environment, etc.....	0.883	246.135	247.018	1.219	303.544	304.763
Industry.....	"	5.484	5.484	"	5.967	5.967
Internal affairs.....	0.910	193.283	194.193	1.000	210.826	211.826
Justice.....	"	121.911	121.911	"	139.038	139.038
Youth and sport.....	"	73.999	73.999	"	81.887	81.887
General services of the Prime Minister.....	"	27.250	27.250	"	29.220	29.220
Transport.....	3.123	254.131	257.253	3.423	290.968	294.391
Work, health and family.....	"	1,697.964	1,697.964	"	1,861.121	1,861.121
Post and telecommunications.....	13.199	197.632	210.831	14.200	232.937	247.137
Total (I).....	30.512	7,673.815(1)	7,704.327(1)	31.429	8,654.728(1)	8,686.157(1)
II. MILITARY EXPENDITURE						
Overseas departments.....	"	140.368	140.368	"	128.202	128.202
Defence.....	9.843	764.174	774.017	8.090	822.095	830.185
Total (II).....	9.843	904.542	914.385	8.090	950.297	958.387
GENERAL TOTAL.....	40.355	8,578.357	8,618.712	39.519	9,605.025	9,644.454

(1) incl. total appropriations for administration: 1979: 627,152

1980: 716,834

Source: Finance Bill for 1980

Annex: summary of budgetary and financial assistance for the FODs

4. The development fund for overseas departments (FIDOM) and the fund for the guidance and regularization of the agricultural markets (FORMA)

French assistance to the FODs is provided mainly through the FIDOM and the FORMA.

(a) The FIDOM, set up by decrees in April 1960, was intended as a source of finance for the economic and social development plans in the FODs. Originally it was used to finance virtually all investments by the French State in the FODs, but its operations are now somewhat diversified.

The financing of capital expenditure has been taken over more and more by the relevant ministries and the FIDOM is now involved only in special cases.

Relieved of these demands, the FIDOM has become increasingly involved in other fields, providing aid for specific measures; for example: land reform, technical assistance, promotion of tourism and development of tourist facilities, market research, improvement of sugar production and the work of small planters.

Lastly, within the framework of the VIIth Plan, the FIDOM contributes to the implementation of the priority action programme in favour of the FODs on the basis of a pluri-annual timetable.

The sectors which have received assistance from the FIDOM are, in order of importance: agriculture, industrialization and tourism, and urban development and housing.

A final point to note is that the structure of the FIDOM has been modified for the purpose of decentralization.

(b) The FORMA is a means by which the French Government can guide and influence the agricultural sector in the FODs.

It was in 1964 that the FORMA's sphere of activity was extended to cover the FODs, when it was decided to enable them to benefit from the 1960 law on agricultural guidance.

Since then, operations under the FORMA in favour of the FODs have expanded markedly. At the beginning they were virtually confined to the three major exports: bananas and pineapples in the West Indies and geranium oil in Réunion (apart from sugar for which the FORMA was not responsible).

Although the fund's support for these major sectors is still guaranteed, there has been a move towards greater diversification:

- either to develop the cultivation of labour-intensive crops which give a large return per hectare and can be sold on the French or foreign markets,
- or to increase production for local markets heavily dependent on imports from France.

II. THE FODs IN THE COMMUNITY

1. Introduction

Until the judgment of the European Court of Justice of 10 October 1978 (Hansen case)¹, the FODs' status in the Community was hybrid and ambiguous².

In the Treaty of Rome they are sometimes equated with a department in France and as such fully integrated into the Community and on a par with the Member States in regard to the matters provided for in Article 227(2) of the Treaty³: at other times they are treated as overseas territories of the Member States (the OCTs)⁴ the status of which is laid down in the Treaty by Articles 227(3), 131 to 137, Annex 4 and the Implementing Convention on the Association of the OCTs with the Community.

Articles 1 to 8 of this Convention, relating to financial and technical cooperation, also apply to the FODs⁵.

Elsewhere, the Treaty appears entirely to overlook the FODs' existence, leaving it to subsequent legislation to provide the necessary clarification.

¹See 4 below.

²A similar ambiguity occurs in the French Constitutions of 1946 and 1958.

³See 2 below.

⁴Overseas Countries and Territories.

⁵See B-I below.

2. The status of the FODs in the Treaty of Rome

The status of the FODs is defined in Article 227(2) of the EEC Treaty. According to the first subparagraph of Article 227(2), only certain provisions of the Treaty are applicable to the FOD from the entry into force of the Treaty. These are:

- the free movement of goods (Article 9 to 37),
- agriculture (Articles 38 to 47, save for Article 40(4), relating to the EAGGF),
- the liberalization of services (Articles 59 to 66),
- the rules on competition (Articles 85 to 94),
- the protective measures provided for in Article 108, 109 and 226,
- the institutions (Articles 137 to 209).

For all these matters the articles of the Treaty and also all related decisions by the Council or Commission apply automatically to the FODs, without however ruling out the possibility of adjustments to take account of the special situation of these departments. To sum up, all the matters referred to in the first subparagraph of Article 227(2) apply in full to the FODs with or without derogations.

The second subparagraph of Article 227(2) states that 'the conditions under which the other provisions of this Treaty are to apply shall be determined within two years of entry into force of this Treaty, by decisions of the Council, acting unanimously on a proposal from the Commission'.

The third subparagraph of Article 227(2) states that 'the Institutions of the Community will, within the framework of the procedures provided for in this Treaty, in particular Article 226, take care that the economic and social development of these areas is made possible'.

These somewhat ambiguous provisions have provoked a legal controversy; two views have been put forward:

- according to the first, since the Council of Ministers has not taken a decision within two years, on the conditions under which the provisions of Article 227(2) are to apply these provisions apply in full in the FODs under the same conditions as in France.
This argument implies that the Council would have to adopt special rules if it seemed necessary to derogate from the common law of the Community to meet the special requirements of the FODs.
- According to the second argument, that advanced by the Commission, the time-limit of two years should not be regarded as preclusive and consequently the provisions of the Treaty are not automatically applicable. However, there is nothing to prevent this or that provision of the Treaty from being applied on a decision of the Council.
In practice, it was this interpretation that prevailed, since after 1st January 1960 the Council adopted a number of acts extending various articles of the Treaty to the FODs.

¹Article 226 relates to protective measures during the provisional period.

3. Application of the Treaty of Rome to the FODs

Article 227(2) did not provide for the immediate application to the FODs of the provisions of the Treaty relating to workers, capital, transport, the EAGGF, economic and social policy or the arrangements governing ECSC products. Special rules on the application of some of these provisions have been adopted over the years, in particular:

(a) the main provisions concerning non-agricultural matters:

- the regulations and decisions of 1971, 1977 and 1978, applying to the FODs Articles 123 to 127 of the Treaty concerning the European Social Fund and revisions of the fund, various regulations and decisions on migrant workers (1977), women (1977), young persons (1978) and persons affected by the problems in the employment field (1978);
- decisions and directives of 1959, 1960 and 1964 relating to the right of establishment and movement of capital;
- regulations and decisions of 1958, 1968 and 1971 relating to labour law and social security (migrant workers);
- various regulations, in particular those of 1968, 1969, 1970, 1971, 1974 and 1975 relating to trade;
- the Council decision of 1975 applying the regulation setting up the ERDF to the FODs.

(b) provisions on agricultural and food products

- the directives of 1963, 1965, 1970, 1973 and 1974 on the approximation of the laws relating to foods;
- the regulation of 1977 on improving the conditions for processing and marketing agricultural products, numerous regulations on particular agricultural products such as sugar, tinned pineapple, cereals, tobacco, aubergines and rice;
- the Council directives of 1975 and 1976 concerning less-favoured agricultural areas;
- the EAGGF:
 - . the Guarantee Section applies to sugar, tinned pineapple, cereals, tobacco, rice and aubergines,
 - . the Guidance Section has applied to the FODs since the entry into force of Regulation No 1795 of 1976.

4. The HANSEN JUDGMENT¹

The European Court of Justice was asked to give a ruling on an interlocutory question concerning the interpretation to be given to the provisions of Article 227 of the Treaty of Rome, in particular paragraph 2 concerning the application of these provisions to the FODs (see II - 2 above).

Its judgment of 10 October 1978 substantially modified the interpretation of Article 227(2) by stating:

'in order to make due allowance for the special geographic, economic and social situation of those departments, Article 227(2) made provision for the Treaty to be applied by stages, and in addition it made available the widest powers for the adoption of special provisions commensurate to the specific requirements of those parts of the French territories.

For that purpose, Article 227 precisely stated certain chapters and articles which were to apply as soon as the Treaty entered into force, while at the same time reserving a period of two years within which the Council could determine special conditions under which other groups of provisions were to apply.

