

EUROPEAN
ECONOMIC
COMMUNITY

EUROPEAN PARLIAMENT

WORKING DOCUMENTS

1968 - 1969

30 SEPTEMBER 1968

DOCUMENT 137

EUROPEAN
ATOMIC ENERGY
COMMUNITY

Report

EUROPEAN
COAL AND STEEL
COMMUNITY

drawn up on behalf of the Committee on Relations
with African States and Madagascar

on the renewal of the Yaoundé Convention

Rapporteur: Mr. Thorn

ENGLISH EDITION *)

*) This translation must not be treated as an official text. Readers are reminded that the official texts exist only in the Dutch, French, German and Italian languages.

On 14 May 1968 the European Parliament instructed the Committee on Relations with African States and Madagascar, as the body concerned, to submit a report on the memorandum addressed by the Commission of the European Communities to the Council concerning the problems of the renewal of the Yaoundé Convention (Doc. 33/68). At the same time the Political Affairs Committee, the Committee for Finance and Budgets, the Committee on Agriculture and the Committee on External Trade Relations were each asked to return an Opinion.

On 11 June 1968 Mr. Thorn was appointed Rapporteur.

The Committee on Relations with African States and Madagascar studied the draft report at its meetings of 16, 23 and 26 September 1968.

The report in its present form was unanimously approved on 26 September 1968.

The following were present: Messrs. Thorn, Chairman and Rapporteur, Moro, Vice-Chairman; Aigner, Armengaud, Brégégère (deputizing for Mr. Carcassonne), Glinne, Dewulf, Spénale.

C o n t e n t s

<p>A—Motion for a resolution 3</p> <p>B—Explanatory Statement 5</p> <p style="padding-left: 20px;">I—General 5</p> <p style="padding-left: 20px;">II—The institutions 7</p> <p>III—Trade 8</p> <p style="padding-left: 20px;">A—General 8</p> <p style="padding-left: 20px;">B—AAMS products similar to and competitive with European products 10</p> <p style="padding-left: 20px;">C—Processed agricultural products 11</p> <p style="padding-left: 20px;">D—Aid to cushion the effects of the deterioration in the prices of certain products exported by the AAMS 11</p> <p style="padding-left: 20px;">E—The main tropical export products 12</p> <p style="padding-left: 20px;">F—Outlay taxes levied on certain AAMS products 13</p> <p style="padding-left: 20px;">G—The special problem of trade between Madagascar and Réunion 14</p>	<p>IV—Financial and technical co-operation. 14</p> <p style="padding-left: 20px;">A—Interventions by the European Development Fund 14</p> <p style="padding-left: 20px;">B—The rôle of the European Investment Bank (EIB) 17</p> <p style="padding-left: 20px;">C—Co-operation in the private sector 19</p> <p style="padding-left: 20px;">V—Right of establishment, provision of services, payments and capital 19</p> <p style="padding-left: 20px;">VI—Final remarks 19</p> <p>Annex I: Total external trade of the EEC 21</p> <p>Annex II: Imports into the Community of products covered by the common agricultural policy 22</p> <p>Opinion of the Committee for Finance and Budgets 23</p> <p>Opinion of the Committee on Agriculture 28</p> <p>Opinion of the Committee on External Trade Relations 35</p>
---	--

A

The Committee on Relations with African States and Madagascar hereby submits to the European Parliament the following motion for a resolution, together with explanatory statement:

Motion for a resolution on the renewal of the Yaoundé Convention

The European Parliament,

- (a) having regard to the memorandum addressed by the Commission of the European Communities to the Council concerning the problems connected with the renewal of the Yaoundé Convention (Doc. 33/68);
- (b) having regard to the report of the Committee on Relations with African States and Madagascar and to the Opinions rendered by the Committee on Agriculture, the Committee for Finance and Budgets and the Committee on External Trade Relations (Doc. 137/68);

1. expresses its wish to see the EEC-AAMS Association continue, on the expiry of the Yaoundé Convention, on the same bases as and in the spirit of the current Convention;

2. notes with regret that the welcome step taken by the Commission of the Communities in presenting to the Council, in April 1968, a memorandum on the problems connected with the renewal of the Convention has not been followed up, at Council of Ministers level, by specific measures for carrying into effect without delay the provisions of Article 60 of the Convention;