Therefore after the expiry of that period, the provisions of the Treaty and of secondary law must apply automatically to the French overseas departments inasmuch as they are an integral part of the French Republic, it being understood, however, that it always remains possible subsequently to adopt specific measures in order to meet the needs of those territories'.

This has clarified matters considerably: all the provisions of the Treaty of Rome and all secondary Community law apply to the FODs.

Nonetheless, the Court does recognize the possibility of specific measures being taken at any time to meet the needs of the departments.

This judgment represents a complete reversal of the previous position. Until then a request from the French Government was required before particular provisions of the Treaty could apply to the FODs. Since the judgment, the French Government will intervene only for the purpose of having certain measures which apply automatically to the FODs adjusted to take account of their special needs.

5. The Hansen judgment and its implications for the FODs

Following the Hansen judgment, the Commission set up an inter-departmental working party to examine the legal and practical implications for the FODs. The main conclusions of this working party, as set out in an internal document of 26.6.1979, were as follows.

¹Case 148/77, Hansen vs. Flensburg Hauptzollamt on the tax rules governing alcohol.

'B. Areas in which the application of Community law presents no problems

The Survey of areas of Community law made by the interdepartmental working party indicates that the automatic application of the Treaty and secondary legislation presents no particular problems in the following areas: customs union..., right of establishment, common commercial policy, social policy and fisheries.

There is, however, a problem in practice which stems from the inadequacy of the information available in the overseas departments on Community rules and the procedures to be followed in order to obtain assistance from the various funds, especially the Social Fund...

C. Areas of Community law where adjustments are required

There are two main areas in which the application of Community law might present difficulties: taxation and agriculture.

1. Taxation

A notable feature of the situation in the overseas departments is the application by France of tax provisions which are not in accordance with Community law.

Full application of the tax harmonization policy would cause serious problems in view of the remoteness of these regions and their long-standing system of autonomy in tax matters. There would appear to be a need for adjustments in certain areas of Community law where taxation is involved:

(a) Excise duties on tobacco:

The French Government is requesting amendments to the first, second and fifth Directives on tobacco to exclude the overseas departments from their scope¹.

(b) VAT

Metropolitan French laws on turnover taxes have applied to the departments of Guadeloupe, Martinique and Réunion since 1 April 1948. They do not apply to Guyana for the time being.

For VAT purposes, however, Guadeloupe, Martinique and Réunion on the one hand and metropolitan France on the other are treated as exporting territories with respect to each other. The same applies to each of these three departments with respect to the other two (CGI, Article 294.2).

The overseas departments should therefore be given total exemption from the common system of VAT (Sixth Directive - 77/388/EEC). Such an exemption could be included in Article 3 of the Sixth VAT Directive along with certain other Community territories¹.

¹ Derogations adopted by the Council of Ministers for Agriculture on 26.3.1980 (OJ L 90, 3.4.1980).

(c) Tax exemptions

With regard to tax exemptions, exceptions could be made for the overseas departments, which currently apply provisions which in certain respects fail to conform to the Community Directives (69/169, 73/230, 78/1033, 74/651, 78/1034 and 78/1035/EEC) (e.g., total tax exemption for purchases made by tourists in those territories).

(d) Preferential rates for products originating in the overseas departments

The application of these rates in the rum industry, for instance, protects the product from competition from other spirits in the overseas departments and in metropolitan France. These problems should be dealt with in the course of the discussions currently under way in the Council concerning both the harmonization of excise duties and the rules governing the market in alcohol. If these discussions are not rapidly concluded it might be necessary to present to the Council a proposal for a specific derogation from Article 95 with a scope still to be determined.

2. Agriculture

The French Government made the point in its memorandum that "when the rules of the common agricultural policy are applied to these departments, account must always be taken of their geographical remoteness, the problems this causes and the fact that their agricultural produce is principally tropical".

The Directorate-General for Agriculture is waiting for the supplementary memoranda in which the French Government will be stating its views on the implications of the Hansen Judgment, especially with regard to the financing of all agri-monetary measures and to the adjustment of the common agricultural policy to the specific local circumstances.

It should, however, be noted that the Court's judgment implies that the EAGGF Guarantee Section will lump together the financing of all sectors. The conditions on which this can be done retrospectively must be determined in the light of the details provided by the French Government concerning practical control arrangements'.

B. COMMUNITY AID TO THE FODS

The FODs receive or have received aid from the following Community funds :

- The European Development Fund,
- The European Social Fund (Council decision of 8 November 1971),
- The European Regional Development Fund (Council decision of 18 March 1975),
- The EAGGF, Guidance Section (Council Regulation of 20 July 1976).

I. AID FROM THE EUROPEAN DEVELOPMENT FUND (EDF)

The first EDF was set up under the Implementing Convention on the Association of the Overseas Countries and Territories (OCT) with the Community, annexed to the Treaty of Rome. It is designed to finance investment projects and programmes intended to promote the economic and social development of the overseas countries with which certain Member States have special relations. Article 16 of the Convention extends the application of the provisions relating to financial and technical cooperation to the FODs. The fund is financed by annual contributions from the Member States and administered by the Commission.

The Implementing Convention which was concluded for a period of five years, expired on 31.12.1962. It has been succeeded by three Council decisions¹ laying down the arrangements governing the Association of the OCTs with the Community (the first two for five years and the last for a fixed period). Each of these decisions established a new EDF with the same objectives but greater financial resources and scope for action. Although the list of the OCTs concerned has changed following the attainment of independence by some of them and the enlargement of the Community (inclusion of United Kingdom overseas territories), the FODs have continued to receive aid from all the EDFs except the last one, the fourth, which does however allocate a certain amount to them.

The decision of 1976 expires on 1st March 1980; it will probably be followed by a new Council decision parallel and similar to the second Lomé Convention, in the same way that the three previous decisions on association were parallel and similar to the two Yaoundé Conventions and the first Lomé Convention concluded with the independent overseas countries (the AASM and the ACP).

¹ Council decision of 25 February 1964, 29 September 1970 and 30 January 1976.

Since 1958, the FODs have received aid from the first three EDFs totalling approximately 64.6 million EUA as at 26.4.1979. The funds committed by the Community for each of the four FODs were as follows :

FOD	1st EDF/1958	2nd EDF/1964	3rd EDF/1970	TOTAL (EUA)
GUADELOUPE	4,483,116.79	4,748,077.71	5,788,612.22	15,019,806.72
GUYANA	1,905,323.62	2,782,010.99	2,973,502.57	7,660,837.18
MARTINIQUE	6,788,820.44	3,647,063.44	4,329,284.21	14,765,168.09
REUNION	8,905,390.97	9,312,133.86	8,924,362.88	27,141,887.71
TOTAL	22,082,651.82	20,489,286.00	22,015,761.88	64,587,699.70

As regards the 4th EDF (1976-1980), an intermediate position was adopted in view of the fact that the FODs were receiving aid in the meantime from the ERDF and were going to receive aid from the EAGGF Guidance Section: 7.7 million EUA was set aside for them in the Decision of 1976. As to the use to be made of this aid, a 'target programme' was prepared by the Commission's services in collaboration with the responsible authorities in the FODs this programme envisages the funding of the following projects:

- Guyana : the establishment of two stock-rearing farms; 1.55 m EUA
- Martinique : water engineering at Manzo/Crèvecoeur; 1.8 m EUA
- Guadeloupe : irrigation of the area Vieux-Habitants; 1.7 m EUA
- Réunion : irrigation of Bras de Cilaos; 2.65 m EUA.

As at 14 November 1979, commitments of the order of 4.227 m EUA in favour of the FODs have been entered into. A definite decision has been taken on the financing of the two projects in Guyana - the establishment of two experimental stock-rearing farms (465,000 EUA in subsidies and 1.085 m EUA in special loans) - and in Martinique - water engineering at Manzo/Crèvecoeur (270,000 EUAs in subsidies and 1.53 m EUA in loans on special terms).

II. AID FROM THE EUROPEAN SOCIAL FUND (ESF)

The ESF is a major instrument of the Community's employment policy, set up to mitigate where necessary the social consequences of economic integration. It finances vocational re-adaptation and retraining schemes. Since 1971 the scope of the ESF's activities has been extended to enable it also to correct the social effects of structural weaknesses in certain regions; it does this by aid to certain categories or sectors, by operations undertaken on a regional and industrial basis, as well as by pilot schemes carried out prior to aid being granted from the fund.