3. considers that the new Convention should remain in force for a seven-year term so as to enable the Associated States to draw up development plans covering a longer period and, in the light of the experience gained, to avoid the disadvantages of having to embark on fresh negotiations after too short an interval;

4. hopes that the institutions set up under the terms of the current Convention can continue to ensure effective co-operation between the parties to the Association;

5. considers that a more rapid expansion of trade is essential if the aims of the Association are to be achieved, and in particular that the Community should:

- (a) lay down the treatment to be given to imports of agricultural products similar to, and competitive with, European products in a more generous spirit, in line with the proposals of the Commission of the Communities;
- (b) prolong the present arrangement for duty-free imports of certain processed agricultural products and, if necessary, extend it to further products;
- (c) do its utmost to eliminate disparities as between the member States in the treatment of products imported from the Associated States, as, for example, in the case of the termination on 31 December 1969 of the special treatment accorded in Benelux to imports of green coffee;

6. endorses the proposals of the Commission of the Communities under which aid should be given, subject to certain conditions, for the purpose of mitigating the effects of a sharp decline—below the reference price—in the prices of certain products not covered by world agreements and representing, for one or more of the Associated States, the essential source of their export revenue;

7. reiterates its desire to see a reduction in the effects of the indirect taxes which, in certain member States, are imposed on products imported from the developing countries, among them the AAMS;

8. considers that the volume of aid provided through the agency of the European Development Fund should be increased as much as possible—with due regard for the increase in the cost of projects, in the population of the Associated States and in the G.N.P. of the member States—and be brought to an average of at least 200 million units of account a year;

9. considers that, while continuing to preserve the unity of development aid policy, the way in which aid is granted should be diversified still further, so as more closely to meet the essential requirements of the Associated States;

10. considers that the European Investment Bank should be provided with wider facilities so as to enable investments in the Associated States to be increased still further;

11. invites the Commission of the Communities and the Council to continue co-operating with the AAMS in the same spirit and on more generous lines;

12. urges upon the Council the need to bring the negotiations to a successful conclusion so that the new Convention can be ratified by its signatories in time to permit it to come into force on 1 June 1969;

13. invites its President to transmit this resolution, together with the report of the parliamentary committee concerned, to the Council and Commission of the European Communities and, for information, to the Association Council, the Presidents of the Parliaments of the Associated States and the members of the Parliamentary Conference of the Association.

B

EXPLANATORY STATEMENT

I—General

1. The Yaoundé Convention is coming up for renewal at a time when relations between highly industrialized and developing countries are being discussed at all international gatherings.

Although many men of good will have for years been discussing the question of development and are agreed that the struggle against underdevelopment is more and more clearly emerging as the backbone of any policy for world peace, few of those holding responsible positions are of one mind as to the means to be adopted for that purpose, and still less as to the sacrifices that can be made to put such a policy into practice.

2. It is greatly to the Community's credit that it proposed, together with eighteen developing countries, a form of economic co-operation for which there is no parallel. By seeking remedies that break entirely new ground, the Community is aiming at nothing less than a more balanced distribution of wealth, and therefore of power, among the nations.

Because of its limited means, the Community concluded a regional association with countries to which it was bound by historical ties and special responsibilities. These more or less obliged it to tackle the specific development problems of those countries which, at the time the Treaty of Rome was signed, had close links with a number of member States.

3. That the Association was confined to a clearly defined geographical area was not incompatible with the recognition of the world-wide nature of the problems in question. Just as, over twenty years ago, the Charter of the United Nations provided (Articles 52, 53 and 54) for the establishment of regional defence organizations considered essential to preserve peace in the face of aggression, a regional approach appeared to be an effective means, likewise at economic level, of helping the cause of world peace.

4. Moreover, consideration of all the solutions put forward at international level for resolving development problems and of the results achieved

clearly shows that the EEC-AAMS Association, whatever its faults, can be regarded on the whole as an effective form of co-operation.

5. Paradoxically enough, the UNCTAD conference held at New Delhi last March served to underline the desirability of renewing the Yaoundé Convention. The impossibility of reaching agreement on practical world-wide solutions brought out the value of regional arrangements which, above all, have the advantage of already existing and of making a substantial contribution to the development of a number of countries.

Within the Association, the value of this contribution increases with the completion of the economic projects financed out of Community aid.

At the close of the New Delhi Conference, critics of the Association were to some extent disarmed. Fairly typical in this respect was the attitude of the representative of a great industrialized country, by tradition hostile to regional arrangements, for whom there was no longer any question of calling the existence of the EEC-AAMS Association into question.

6. Once it is admitted, as already done in the first report submitted to the Parliamentary Conference of the Association by Mr. Pedini,⁽¹⁾ that Part One of the Treaty of Rome forms the legal basis of the relations between the Community and the countries listed in Annex IV of the Treaty, it follows that the Association has for the Community a permanent and institutional character and is the basis of a lasting relationship which is one of the aims of the Community. This is also pointed out by the Commission in its memorandum to the Council concerning the renewal of the Convention,⁽²⁾ a document in which it underlines the political importance of the Association as an inseparable part of the Community edifice.

7. At one time it was certainly feared that difficulties among the member States, bred of the dispute over enlarging the Community, might have an adverse effect on the renewal of the Convention.

⁽¹⁾ Doc. 7/65, No. 4.

⁽²⁾ Doc. 33/68, No. 1.

At the moment, in fact, in spite of the reservations of some member States as to the provisions of the present Convention governing the grant of preferences, it does not appear that the actual existence of the Association is being called into question. For their part, the eighteen Associated States have clearly indicated their desire to remain associated with the Community, and confirmed this, for example, during the ministerial conference of the AAMS held at Niamey in January 1968.

8. What is the position with regard to renewing the Convention? Should one appreciably differ from that concluded at Yaoundé be negotiated or should the existing system be prolonged exactly as it stands? Then again, should this be extended to other African States having a comparable economic structure?

9. In its memorandum to the Council the Commission has clearly stated its position. It considers that the basic principles governing the Association should be maintained but that a number of changes ought to be made to the trading arrangements and to the procedure for extending financial and technical co-operation so as to take advantage of the experience gained.

10. On the AAMS side, Mr. Kassa Mapsi, Economics Minister of Gabon, stated in Libreville on 24 June that it would be a grave mistake to launch into an article-by-article revision of the Yaoundé Convention. This would involve a never-ending round of negotiations... There ought to be no abrupt change in the European Development Fund's investment system. The timetable of the negotiations could only be kept to if attention was concentrated on a few real issues of importance without trying to turn everything upside down.

These views are shared by a number of African delegates who are more concerned with holding on to what they have secured through the Yaoundé Convention and avoiding a break in legal continuity than with stepping up their demands in every sphere at the risk of jeopardizing the big advantages of the Association, particularly in the matter of financial and technical co-operation.

11. For its part, your Committee would reaffirm its desire to see the Association with the eighteen African and Malagasy States continued and negotiations started up as soon as possible so that a break in the continuity of the Association can be avoided on 1 June 1969.

12. As regards the outlook for relations between the Community, on the one hand, and the AAMS and countries having comparable outputs and structures on the other, to which reference is made

in the memorandum of the Commission of the Communities, your Committee has, like the Executive, not lost sight of the general background against which the Convention is to be renewed:

- (a) the relations contemplated with certain African States with outputs and structures comparable to those of the AAMS, and particularly with the East African countries and Nigeria;
- (b) the prospects of enlarging the Community.

13. In this connexion it feels that the EEC-AAMS Association should remain open, as it is at present (Article 58 of the Convention), to accession by new States.

14. However, in the existing state of affairs, it appears to be more than ever necessary to conclude separate association agreements, drawn up in a suitable form and by common consent of the parties concerned, between the Community and one or more States having outputs and structures comparable to those of the AAMS.

It should be remembered that Nigeria and the East African countries had applied not for accession to the Yaoundé Convention but for the conclusion of special association agreements with the Community.⁽¹⁾ These States should have an opportunity, when their association agreement comes up for renewal—that is, at the same time as the Yaoundé Convention—to be consulted again and to announce their choice.

Moreover, as the Commission of the Communities rightly points out, a single association system—always assuming that the African countries concerned are in favour of it—will present the Community with problems of which it suffices to mention the worst ones to give some idea of their difficulty—the need for far ampler funds to finance wider, yet effective financial and technical co-operation; the repercussions on trade with third countries; reconsideration of the fact that certain associated countries are members of separate preference zones.