It was the Council's decision of 8 November 1971 that extended the operations of the ESF to the FODs, and at present these are accorded the same priority status as the Mezzogiorno of Italy, Ireland and Greenland. In these regions, the fund's operations are concentrated on schemes of occupational training designed to 'eliminate unemployment and protracted under-employment of a structural nature': pre-training and training courses are organized in the FODs and there are similar courses for migrants organized by BUMIDOM (FOD Immigration Office).

From 1976 these funds have also been provided for the pre-training schemes organized in connection with the 'adapted national service' scheme (replacing national service).

The following amounts have been allocated to the FODs since 1974:

1974	1975	1976	1977	1978	1979
41	57	79	89	112	136 m FF

This aid has been allocated to the different FOD in approximately the following proportions: Réunion: 45%, Guadeloupe: 23%, Martinique: 22%, Guyana: 5%.

Since the revised ESF came into force on 1st January 1978 the Community's contribution to the financing of the ESF operations has been 55% (instead of 50%) for the 'less favoured' regions of the Community, which include the FODs.

III. AID FROM THE EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)

The ERDF has been helping to finance schemes in the FODs since it was set up (Regulation of 18 March 1975). It is designed to reduce the regional imbalances in the Community, particularly those caused by the predominance of agriculture, industrial change and structural under-employment.

The ERDF can participate in the financing of investments exceeding 50,000 ua in the following main fields:

- industrial, handicraft, or service activities which are economically sound and which benefit from French regional aids, provided that at least ten new jobs are created or existing jobs are maintained. The fund's contribution can amount to up to 50% of the national aid without however exceeding 20% of the investment costs or a limit of 100,000 EUA per job created or 50,000 EUA per job maintained. The fund's contribution may however be less than this 20% in the case of handicraft or service activities, provided that it does not exceed the limit of 10,000 EUA per job created or maintained, (and still subject to the 50% of national aid not being exceeded).
- public infrastructure associated with the development of productive investment projects (financing limited to between 10 and 40% of expenditure, depending on the importance and costs of the project).
- rural infrastructure in hill and mountain regions and certain less favoured areas.

The following may receive assistance from the fund: private and nationalized undertakings, local authorities, joint ventures, etc.....

The table below shows the amount of aid allocated to the FODs from the ERDF between 1975 and 1979.

Regional statistics for the FODs

Aid granted 1975 - 1979

in million EUA

(rounded figures; in brackets : number of investment projects)

FOD	I. Industrial activities					II. Infrastructure				
	1975	1976	1977	1978	1979	1975	1976	1977	1978	1979
Guad.	0.85(19)	1.70(16)	0.31(4)	0.53(11)	0.07(2)	1.22(11)	0.09(2)	-	1.19(1)	0.06(1)
Guyana	0.12(1)	0.31(3)	1.33(4)	0.14(3)	0.7(6)	0.22(1)	0.23(2)	-	0.22(1)	0.12(1)
Martin.	0.97(8)	1.13(7)	0.23(4)	0.11(3)	0.01(1)	-	1.23(12)	-	1.49(2)	-
Réun.	0.75(16)	0.48(7)	0.19(6)	0.37(5)	0.2(5)	-	1.37(5)	-	0.45(2)	0.67(1)
France	18.77(279)	25.20(223)	8.81(83)	29.68(202)	4.14(11)	23.37(47)	51.27(86)	-	44.68(29)	94(21)

FOD	III. Infrastructure in hill farming areas					IV. Total				
	1975	1976	1977	1978	1979	1975	1976	1977	1978	1979
Guad.	-	-	-	1.02(9)	-	2.07(30)	1.79(18)	0.31(4)	2.74(22)	0.13(3)
Guyana	-	-	-	0.32(4)	-	0.34(2)	0.54(5)	1.33(4)	0.68(8)	0.42(5)
Martin.	-	-	-	2.33(11)	-	0.97(8)	2.36(19)	0.23(4)	3.93(14)	0.01(1)
Réun.	-	-	-	0.93(7)	-	0.75(16)	1.85(12)	0.19(6)	1.77(14)	0.83(6)
France	3.88(6)	-	-	8.27(10)	1(2)	46.02(232)	76.47(208)	70.85(18)	82.63(42)	159(42)

Sources: ERDF annual reports

In 1979 the FODs together had received 18.5 m EUA, i.e. rather more than the 2% allocated to the FODs within the framework of the total ERDF budget (the French quota was increased from 15% to 16.86% in 1979, with the specific aim of stepping up aid to the FODs).

IV. AID FROM THE EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND (EAGGF)

The EAGGF, set up in 1962, comprises two sections: the Guidance Section, which finances a proportion of expenditure on structural measures to improve agriculture in the Member States, and the Guarantee Section, which finances market support measures.

The Guarantee Section covers 90% of the Community's agricultural products, namely cereals, sugar, beef and veal, pigmeat, milk products, oils and fats, fruit and vegetables, tobacco, fishery products, etc..... It funds intervention expenditure on the internal markets and refunds on exports to third countries.

Under the Treaty of Rome, the FODs' access to the EAGGF is subject to a specific decision laying down the relevant conditions; sugar, tobacco, pineapple and cereals from these territories receive support from the Guarantee Section.

On 31 October 1975 the Commission submitted to the Council a proposal for a regulation relating to the terms of application of Article 40(4) of the Treaty of Rome¹, making it thenceforth applicable to the FODs in regard to the Guidance Section of the EAGGF. The Council of Ministers adopted this proposal at its meeting of 15-16 December 1975, while emphasizing that aid could not be granted concurrently from the EAGGF and the EDF. At the same meeting the Council took note of a declaration by the French delegation subscribing to this principle.

The FODs could therefore receive support from the Guidance Section either for individual projects (although this has no longer been possible since the expiry of Regulation 17/64), or for joint actions, or, again, for projects of a special nature in the case of mountain and hill regions or certain less-favoured areas.

The individual projects have involved investments to improve production structure quantitatively or qualitatively; they also included investment to improve the marketing of agricultural products: storage; preservation, valorization, development of the distribution network; these individual projects have been replaced by common measures in the marketing field. Other common measures relate to farm-modernization schemes, compensation for cessation of farming, information for farmers on social and economic matters; and aids for the setting-up of producer cooperatives. The directive on mountain and hill farming and farming in certain less-favoured areas occupies a special place within the framework of the Guidance Section; it is designed to compensate for the natural handicaps suffered by farmers in these regions, in particular, by granting premiums per livestock unit.

The position in regard to EAGGF aid to the FODs may be summed up as follows: as yet, the Guarantee Section, which finances intervention measures (to maintain prices and production), applies only partially: the regulations concerned are those setting up organizations of the markets in sugar and tobacco, the regulation establishing a system of aid for producers of tinned pineapple and others relating to cereals. In addition, subsidies have been granted to rice and aubergines (see C-II-6 and C-II-5).

¹ relating to the setting-up of the EAGGF

The Guidance Section, on the other hand, which provides aid for structural improvements for production and marketing, has applied to the FODs in its entirety since the Council's regulation of 20 July 1976.

Two kinds of operation have been carried out:

1. Financing of individual projects under Regulation 17/64/EEC.

(in million FF)		
1977		
Guadeloupe	provision of drinking water	3.6
Réunion	roads and re-afforestation	6.225
Guyana	land clearance and roads	4.181
Martinique	provision of drinking water	13.233
	modernization of pineapple cannery	2.939
Total		30.178
1978		
Reunion	milk- and cheese-dairies	1.446
	sugar industry	6.775
Total		8.321
TOTAL 77-78		38.499

2. Reimbursements within the framework of the Directive on mountain and hill-farming and farming in certain less-favoured areas (Directive No. 75/268/EEC)

Year	Beneficiaries	Aid granted by France	Reimbursement requested	Actual reimbursement
1975	661 (Guadeloupe Martinique Réunion)	FF 776,800	FF 194,200	FF 194,200
1976	1165 (Guadeloupe Martinique Réunion)	FF 1,384,914	FF 346,225	FF 259,669
1977	1139 (Guadeloupe Martinique Guyana)	FF 1,518,799	FF 379,697	-

In addition, it has just been decided to grant emergency aid from the EAGGF, Guidance Section, for reconstruction measures in the agricultural areas of the FODs hit by cyclones David and Frederic.

V. AID FROM THE EUROPEAN INVESTMENT BANK (EIB)

The EIB's principal task is to contribute to the balanced development of the common market by means of its own resources and those which it raises on the capital markets. By loans and guarantees it helps to finance projects of special interest from the geographical, industrial, or technical angle or involving cooperation between the Member States.

EIB funding can apply to :

- projects for the modernization and reconversion of industrial undertakings;
- projects of prime importance for European development: e.g. advanced technology, environmental protection, energy supplies;
- projects to promote the less developed regions;
- projects relating to more than one Community country.