15. Your Committee agrees with the Executive that 'enlarging the Community by admitting new members with a high standard of living—particularly the United Kingdom with its

⁽¹⁾ The 'Declaration of intent by the Council relating to third countries whose economic structure and output are comparable with those of the Associated States', made at the time the Yaoundé Convention was signed, stipulates that the conclusion of agreements may lead to one of the following solutions.

- (a) accession to the Convention under the procedure set out in its Article 58;
- (b) association agreements carrying reciprocal rights and obligations, particularly in the field of trade;
- (c) trade agreements to facilitate and increase trade between the Communities and these countries.

special relations with the African States in question—would certainly permit the adoption of a broader-based common association policy.’⁽¹⁾

16. As regards *Nigeria*, the background to the Association has noticeably altered in the course of the last few months and contrasts sharply with that against which the Lagos Agreement was signed on 16 July 1966.

The current situation in Nigeria—an intolerable one for its people—has undoubtedly held up ratification of the Lagos Agreement and, indeed, threatens to call it into question. The Community’s future relations with this country cannot be considered until the problems have been thoroughly reviewed in the light of recent events.

17. As to the period over which the Convention should remain in force, it would be as well for it to stretch over a term of seven years in view of the Association’s permanent and institutional nature, the experience gained of its operation, and the advantage for associated States of knowing what aid would be available to them over a longer period so that they could more easily draw up their development programmes.

18. When the provisions to apply for a further period come up for consideration, under Article 60 of the Yaoundé Convention, the extent to which the main pillars of the Association, namely:

- (a) the institutions
- (b) trade relations
- (c) financial and technical co-operation

ought to be renewed can also be considered.

II—The institutions

19. The institutional structure set up under the Yaoundé Convention—an original feature of the relations between 24 associated countries—has turned out to be a well-balanced one. Relations between the various executive and parliamentary bodies have run smoothly. This was established by your Committee in the Opinion submitted on its behalf by Mr. Spénale.⁽²⁾

Thus, without going into the way the institutional bodies have functioned—a subject already dealt with in the reports or Opinions submitted by your Committee or the Joint Committee of the Association, it may be considered that the provisions relating to the institutions have helped to establish a real climate of co-operation and ought to be renewed as they stand.

⁽¹⁾ See p. 4, last paragraph.

⁽²⁾ PE 19.650/déf., p. 6.

20. As regards the supervisory bodies, the problems of the Association ought to be publicly discussed within the Parliamentary Conference; this would ensure not only that the public at large was kept as much in the picture as possible but also that the activities of the Executives were democratically supervised by the peoples’ representatives in the 24 Associated States.

21. It should be noted that at meetings of the parliamentary bodies of the Association, more and more of the Associated States find themselves temporarily without parliamentary representation because their elected assemblies have been dissolved. The difficulty is that such States cannot appoint observers or take part in discussions which have proved to be of great value in assessing the problems presented to each State by the application of the Association Convention.

Thus, while stressing the value the European Parliament attaches to the presence of elected representatives of the people at meetings of the Parliamentary Conference, your Committee feels that provision should be made, where countries are temporarily without such representatives, for the appointment by the States concerned of representative persons who could not only act as observers but also, under certain conditions, have the right to speak, though not to vote.

This would not entail amending the existing Convention. Article 50 governing the composition of the Parliamentary Conference which, it states, ‘shall consist of members of the Assembly and members of the Parliaments of the Associated States in equal numbers,’ should be left as it stands so as to conform to the principle of parliamentary representation. All that would be necessary would be to amend the Conference’s rules of procedure, which would specify the conditions under which the right to speak would be accorded to qualified representatives of the States. This is a matter for the Parliamentary Conference which could look into it as it deemed necessary. Simultaneously with the renewal of the Association Convention, all the provisions of the Conference’s rules of procedure could also be reviewed.

22. If the *Association Council* is to give of its best, its meetings should be attended by those ministers who, by virtue of their duties in their own government, have the best grasp of the problems of the Association. Moreover, the same ministers should turn up at successive meetings so as to preserve a measure of continuity.