The EIB grants loans from its own resources only for investment projects to be implemented 'on the European territories of the Member States', under Article 18 of its Statute, and not, therefore, in the FODs. However, these have used the EIB through the EDF, from which they have been granted various loans on special terms.

The following loans to the FODs were of this kind :

FOD	Year	Amount	Project
Guyana	1978	0.4 m UA	Construction of landing facility at fishing port of Larivot
Martinique	1973	0.6 m UA	Adjustment and widening of Route No. 2
Guadeloupe	1975	0.7 m UA	Construction of new quay for various types of cargo at Point-à-Pitre
Réunion	1971	0.7 m UA	Hydraulic work in the agricultural area Bras de la Plaine
	1973	2.1 m UA	Widening of trunk road to four lanes

VI. SUMMARY TABLE

EXPENDITURE COMMITTED BY THE COMMUNITY IN THE FODs

7 June 1979

in m EUA

	1975	1976	1977	1978	1979 estimates	Annual average
<u>Support for investments</u>						
EDF	0.341	0.270	2.474	0.337	6.150	1.914 ¹
ERDF	5.039	5.515	1.966	9.090	18.000 ²	7.922
EAGGF, Guidance Section (individual projects)	-	-	5.189	1.431	3.116 1st tranche	3.245
Total:	5.380	5.785	9.629	10.858	27.266	11.784
<u>Other support expenditure</u>						
SOCIAL FUND	10.168	14.092	15.304	19.258	23.385	16.441
EAGGF, Guidance Section (hill farming directive)	-	0.035	0.046	0.065	-	0.049
EAGGF, Guarantee Section	2.500	4.800	13.400	12.500	16.300	9.900
	12.668	18.927	28.750	31.823	39.685	26.371
OVERALL TOTAL	18.048	24.712	38.379	42,681	66.951	38.154

¹ based on the duration of each of first three EDF agreements (15 yrs) and the corresponding endowments, viz. 64.5 m EUA, the annual average was 4.3 m EUA.

² This provisional estimate represents 2% of the ERDF's endowment in accordance with the decision of the European Council of December 1977.

Own resources raised in the FODs for the Community budget

in m EUA

	1976	1977	1978
Customs duties	11.4	11.9	11.3
Agricultural levies	10.0	11.0	6.9
Total:	21.4	22.9	18.2

Source: Commission of the European Communities

C. GENERAL ECONOMIC SITUATION OF THE FODs
AND PROBLEMS CONNECTED WITH AGRICULTURE

I. GENERAL ECONOMIC SITUATION OF THE FODs

The FODs' economic situation is precarious, as may be seen from the following three main characteristics:

- a demographic structure which precludes the possibility of an improvement in the employment situation;
- distribution of GDP and jobs characteristic of economies based on services rather than on productive activities;
- insufficient diversification of activities and an extremely unfavourable balance of trade.

1. Population and employment

INSEE¹ has drawn up a number of statistical tables on population and employment in the FODs. They show a reversal of the trends observed hitherto; after the post-war population explosion, there is now a slowdown in population growth: this is very marked in the West Indies, while the population growth rate has remained quite rapid in Guyana and, to a lesser degree, in Réunion.

Population trends in the FODs

	Guadeloupe	Martinique	Guyana	Réunion
1967 census	312,714	320,030	44,392	416,525
1974 census	324,530	324,832	55,125	476,675
Variation %	+ 3.77	+ 1.5	+ 24.17	+ 14.44
Annual rate of growth	0.53	0.21	3.22	1.95

Source: Activity Report for 1978, published by the 'Institut d'Emission'

Another comparison made by INSEE of the 1954, 1967 and 1974 censuses shows that the size of the active population has changed very little. This, however, conceals a shift in the employment market: new openings in the tertiary sector are offset by jobs lost in the traditional sector.

There is a high level of unemployment of approximately 20% in the island departments. This rate is not, however, increasing, because of emigration, particularly among young people.

¹France's National Institute of Statistics and Economic Studies

The outlook is less bleak in Guyana, where the level of unemployment is 10%.

Although the reversal in population trends is bound to affect the economic life of the FODs in various ways, it seems unlikely to alter the situation on the labour market, at least in the foreseeable future. Over the next few years it is expected that:

- the number of jobs in agriculture, at least in the island departments, will continue to decrease,
- the number of new jobs created in the tertiary sector will diminish as the traditional labour-intensive industries become saturated,
- the secondary sector is unlikely to provide more than 3,000 new jobs per year, a figure which must be set against the 30,000 young people arriving on the labour market each year.

The outlook for 1990, as far as may be judged from the INSEE reports, is such that migration on a large scale, already a well established phenomenon in the West Indies, is likely to spread to Réunion; this can only create fresh problems for both the FODs and metropolitan France.

2. GDP and incomes

One of the striking features of the FOD economies is the lead given to the commercial sectors (building and public works, trade, services) by the non-commercial sectors (State, social security, FIDOM, local authorities). Among the non-commercial sectors, the State plays a decisive role by virtue of the economic impact of its decisions (wage levels, transfers, investment, price policy, etc.).

The volume growth of GDP in real terms between 1970 and 1977 was 25% in Guadeloupe, 50% in Martinique and 49% in Réunion.

This growth has been accompanied by a high rate of inflation since 1974; between 1973 and 1977 prices rose by 60% in the FODs as against 51% in France.

Apart from the non-commercial sectors, the sugar and rum industry is the key factor in determining the GDP in Réunion; in Guadeloupe, in addition to that industry, bananas and tourism play an important role; while in Martinique the impulse is given by bananas and, secondarily, tourism.

The steady deterioration in the balance of trade between 1970 and 1977 reflects an in-built characteristic of the FOD economies.

The position is particularly serious in the case of Guyana, which is a consumer rather than a producer country.

The deterioration is the result of several simultaneous trends, namely:

- the acceleration in the rise in import prices,
- the slower increase in export prices,
- the increase in imports connected with the constant rise in public expenditure,
- stagnation in the volume of exports.

In 1976 the per capita GDP amounted to : FF 10,700 in Guadeloupe, FF 14,100 in Martinique, FF 12,600 in Réunion, whereas in France for the same year it was FF 31,300.

3. Trade

The FODs have a very adverse balance of trade. In none of them does the import/export cover rate exceed 50% and in Guyana it is as low as 4%.

The tables below show the difference in value of imports and exports of each of the four departments and the balance of trade figures¹.

MARTINIQUE

(in million FF)

	1973	1974	1975	1976	1977	1978
<u>Imports</u>						
Consumer goods	545	612	670	912	999	1,150
Capital goods	295	366	353	541	503	509
Hydrocarbons	71	230	239	239	311	250
Miscellaneous	172	197	191	273	286	332
Total:	1,083	1,405	1,453	1,965	2,099	2,241
<u>Exports</u>						
Sugar	18	4	8	5	3	5
Rum	35	38	50	49	55	43
Bananas	117	153	195	337	353	327
Pineapples	19	21	29	37	24	14
Miscellaneous (incl. refined petroleum)	55 (22)	131 (77)	126 (88)	166 (107)	195 (131)	178 (105)
Total:	244	347	408	594	630	567
Balance of trade	- 839	-1,058	-1,045	-1,371	-1,469	-1,674

¹Sources: Activity Reports for 1978, FOD 'Institut d'Emission'.

GUADELOUPE

(in million FF)

	1973	1974	1975	1976	1977	1978
Imports						
Consumer goods	454	519	631	720	896	919
Capital goods	244	304	360	444	472	464
Hydrocarbons	31	71	78	94	123	146
Miscellaneous	167	210	246	257	353	381
Total :	896	1,104	1,315	1,515	1,844	1,910
Exports						
Sugar	123	83	144	149	137	128
Rum	23	26	25	27	26	21
Bananas	102	130	130	181	138	279
	38	39	54	72	87	71
Total :	286	278	353	429	388	499
Balance of trade	- 610	- 826	- 962	-1,086	-1,456	-1,411

REUNION

(in million FF)

	1973	1974	1975	1976	1977
Imports					
Consumer goods	710	877	979	1,168	1,262
Capital goods	355	423	435	535	652
Hydrocarbons	34	84	102	157	208
Miscellaneous	171	209	242	292	43
Total :	1,270	1,593	1,758	2,152	2,465
Exports					
Sugar	313	263	212	353	486
Rum	15	15	18	16	14
Essential oils	23	28	12	48	24
Miscellaneous	16	21	15	33	37
Total :	367	327	257	450	561
Balance of trade	- 903	-1,266	-1,501	-1,702	-1,904

GUYANA

(in million FF)

	1973	1974	1975	1976	1977	1978
Imports						
Consumer goods	147	153	175	213	360	431
Capital goods	41	53	69	84	157	240
Hydrocarbons	14	26	27	55	94	90
Miscellaneous	49	39	36	48	95	97
Total :	251	271	307	400	706	861
Exports						
Shrimps and prawns	17	3	5	11.6	19.3	7.5
Timber	1	3	1	4.4	9.1	7.1
Miscellaneous	5	1	5	3	7.2	18.1
Total :	23	7	11	19	35.6	32.7
Balance of trade	- 228	- 264	- 296	- 381	- 670.4	- 827.7

It is clear from the trade structure of the four departments that there is insufficient economic diversification. In all four the economy is dominated by one or two major products, so that fluctuations in production and world market conditions can have disastrous results. This situation is all the more serious because these mono-cultures are geared to exports, and consequently dependent on consumption in France and on French and Community trade policy.