23. Apart from this, the *Association Committee*, which must function smoothly if the Convention is to be properly applied, has had some difficulty in bringing together all its members.

Under Article 15 of the Association Council's rules of procedure, the Association Committee is to consist of the permanent representatives of the member States, representatives of the Associated States attached to the European Economic Community and one Commission representative.

In view of the difficulties met, the Commission of the Communities suggests, in its memorandum to the Council, that provision could be made in the new Convention for the Association Committee 'to be entitled to meet and carry out its duties at a level possibly below that of the representatives.'

This would not entail any amendment to the existing Association Convention. In fact, Article 15 of the Yaoundé Convention lays down in these terms the composition of the Association Committee: 'The Association Council shall be assisted in the performance of its duties by an Association Committee composed of *a representative of each member State and a representative of the Commission* on the one hand, and of *a representative of each Associated State* on the other,' without specifying whether the permanent representative or the ambassador accredited to the Communities is intended.

There will therefore be no point in discussing this matter when the time comes for drawing up the next Association Convention which, in this respect too, could remain unchanged. It will be entirely for the Association Council, if it thinks it advisable, to specify in its new rules of procedure the degree of responsibility to be assumed by members of the Association Committee.

Experience in the past certainly suggests that it would be an advantage if the composition of the Committee were to vary with the items on its agenda and comprise those members of each national delegation who were best qualified to deal with the specific and technical problems coming up for discussion. These would not therefore always be the permanent representatives but could also be 'qualified representatives appointed by the States'. However, in order to preserve the Committee's political influence, it would appear necessary for representation of the States on the Association Committee to be kept at a highly responsible level.

24. Finally, a number of Associated States want to see an improvement in the consultation procedure, particularly that which, under Article 11 of the Convention, should occur when the regime applicable to imports into the Community of products of the Associated States similar to, and competitive with, European products is determined. According to some of these States, it is not enough for representatives of the Council of the Communities to notify the Associated States of measures actually adopted by Europeans for imports of AAMS products; a proper discussion should be held in all cases, within the Council or the

Association Committee, during which the Associated States would have a better chance of making known their particular views.

Here again, what is required is not to amend the terms of the existing Convention but to introduce effective consultation of the Associated States through a far-reaching exchange of ideas between member States and Associated States.

Mention should be made of the efforts made in this connexion by the Commission of the Communities which is anxious to notify the AAMS representatives of its proposals to the Council even before any official consultation.

25. If the AAMS wanted to institutionalize the Co-ordinating Committee of the 18 Associated States, it would be as well as to mention this in the new Convention, although the smooth functioning of that committee—as far as it has gone to date—need not be expressly referred to in the provisions of the future Convention but essentially depends on a realization by the Associated States of their common interests and on their willingness to co-ordinate their efforts with a view to their rights being recognized.

26. In short, there is no need to amend the existing Convention's provisions on the institutions; it is the rules of procedure of the various institutional bodies that should be modified in the light of experience so as to enable them to function as smoothly as possible.

III—Trade

A. General

27. The expansion of trade which, alongside financial co-operation, is one of the main pillars of the Association, is more important for the developing countries than external financial aid.

The OECD Development Assistance Committee points out that the total funds received by the developing countries from public and private sources still lay below \$11,000m. in 1965 and 1966, and that it would be unrealistic to expect them to show a substantial increase in the next few years.⁽¹⁾

The developing countries' export revenue rose to almost \$42,000m. in 1966, i.e. nearly four times the total of development aid in the broad sense of the term. An increase in exports thus carries greater advantages. Moreover, its proceeds are free of

⁽¹⁾ A large slice of this aid—up to 25 per cent for certain countries—is used to repay loans previously contracted which are a heavy charge on the budgets of the developing countries.

interest in any form and may be freely applied by the developing countries to whatever purpose they choose. In addition, exports hold out brighter prospects of an increase than external contributions.

Even under the present unsatisfactory conditions of world trade, the export revenue of the developing countries has been rising more rapidly in the last few years than the volume of aid.

28. The general trade arrangements provided for in the Yaoundé Convention took the form of the intra-Community tariff system. Hence, since 1 July 1968, all products originating in the AAMS have entered the Community free of duty.