In Martinique the principal export products are sugar, rum, bananas and pineapple; in Guadeloupe, they are sugar, rum and bananas, in Réunion, sugar, rum and essential oils, and in Guyana, fish and timber.

II. AGRICULTURE IN THE FODs

1. Sugar-cane and sugar

(a) Sugar production in the FODs

Sugar-cane is the main crop in Martinique, Guadeloupe and Réunion.

The tables below show the total volume of sugar-cane and sugar produced each year in the three departments since 1975, together with amount of sugar exported¹.

(in million t)

<u>GUADELOUPE</u>	1975	1976	1977	1978
Sugar-cane	924	1,018	964	1,010
Raw sugar	87	96	91	81
Exports	80	86	85	74
<u>MARTINIQUE</u>				
Sugar-cane	235	204	216	192
Raw sugar	16	14	14	13
Exports	5	3	3	2
<u>REUNION</u>				
Exports (raw sugar)	135	208	266	211

¹Sources: Activity Reports for 1978, FOD 'Institut d'Emission'.

A document produced by the Interprofessional Committee of Sugar Producers notes the following features characterizing sugar-cane production in the FODs.

- Unlike sugarbeet, sugar-cane is a perennial crop (lifespan of between 5 and 10 years) with one harvest a year. The farmer must therefore have long-term security to enable him to recoup his planting costs.

- The maximum sugar yield per hectare is considerably less than that obtained from sugarbeet (4.5 to 5 tonnes of sugar per hectare in the FODs as against 6 to 6.5 tonnes per hectare in Europe).
- The climatic hazards are those of tropical regions (cyclones alternating with dry periods) and their effects are felt for several years.
- The selection of the cane is a complex procedure and has to be carried out over small areas of limited acreage.
- A mechanized approach to harvesting is made difficult and laborious by the often hilly nature of the terrain in the FODs.
- Replanting the plantations requires substantial investment (digging up, removal of stones, terracing, irrigation).
- Transporting the cane is difficult because of lack of adequate transport facilities and it entails for the planters and processors often more than twice the expenditure incurred by their counterparts in the sugar-beet industry.
- Lastly, the production costs for sugar-cane in the FODs are very high particularly because of the high level of wages and social benefits.

(b) Common organization of the market in sugar

Under the common organization of the markets in this sector, sugar is subject to a quota system. A basic quota, called the 'A' quota, was established by the regulation of 19 December 1974 for the period 1975-76 to 1979-80 inclusive. For the FODs this quota is for 466,000 tonnes of sugar, allocated as follows:

Réunion : 230,000 tonnes; Guadeloupe : 179,000 tonnes;
 Martinique : 55,000 tonnes; Guyana : 2,000 tonnes.

For this 'A' quota, prices are fully guaranteed.

In addition, there is a second quota, the 'B' quota, which varies according to the state of the market. In this case, there is a production levy to offset losses incurred in selling the sugar covered by the quota. 'C' sugar, which is sugar produced outside the 'A' and 'B' quotas, does not enjoy any price guarantee. It cannot be sold on the internal market and must be exported at the undertaking's expense.

In addition to these restraints on production, there is also an obligation on each undertaking to maintain a minimum stock equal to 10% of the basic quota. With regard to prices, producer price trends have generally followed those on the world sugar market; however, Community guarantees have helped to prevent them from collapsing during the last few years.

While this quota system is exceptional, the arrangements governing prices is similar to that of many of the Community's common agricultural organizations. They comprise two categories of price: a target price, which is a price judged reasonable for the producer, and an intervention price, which is the price to be paid by the intervention agencies for all quantities produced within the quota limits.

Each year the Council of Ministers fixes a target price for white sugar and intervention prices for sugarbeet and sugar (see table on page 29).

The sugar processors negotiate a price for their products falling generally somewhere between this target price and the intervention price. However, whereas for Europe the intervention prices are applied to the goods 'ex works', in the case of the FODs they are applied at the f.o.b. stage, i.e. at the port of embarkation.

(c) Protocol No. 3 on ACP sugar, annexed to Lomé I Convention

The protocol on sugar comprises a reciprocal commitment to buy and sell fixed quantities of ACP sugar, combined with the virtual index-linking of the prices guaranteed to ACP producers with those guaranteed to Community producers.

The quantity to be supplied by the 14 ACP countries concerned is 1.4 tonnes of raw cane-sugar. The protocol provides for penalties in the case of non-delivery of the quantities envisaged, save in the case of force majeure (the agreed quantity to be reduced the following delivery period by the undelivered quantity).

ACP sugar is sold on the Community market at prices freely negotiated between buyers and vendors. If no buyer is found for particular quantities at a price equal to or higher than the guaranteed price, the ACP have the right to offer them to the Community, which is obliged to buy them at the guaranteed price up to the maximum quantity guaranteed. The price is negotiated annually within the range of prices obtained in the Community (see table on page 29).

The protocol was concluded for an indefinite period (to be reviewed before the seventh year of application). However, it provides for the possibility of termination after the expiry of the Lomé Convention, subject to two years' notice.

(d) Principal problems

The Commission has submitted a proposal to the Council dated 7 November 1979 to stabilize Community sugar production at 10.3 million tonnes. It proposes that the quotas should be based on the average production for the two best harvests of the last five years, with the new quotas representing between 80 and 90% of the reference production figure and the present quotas. This would mean reducing the basic quotas for the FODs from 466,000 t to 419,000 t. This latter figure is, in fact, 13% higher than the best level of production achieved in the last five years in the FODs, but it is argued that this is justified in view of the fact that regional development programmes have been financed by the French Government and the Community authorities to revive and boost sugar production in the FODs.

These plans have been implemented only recently and will not take effect fully for several years.

Another argument put forward against the proposal to reduce the sugar quotas for the FODs is the need to maintain quotas in the ACP countries.

A number of measures have been taken by the Community to offset certain disadvantages stemming from the special conditions obtaining in the sugar-cane and sugar sectors in the FODs. Thus, for example, France has been authorized to grant aid to the cane-sugar producers and processing industries. Furthermore, in February 1978, the Council adopted a regulation relating to the allocation and modification of basic quotas in the sugar sector. This measure had become necessary because both Guadeloupe and Martinique had never achieved their basic quota and sugar-cane production in Martinique has fallen off, while in Réunion the area given over to it could be extended. Consequently, the Community made it possible to transfer part of a quota from one FOD to another, but it has never allowed the cane-sugar producers to give the Community's sugarbeet producers provisional use of the cane-sugar quotas which they cannot utilize themselves.

Regulation No. 1402/78 has granted the FODs a subsidy for 'B' sugar produced in the FODs and refined in the Community. Lastly, also in 1978, within the framework of the EAGGF, Guidance Section, appropriations have been made available for the restructuring of the sugar industry.

Another problem concerns the sugar prices paid to producers. There is a difference between the costs for the cane-sugar producers and the sugarbeet producers: while for Europe intervention prices apply to goods 'ex works', for the FODs they apply at the f.o.b. stage, i.e. at the port of embarkation; this means that the FODs have to defray the additional

costs of transporting the sugar from factory to port. With regard to price, there is also a distinction between the price of cane and that of sugarbeet. The price of sugarbeet for European producers is calculated as a flat rate on the basis of the intervention price of the sugar, the processing margin for the sugarbeet, the yield of the beet, the undertakings' earnings from the molasses, and also, possibly, the cost of delivery of the sugarbeet to the undertakings. For each of the FODs, on the other hand, the price of the sugar-cane is determined by an interprofessional agreement between the processors and the planters, or, failing that, by the Commission, by an agreed method of calculation.

The table below sets out for the 1978/79 and 1979/80 marketing years, the intervention prices for the EEC and the FODs and the guaranteed prices for the ACP countries for white and raw sugar.