A number of exceptions were, however, made to the general rule:

- (a) The Benelux countries may import unroasted coffee from third countries at a reduced rate up to the end of the transitional period;
- (b) The Federal Republic of Germany benefits from a substantial duty-free import quota for bananas from third countries, under the terms of a protocol annexed to the Treaty of Rome;
- (c) Under the terms of Article 11 of the Yaoundé Convention concerning the agricultural products of the AAMS similar to and competitive with European products, the Community, in the course of determining its agricultural policy, has granted the AAMS a commercial preference over other third countries which was often negligible and far less advantageous than the intra-Community system;
- (d) The rules of the common agricultural policy governing imports are applicable to processed agricultural products, although with a commercial advantage in favour of the AAMS as against other third countries.

29. It should be remembered that the preferences enjoyed by the AAMS under the Convention replaced bilateral arrangements such as the franc area preferences with guaranteed prices from which the Associated States derived considerable benefit. Moreover, following the Kennedy Round agreements, some tariff cuts were extended to third countries as a whole; this, of course, reduced the amount of preference received by the AAMS.

30. As a whole—as pointed out by the Commission—Community preferences have not enabled the Associated States to achieve better results in exporting to the Community than the rest of the developing countries, and in some cases the position of the Associated States relative to that of other developing countries has deteriorated (see Annex I).

This observation, like the analysis provided on page 4 of the Commission's memorandum, is fully in line with the comments submitted a year before to the Parliamentary Conference of the Association by Mr. Armengaud⁽¹⁾ on the functioning of the trading system.

31. Under these circumstances, it is difficult to see how the Community could cease to extend to the AAMS these preferences, particularly as they have not hampered the normal development of trade between the Community and the other developing countries.⁽²⁾ Thus the abolition or general reduction of the preferences—already modest as a whole—enjoyed by the AAMS virtually condemns them to economic and social regression. This would obviously be incompatible with one of the major aims of the Association and of the development aid policy striven for by the Community. The consequences will weigh all the heavier because most of the Associated States fall into the group of the economically least advanced countries for which the developing countries themselves advocate—for example, in the Algiers Charter—preferential treatment.

32. As regards the preferential treatment given by the AAMS to the EEC, this flows logically from a free-trade area system. It is also an element making for balance and reciprocity in the concessions granted, the political aspect of which is important in the eyes of the AAMS. As pointed out at the last meeting of the Joint Committee by the representative of the Malagasy Republic,

'the preferential system establishing reciprocal obligations between associated and member States, and the absence of quantitative restrictions, must be regarded as the cornerstone of relations between members of the Association.'

33. In short, as the Commission has suggested, the new Convention should take over the general trading system based on reciprocal preferences, and certain corrective measures indicated by past experience should be adopted so as to render more effective the preferential treatment enjoyed by the AAMS in respect of certain products as against other third countries.

34. As regards trading relations between the AAMS and certain third countries, your Committee, like the Executive Commission,⁽³⁾ feels that, for

⁽¹⁾ See report of the Parliamentary Conference of the EEC-AAMS Association, Doc. 20/67, on solutions to facilitate the marketing of AAMS products in the Community at stable and remunerative prices.

⁽²⁾ Thus, during the period of application of the Yaoundé Convention, trade between the Community and the Latin American countries has expanded by about 6 per cent and between the Community and the AAMS by only 4 per cent.

⁽³⁾ See Doc. 33, p. 12.

the new period, the Community should in some cases forego the most-favoured nation clause from which it benefits so as to facilitate, for example, industrialization agreements at sub-regional level between neighbouring African States.

B. AAMS products similar to and competitive with European products

35. The various regimes applied to imports of these products, which differ from the general trading arrangements, were drawn up in step with the elaboration of the common agricultural policy. They could not therefore be definitely decided upon when the Yaoundé Convention was negotiated in 1963. Article 11 of the Convention confines itself to laying down that:

'In determining its common agricultural policy the Community shall take into account the interests of the Associated States as regards products similar to and competitive with European products. Consultation shall take place to this end between the Community and the Associated States concerned.'

The effect of the common agricultural policy has been to reduce the preferences enjoyed by the Associated States under Part Four of the Treaty of Rome and the first Association Convention annexed to that Treaty.⁽¹⁾

36. The regulations governing imports of these products from the AAMS, as progressively defined by the Community for a number of products only, gave rise to a great deal of criticism and disappointment among the Associated States concerned.