Ecu per 100 kg			
	EEC	FODs	ACP
Raw 78/79	33.62 (100) ^x	33.97 (101)	33.62 (100)
79/80	34.13 (100)	34.48 (101)	34.13 (100)
White 78/79	40.49 (100)	40.25 (99.4)	41.69 (103)
79/80	41.09 (100)	40.85 (99.4)	42.30 (102.9)

^x 100 = Community target price

2. Rum

(a) Rum production in the FODs

In the FODs rum remains one of the derivatives of sugar-cane which brings in substantial earnings for the producers.

The table below shows the quantity of rum produced and exported by Guadeloupe, Martinique and Réunion since 1975¹.

¹ Guyana's rum production is small : 2,378 hl of pure alcohol in 1978 compared with 1,646 in 1977.

(in 1,000 hl of pure alcohol)

	1975	1976	1977	1978
<u>QUADELOUPE</u>				
Production	103	103	94	88
Exports	80	85	96	62
<u>MARTINIQUE</u>				
Production	117	110	110	110
Exports	76	70	71	74
<u>REUNION</u>				
Exports	66	44	35	49

For Guadeloupe and Réunion rum constitutes the third most important export (after sugar and bananas in the case of Guadeloupe; after sugar and essential oils in the case of Réunion), while it is Martinique's second most important export (after bananas). Production is divided mainly between industrial rum produced from molasses, and agricultural rum, obtained by distillation after the juice from the cane has been fermented.

These three departments also produce a type of industrial rum, known as 'light rum', obtained by a different method of fermentation which gives it a special flavour. This is exported mainly to the Federal Republic of Germany and Belgium.

(b) French rules on FOD rum

French rules on rum concern the product itself, conditions of production, the origin of the raw material and marketing.

The sale of rum on the French metropolitan market is controlled by a quota system. This was introduced by the Finance Act of 1922 and extended regularly since then until 31 December 1979. A new extension of five years (up to 1.1.1985) was granted by the Finance Act of 1979, which refers to the possibility of the system being changed on the entry into force of a Community regulation establishing a common organization of the market in ethyl alcohol of agricultural origin, if this happens before 1 January 1985.

Under the French quota system each FOD is allowed to export a certain quantity of rum each year to metropolitan France, free of customs duties. The quota is:

- 88,915 HPA for Martinique,
- 68,065 HPA for Guadeloupe,
- 37,325 HPA for Réunion,
- 2,750 HPA for Guyana.

Originally introduced to limit imports of spirits into France, the quota system now has the effect of spreading deliveries and thus preventing a fall in price.

One of the industry's main problems is marketing the rum; sales on the metropolitan market, which is still the FOD's principal export market, are becoming increasingly difficult because of the decline in consumption observed there in the last few years; in the years between 1974 and 1978 consumption was 135, 127, 117, 112 and 111 thousand HPA, respectively.

This situation can be explained by the increase in tax on alcohol, but also by the increase in consumption of other spirits. Other causes are no doubt the reduction in collective publicity and insufficient improvement in quality.

In the two West Indian departments a SICA (Société d'intérêt collectif agricole) has been set up to protect and promote the interests of the industry by organizing and controlling production, ensuring bulk sales on the metropolitan market, and implementing a policy for the promotion and improvement of the product.

Other factors which are causing the producers concern are the prospect of a Community regulation on the common organization of the market in ethyl alcohol of agricultural origin, the applications for membership of the Community by Spain, Portugal and Greece, and competition from the ACP countries.

(c) Community policy on rum

Up to now, there has been no real Community action in regard to the rum sector. This means that, as far as the FODs are concerned, the system in force is that adopted in France by the 1922 law and renewed repeatedly since then.

The judgment of the European Court of Justice in the Charmasson case (No 48/74) of 1974 condemned trade arrangements which include a restrictive component and therefore those governing rum in France. It is certainly questionable whether French tax rules on rum can be said to conform with this judgment of the Court. They involve the imposition of a special levy

('soulte') from which, however, rum from the FODs, Madagascar, etc.... is, up to a certain limit, exempt.

There is no common organization of the market in spirits. Proposals to this end have been drawn up, but they have never been adopted by the Council; they took account of the need to provide special measures for the FODs to allow them to maintain the level of employment and ensure an equitable income for producers. In this way, the effects of competition from ACP rum would have been mitigated or offset.

A number of basic facts concerning the position of rum in the Community context ought to be mentioned here:

- in the Treaty of Rome rum is classified as an industrial, not an agricultural product; as such, it is fully liberalized from the point of view of production and trade;
- precise Community definitions regarding content, quality, etc. do not as yet exist and there are wide disparities in the laws of the Member States;
- productive capacity in the FODs could cover approximately 85% of the Community's needs;
- there is the problem of competition from ACP rum.

In the absence of a common organization of the markets, some recent judgments of the Court of Justice have laid down a number of principles:

- with regard to the treatment of FOD products on the same footing as Community products (Hansen judgment of 10 October 1978), the Court of Justice forbids any discrimination against rum from the FODs imported into Germany in view of the fact that the FODs, as an integral part of the French republic, are Community countries and should benefit from the rule of non-discrimination in tax matters laid down in Article 95 of the EEC Treaty;
- the judgment of 13 March 1979 (concerning monopolies of a commercial character) condemns all forms of discrimination between the nationals of the Member States resulting from national aids and taxation (Article 37 of the EEC Treaty). Thus, aid granted by a State to its nationals must not have the effect of distorting competition in the common market by creating inequitable conditions of production or marketing;
- all quantitative restrictions or measures having equivalent effect which can impede the free movement of goods in the Community are forbidden (Judgment of 20 February 1979). The effect of this judgment is to allow a spirituous beverage with a lower alcoholic content than that authorized in the importing Member State to be imported and marketed there nevertheless, provided it meets the requirements of the producer Member State.

(d) Protocols on rum in the Lomé Conventions

The question of exports of rum from the ACP countries is dealt with in Protocol No 7 to Lomé Convention I and Protocol No 5 to Lomé Convention II.

The Conventions provide that products not covered by the common agricultural policy, of which rum is one, may enter the Community duty-free and without quantitative restrictions. This could have jeopardized traditional trade within the Community for FOD rum, which, until then, had been protected on the territories of the original six Member States by very substantial customs duties. What is more, production costs for rum in the FODs are higher than those for ACP rum owing to the fact that French national law in respect of wages, fiscal charges, social benefits, etc... applies in the FODs.

The protocols fix the quantitative limits, which are negotiated annually, for imports of ACP rum into the Community free of customs duties. The last quota under Lomé I (July 1979 to the end of February 1980) was divided as follows:

- total volume of the quota for the 8 months: 117,404 hl of pure alcohol
- the first tranche of 81,789 hl was intended for consumption in the UK
- the second tranche of 35,615 hl was divided among the other Member States as follows: Germany: 22,332 hl; Benelux: 4,542 hl; France: 4,238 hl; Denmark: 2,446 hl; Ireland: 1,777 and Italy: 280 hl.

The Lomé II protocol takes over the terms of the Lomé I protocol, but with an adjustment in the annual growth rate from 13 to 18% for the Member States other than the United Kingdom; for the latter it remains at 40%.

Retaining this system of different rates has made it possible to keep the United Kingdom quota separate from those for the other Member States and to maintain the rule whereby the United Kingdom must take the necessary measures to reserve the quantities of rum imported from the ACP for its internal consumption.

However, considering the problem of rum in the wider context, it should be borne in mind that these protocols are annexed to conventions embodying an article on protective measures. Such measures may be adopted by the Community if the situation of certain regions in the Community - the FODs, for instance - warrants it; furthermore, the article in question also refers to the risks of market disturbances, which means that the Community could act without waiting until the situation in the regions concerned has deteriorated too far.

Essentially, then, the problems connected with rum are: the lack of a common organization of the markets in this sector, the definition of rum, the concept of originating product, the differences in wages and social legislation as between the FODs and the ACP countries, and stagnation in consumption within the Community.

3. Bananas

The economy of two FODs, Martinique and Guadeloupe, is heavily dependent on exports of bananas; indeed, banana production constitutes Martinique's principal economic activity on account of its role in the balance of trade and as a provider of jobs.

Banana exports from the two departments from 1974 to 1978 are shown below:

		1974	1975	1976	1977	1978
Guadeloupe	Exports (in thousand tonnes) Annual variation	124 +3%	117 -6%	112 -4%	108 -4%	134 +24%
Martinique	Exports (in thousand tonnes) Annual variation	174 +18%	166 -5%	215 +30%	222 +3%	241 +9%

Source: FOD 'Institut d'Emission' - 1978 activity report for Martinique and Guadeloupe.