The regimes applicable to imports introduced by the Community were confined to establishing trade preferences for AAMS products on the basis of a reduction—often negligible—of the levy applied to products from third countries. For some products duty-free entry was allowed for limited quantities and a given period. The Community's first concern was that the protection given to European producers should not suffer. As this was calculated at world price level, the difference between the Community price and the world price at times results in a substantial levy on imports from the AAMS. Under these conditions, it was difficult for the Associated States to increase their export revenue.

37. While protection of European agriculture remains one of the Community's constant concerns, it should be noted that neither the nature nor the volume of most of the 'similar and competitive'

⁽¹⁾ In this first Association Convention the treatment accorded to imports from African States that had not yet gained their independence brought them under the intra-Community system.

products⁽¹⁾ likely to be exported to the Community was such that it could damage the interests of European producers. In the case, for example, of sugar, manioc derivatives, rice, meat and tobacco, the quantities exported to the Community by the Associated States represent a negligible percentage not only of the volume of European production but also of the Community's imports (see Annex II).

38. The Community realized the need for a measure of flexibility in the conduct of its common agricultural policy. This at any rate seems to be suggested by the proposals contained in the Commission's memorandum. The Commission states that the treatment of imports of these AAMS products should be more liberal and of greater benefit to the Associated States. It therefore proposes that protection vis-à-vis the AAMS should in future be based on a special price—not the world price but a 'contractual price' negotiated with the Associated States themselves. Further, this treatment should go hand in hand with a trade preference sufficient to facilitate imports of products originating in the Associated States.

39. The principle of a contractual price as such appears to be reasonable and likely to allay the anxieties of the Associated States. At all events it meets the desire expressed by the Commission and the Parliamentary Conference of the Association for a move towards 'a fair and remunerative' price for products of the AAMS. Clearly, however, everything will depend on the level of the contractual price fixed for each product.⁽²⁾ It will be for the experts of the 18 African and Malagasy States and of the Six to reach agreement on these prices, and this will probably prove to be the most difficult hurdle in the forthcoming negotiations.

40. The regime applicable to imports will therefore certainly have to be made the subject of more clearly defined provisions than those of Article 11 of the Yaoundé Convention. It may well be that the next Convention will specify the treatment to be applied to imports of similar and competitive products in separate protocols annexed to it, and that it will include a revision clause—particularly in the matter of prices—since the Community's agricultural regulations cannot be rigidly fixed for a period as long as the full term of the Convention.⁽³⁾

41. Above all it will be necessary—and, it appears, essential for the Associated States—to have an effective procedure for consulting the AAMS when the agricultural regulations affecting

⁽¹⁾ With the exception of oleaginous products.

⁽²⁾ A ceiling would obviously have to be set on the Community's support of the prices of certain AAMS products on the basis of a contractual price so as not to encourage over-production in the Associated States.

⁽³⁾ The Community will have to define the regime applicable to imports of certain products originating in the Associated States—e.g. beef and veal and sugar—still to be finalized.

them are renewed, and to introduce a real dialogue on these problems between member States and Associated States.

C. *Processed agricultural products*

42. The regime applicable to imports of processed agricultural products originating in the AAMS gave rise, during the period of application of the Yaoundé Convention, to misunderstandings between member States and Associated States.

The AAMS felt that, under the terms of the Convention, imports of these products should receive the same treatment as that laid down in Article 2 of the Convention for all processed products.

For its part, the Community considered that, as duties on these products—whether from member States or third countries—had been abolished and replaced by a levy comprising a fixed and a mobile element, the general rule of duty-free imports no longer applied.

This interpretation severely narrowed down the future prospects for exports of the products of the infant industries of the AAMS. This was to some extent contrary to the very spirit of the Convention and of its first Article. The Associated States hotly disputed the interpretation put forward by the Community, which in the end was persuaded to reconsider its attitude.

43. As the agricultural products processed by the AAMS comprised essentially chocolate and tapioca, the Community—in Regulation No. 127/67, adopted on 13 June 1967 and later extended—provided for the temporary maintenance of duty-free imports of these two products of the Associated States concerned.