Most of the bananas consumed in France come from Guadeloupe and Martinique. Under the national organization of the French market two-thirds of the nation's needs are covered by the FODs¹ and the rest by the producers of the Ivory Coast, Cameroon and Madagascar (1962 arbitration). In the event of these suppliers being unable to satisfy the needs of the market, France can obtain supplies from third countries; the latter imports are then subject to the Community duty of 20%.

¹52.73% by Martinique and 47.27% by Guadeloupe.

The prices at which the bananas are sold on the metropolitan market are based on target prices, which may fluctuate from fortnight to fortnight or month to month and are revised annually in relation to production costs. The selling prices are additionally based on a scale of provisional prices established at the rail-departure point at the French port and designed to give an average weighted price which is remunerative for the producers and fair to the consumers. Since the introduction of the scheme, the annual average weighted prices have been as follows:

	Category I ¹	Fluctuations
1.10.1974 - 30.9.1975.....	1.90	-
1.10.1975 - 30.9.1976.....	2.13	+ 12%
1.10.1976 - 31.8.1977.....	2.26	+ 6%
1. 9.1977 - 30.9.1978.....	2.41	+ 7%
1.10.1978 - 30.9.1979.....	2.61	+ 8%

¹The target price for category II fruit is FF0.10 below the prices given here. That for the highest quality is not laid down.

Source: Activity report for 1978, FOD 'Institut d'Emission'.

Average price per kg:

Guadeloupe	1974	1975	1976	1977	1978
Average price per kg at rail-departure point at French port (in FF).....	1.66	2.03	2.15	2.33	2.44
Annual fluctuation	+ 16%	+ 22%	+ 6%	+ 8%	+ 5%

Martinique	1974	1975	1976	1977	1978
Average price per kg at rail departure point at French port (in FF).....	1.64	2.02	2.02	2.29	2.36
Annual fluctuation....	+ 17%	+ 23%	-	+ 13%	+ 3%

An 'export aid' mechanism enables the West Indian producers to be compensated when forced to sell on third country markets because of temporary saturation of the French market. Such payments are financed by the FORMA which makes good a proportion of the losses incurred in selling abroad at lower prices. The necessary appropriations are allotted for a minimum tonnage of 20,000 t for Guadeloupe and 30,000 t for Martinique and for a maximum of 50% of the loss incurred (subject to a ceiling of FF 0.3 per kg). In 1978 Guadeloupe exported nothing abroad. Martinique, however, had to dispose of 47,000 t of its produce outside France and the FORMA's guarantee was extended to a supplementary quota of 15,000 t deducted from Guadeloupe's unused quota.

In addition, the FORMA also helps to pay the costs incurred in treatment to improve plant-health and to set up and improve market preparation stations (e.g. five-year plan for banana production in Guadeloupe).

The European market for bananas is very large, accounting for about one third of world trade in this product. In 1978 total Community imports have been of the order of 2.125 million t, of which approximately 56% come from Latin America, 25% from the ACP/OCT, and 18% from the FODs. In 1975 and 1976 the percentage was 60% for Latin America, 25% for the ACP/OCT, and 15% for the FODs.

There is no common policy on bananas in the Community, apart from an agreement on duty-free access to the Community markets for ACP bananas and a 20% duty on imports from third countries, namely Latin America (except in Germany). There is generally thought to be little political will in favour of a move to set up a common market organization which could jeopardize the position of the 'preferential' suppliers. The factors which stand in the way of a common policy are the existence of the 'German protocol' and the commitments entered into by the Community in regard to banana exports from the ACP countries. The Community markets, therefore, are simply different national markets which have evolved in different directions for various economic and historical reasons.

The French system has been explained above. The German system is quite different. Under the terms of the 'banana protocol' annexed to the Treaty of Rome, Germany enjoys a duty-free import quota for bananas from third countries (Latin America) which is agreed annually with the Member States and the ACP suppliers. For 1977 it was fixed at 598,000 t, with a margin of 7,000 t for the ACP countries. This protocol has never been called into question and reflects a consensus, evident since 1957, in favour of leaving the banana market outside the scope of Regulation No 23 of 4 April 1962 on the progressive establishment of a common organization of the market in fruit and vegetables.

The Italian market is supplied mainly by imports from Latin America and also Somalia, Martinique and Surinam. There is no longer any restriction on imports of bananas from Somalia, but that country can satisfy only about a sixth of Italy's needs. All bananas imported into Italy are subject to a tax on consumption and those from Latin America are subject to the 20% Community duty. Latin American bananas are also subject to quantitative restrictions in the form of the quota for third country imports.

The British market was traditionally supplied by the Commonwealth, in particular Jamaica and the other Windward Islands, but, since the signing of the Lomé Convention all the other ACP countries have had access to it. Even so, the traditional suppliers and other ACP suppliers cannot satisfy all the United Kingdom's needs, so Latin American producers make up the deficit.

As in Italy and France, the imports from third countries are subject to the 20% Community duty and to quotas.

Benelux, Ireland and Denmark all import bananas from the same area (Latin America) and their imports are all subject to the Community tariff system.

As regards the ACP banana exporters, they have close links with the 'preferential' markets, namely France, the United Kingdom and Italy, where their imports have priority over those from third countries. On these preferential markets, in addition to duty-free entry, the ACP bananas enjoy privileged treatment under Protocol No 6 of Lomé Convention I (retention of existing advantages and privileges and implementation of measures to increase exports). More or less the same provisions have been included in Lomé Convention II (Protocol No 4).

To sum up, then, the Community gives priority and free access to ACP bananas on three protected markets (France, the United Kingdom and Italy), where quantitative restrictions apply to bananas originating from third countries, and free access, also, to the 'free' markets.

It should, however, be observed that in both Lomé Conventions there is a safeguard clause which allows the Community, in the event of market disturbance, to take measures to protect its products, for instance, bananas from the FODs. Moreover, the latter imports are also protected by the national organization of the French market.

However¹, in 1974, in the Charmasson case (Judgment 48/74), the European Court of Justice delivered a judgment forbidding the existence of national arrangements for agricultural products in the Community. This should mean, in other words, that the national organization of the banana market in France could no longer prevent imports from other Member States; nor could it prevent imports from associated States. The Court's judgment has not, however, been applied and there appears to be a consensus among the Nine in favour of provisionally maintaining the status quo, that is to say, protection for FOD bananas in the face of competition from third countries.

No doubt one will have to wait for the accession of Greece, Spain, and Portugal to see how things will develop, although, during the FOD national meetings in Rouen at the beginning of February 1980, fears were expressed at the idea of the French system being extended to cover all the ACP countries.

As far as banana production in the FODs is concerned, the problem appears to be not so much the absence of a common organization of the market, as the need to improve quality, the problem of transport, competition from Latin America, above all from the multinationals, and also differences in wages and social legislation.

4. Pineapples

The only FOD involved in the production and exportation of pineapples is Martinique. Its production of both the fresh and the tinned fruit has been declining steadily for the last few years because of its inability to compete with exports from the Ivory Coast, where social costs and wages are much lower.

Another handicap for Martinique is the fact that the Ivory Coast belongs to the EEC/ACP economic network and under the Lomé Convention pineapples can enter the Community free of customs duties and quantitative restrictions.

Production of pineapples to be exported fresh, which used to play a role of some importance in the department's economy, has almost completely disappeared since 1976. Exports during recent years have been as follows²:

(in tonnes)

1972	1974	1975	1976	1977	1978
6,400	1,500	200	14	214	184

¹See C II-2 above

²Source: FOD 'Institut d'Emission' - 1978 activity report for Martinique.

Martinique has therefore been unable to meet the quotas for exports to France fixed by government arbitration in 1965 (42.5% for Martinique, 42.5% for the Ivory Coast and 15% for third countries). Of the total number of pineapples imported into France in 1976, 1977 and 1978, those from Martinique accounted for 0%¹, 5% and 0.1% respectively.

The same problem of competition from other countries, in particular the Ivory Coast and Thailand, exists for tinned pineapple, despite aid from both the French authorities and the Community.

The support measures adopted in 1971 by the French authorities (campaign to improve plant health, replanting, price support, sharing of the market, etc) boosted production, but exports of tinned pineapple, after a substantial increase in 1975 and 1976, fell abruptly in 1977 and 1978. Of total imports into France in 1976, 1977 and 1978 (under the same agreement as for fresh pineapples) those from Martinique accounted for 31%, 21% and 12%.

As regards the Community, on 22 July 1975 the Council adopted a system of aid for the production of tinned pineapple in Martinique which came into force on 1 June 1976. The amount of Community aid is fixed at a certain number of units of account per tonne of tinned pineapple, on condition that the canneries pay the producers a minimum price per tonne of fresh fruit:

1976-77 marketing year: aid 300 UA, minimum price 152.5 UA
 1977-78 marketing year: aid 312 UA, minimum price 158.5 UA
 1978-79 marketing year: aid 325 UA, minimum price 162.5 UA.

This aid from the EAGGF led to a certain renewal of interest in the product as may be seen in the increase in production in 1978².

(in tonnes)

	1974	1975	1976	1977	1978
Production:					
Fruit for canning...	24,100	24,000	15,700	11,100	17,200
Tinned pineapple....	11,800	12,700	8,600	5,500	8,900
Exports.....	8,400	11,600	13,600	6,900	5,000

Source: FOD 'Institut d'Emission' - 1978 activity report for Martinique.

In 1978 production of pineapple juice amounted to 610 tonnes, i.e. 41% less than in 1977 (1,040 tonnes). Here again, there is the problem of competition from the other pineapple-producing countries.

¹Three tonnes exported to France.

²Aubergines normally take 18 months to mature after planting.

5. Aubergines

Two of the FODs are involved in the production of aubergines, Guadeloupe and Martinique.

The plant is grown mainly for export, since local consumption is small. The season runs from October to June, which fits in with the between-season needs of the European market.

For a number of years, aubergine production in these two departments has also played an important role in the diversification of crops and should constitute a stabilizing factor in local agricultural production, faced as it is with the decline of traditional crops: bananas and sugar-cane.

In view of the problem of competition between Guadeloupe and Martinique, an economic committee (COMECO) was set up on 2.12.75 to coordinate the marketing of their market garden, fruit and horticultural produce. The out-of-season market was divided equally between the two departments, although they may transfer their quota if they wish. For the 1977-78 marketing year, Guadeloupe's quota was 57%, while Martinique's was 43%.

Their exports were as follows¹:

<u>Martinique:</u>	1975	1976	1977	1978	
	4,000	2,000	2,243	1,884 tonnes	
<u>Guadeloupe:</u>	1974	1975	1976	1977	1978
	2,200	3,650	3,848	3,936	3,333 tonnes

Because of difficulties created in March/April 1978 by massive imports of subergines from Spain and Israel into France, prices of FOD aubergines slumped, while there was a fall-off in deliveries during April. This led to the implementation of protective measures with regard to Spanish imports from 8 May to 21 June 1978.

Since this competition is likely to increase in future and also taking account of ACP production, the Commission has submitted to the Council a proposal for a regulation setting up a system of aid for the marketing of aubergines produced in the French West Indies. The justification for this proposal resides in the higher production costs there. These arise mainly from the need to treat the aubergines and prepare them for export because of the departments' remoteness and conditions of production,

¹Source: FOD 'Institut d'Emission' - 1978 activity report.

For example, production costs amount to FF 0.38 per kg for aubergines grown in metropolitan France and to FF 0.93 per kg for those produced in Martinique and Guadeloupe. The extra costs borne by the producers of these islands therefore come to FF 0.55 per kg and the Commission proposes aid to cover this amount for 1979-80. The estimated total expenditure for 6,064 tonnes would amount to 648,242 ECUs to be paid from the EAGGF.

On 16 November 1979 Parliament delivered a favourable opinion on this proposal which is still being examined by the Council.

6. Rice

Réunion grows no rice of its own and is completely dependent on imports from countries such as Thailand and Pakistan. Nevertheless rice constitutes the basic food of the poorest sections of the population. Annual consumption per head of population there is as high as ± 110 kg as compared with 3 kg for the Community as a whole.

Under the provisions of the first subparagraph of Article 227(2) of the EEC Treaty the common organization of the market in rice applies to the FODs (except for those relating to the EAGGF). France is responsible for the refunds and aid, while the levies are regarded as the Community's own resources and entered in its budget.

Because of the high level of rice consumption in Réunion, the levies were a considerable burden on the people there.

In order to improve the situation in regard to the supply of rice in Réunion, the Commission proposed that levies should no longer be applied to imports of paddy rice, husked rice or broken rice, restricting this measure, however, so as to retain the protective element for refined or semi-refined rice. To ensure equality of treatment, the same advantage had to be granted to rice from the Community, so it was decided that Community supplies to Réunion would need to be subsidized. To enable the EAGGF to finance this, the Commission proposed that the provisions relating to the EAGGF, Guarantee Section, should also apply to Réunion for the rice sector.

These proposals were accepted by the Council and since 1st April 1978 this special system of exemption from import levies combined with aid for Community products has been in force.

7. Tobacco

Tobacco is grown in Guadeloupe and Réunion. It is a valuable crop because it is complementary to sugar-cane.

Sales are guaranteed by the French tobacco organization, SEITA, which undertakes to purchase all the islands' tobacco. In 1977-78 production was of the order of 26 tonnes in Guadeloupe and 124 tonnes in Réunion, and in 1976-77 it was 27 and 149 respectively.

The tobacco produced in the FODs benefits from the Community price and the assistance resulting from the extension of the EAGGF Guarantee Section to certain FOD products. Tobacco from the ACP States and the OCTs, on the other hand, while enjoying duty-free access to the Community, do not enjoy these other advantages.

After the Hansen judgment the French Government asked for an amendment to certain 'tobacco' directives, to exclude the FODs from their scope. Thus, for example, France was authorized on 26 March 1980 not to apply to the FODs the directives relating to levies other than turnover tax on the consumption of manufactured tobacco.

8. Timber

Timber constitutes one of the main features of Guyana's development plan. After prawns and shrimps, it is the principal export. The area covered by forest is 80,000 km². It belongs entirely to the State and there are no difficulties in granting concessions; in addition, the forest here recovers much more quickly than in temperate regions.

The table below shows the amount of timber produced and exported since 1974.

	1974	1975	1976	1977	1978	(in m ³)
<u>Rough timber:</u>						
Production	29,700	29,100	34,600	49,200	80,300	
Exports	8,300	3,200	10,900	19,000	31,300	
<u>Sawlogs:</u>						
Production	8,400	2,300	9,900	13,000	13,800	
Exports	3,300	2,000	1,900	1,600	2,600	
<u>Total:</u>						
Production	38,100	31,400	44,500	62,200	94,100	
Exports	11,600	5,200	12,800	20,600	33,900	

This table shows that there has been a substantial increase in both production and exports in recent years. Thus, the figure for 1978 are well beyond the average production figure of 54,100 m³ for the years from 1964 to 1970. This increase reflects the effort that has gone into developing timber exports (Guyana's main buyers this year have been Venezuela, France and Surinam), despite rather unfavourable conditions on the world markets for tropical woods in 1978; prices for the various resins have scarcely changed.

Guyana's timber enjoys freedom of movement on the Community market and the question of Community preference might well be raised one day.

9. Geranium and vetiver oil

Geranium oil (Bourbon) and vetiver oil (Bourbon) are produced in Réunion, essentially for export.

The tables below show the quantities exported since 1974, together with export prices:

	1974	1975	1976	1977	1978	1979
<u>Vetiver oil</u>						
- Quantity (tonnes)	24	12	42	23	24	19.2*
- Value (FF 1,000)	6,862	3,788	13,385	8,428	9,993	8,652
- Price per kilo (FF 1,000)	285.92	315.67	318.69	366.44	420	-
<u>Geranium oil</u>						
- Quantity (tonnes)	94	35	131	47	65.4	58.61
- Value (FF 1,000)	21,297	8,624	34,654	15,171	23,128.5	21,731
- Price per kilo (FF 1,000)	226.56	246.40	264.53	322.80	353	-

* Figure for period from October 1978 to October 1979

Source: Directorate-General of French customs.

Since 1974, the share of vetiver oil exports in Réunion's total exports has varied between 1.5 and 3%, while that of geranium oil for the same period has varied between 6.5 and 7.7%.

These products are not protected on the Community market, although geranium oil receives support from FORMA. There is therefore the problem of competition: the main competitors are China, with a quality very close to that of Réunion's geranium oil (Bourbon) and a very favourable price (US \$ 45 in 1978), and Egypt. In the case of vetiver oil, Haiti, with a

price of \$72 per kg, is the biggest competitor, although Java's product has gained ground because of the devaluation of the Indonesian rupee.

After the cyclone Hyacinth, in January 1980, the French Government adopted measures on 13 February 1980 to help Réunion: for geranium¹, 90% compensation for loss of funds and 40% for loss of crops. This compensatory payment is intended to enable the 3,000 farmers in the 'HAUTS', the most badly affected area, to resume production of the crop, on which they depend for a living.

The Community, for its part, has decided to grant emergency aid to Réunion: approximately FF1.75 million on 30 January 1980 and FF 5.858 million on 11 February 1980, for the department as a whole, not counting any structural aid to be granted in future from the EAGGF and the ERDF.

¹Vetiver, being a hardier plant, can withstand cyclones better, so production has suffered less.