44. In view of all this, the new Convention should expressly lay down the treatment to be applied to imports of processed agricultural products. In the words of the Commission, 'this should be planned on generous lines since these are industrial products that have passed through the second stage of processing and the Community's declared policy is to encourage the Associated States to become industrialized, notably through the processing of their agricultural products.'

The Executive therefore proposes that the future treatment of these products should be based on the following principles:

- (a) the commercial advantage enjoyed over third countries should be the same as that of member States;
- (b) a levy should be applied on the basic product, calculated on the contractual price fixed for that basic product.

45. Your Committee considers that the Commission's approach is a realistic one and that its proposals, without fully covering the requirements of the AAMS, could nevertheless meet with their agreement.

However, would it not perhaps be possible to go further and extend—at least for the next three years, if not five—the existing arrangements—i.e. duty-free imports—under the June 1967 Regulation applicable to tapioca and chocolate?

The industrial sector must be built up as intensely as possible in the AAMS. It provides openings for administrative and supervisory grades trained in modern techniques, and employment for increasingly urbanized populations; at the same time it contributes to a healthy balance of payments and, through the accumulation of savings, stimulates investment.

If the Community is really set on encouraging the development of the Associated States, it ought to give full backing to measures for industrializing local agricultural products, particularly where this is done with European capital, which is usually the case.

46. The Community cannot, therefore, close its market to the products of the nascent industries of the Associated States by applying excessive curbs on imports of processed agricultural products.

At all events, to arm itself against a possible threat by the Associated States which would be liable to disorganize the market—that is, 'should serious disturbances occur in one sector of the economy of a member State . . . or threaten its external financial stability . . .,' the Community could at any time invoke the escape clause of Article 13 of the present Convention. This clause, which applies equally to the Associated States, should of course be taken over in the new Convention. Moreover, there is nothing to prevent the Community from gradually reducing the preference granted to the Associated States, in the light of the results achieved by the industries concerned.

D. *Aid to cushion the effects of the deterioration in the prices of certain products exported by the AAMS*

47. Your Committee has always felt that the conclusion of world agreements covering specific products would be the best way of stabilizing prices of tropical products and primary commodities in general, and deplores the setbacks suffered by these world agreements because of the negative attitude of the big industrial countries—the very ones that are critical of regional agreements.

It is worth noting what happened to different attempts, made within UN bodies, to conclude such agreements: the sugar conference opened in

UNCTAD on 17 April at Geneva ended on 2 June without result; the most recent of the many attempts made over the years to reach an agreement on cocoa ended in a stalemate on 17 June last.

48. These difficulties encountered at world level make it more necessary than ever to find particular solutions within the EEC-AAMS Association. During discussion of the Armengaud report, the Parliamentary Conference of the Association suggested that the Commission of the Communities look into the possibility of setting up a 'tropical products stabilization fund.'

The Commission felt it impossible to entertain a stabilization fund independent of the European Development Fund but, accepting the evidence of the external trade figures, recognized the need for suitable financial aid measures to supplement the provisions of the Yaoundé Convention on trade.

49. In its memorandum to the Council the Commission rightly points to the distinction that ought to be made between aid for price regularization, which should take the form of advances to stabilization funds, and aid in the event of a serious drop in the prices of certain products.

Advances to stabilization funds are already covered by Article 20 of the Convention whose provisions ought to be taken over as a whole by the new Convention.

As regards the support of prices of certain products in the event of a serious drop, the Commission suggests that aid should be given in respect of products that form the backbone of the export revenue of some of the AAMS—i.e. cotton and oleaginous products—when the 'world price' falls below a reference price. A ceiling would be set on this aid which would therefore only extend to a given volume of imports.

50. This solution, while it may not fully satisfy the producers concerned, has the advantage that it is acceptable to the Council which has proceeded along these lines in its Regulation 355/67/EEC adopted on 27 July 1967 (oleaginous products of the AAMS) and in Decision 67/491/EEC, supplementing that regulation, which authorizes limited aid for oleaginous products when prices fall below a previously fixed reference price.

Obviously the efficacy of these measures which would be taken by the Community will depend on the level at which the reference price is fixed.⁽¹⁾

This price support should cover not only cotton and oleaginous products, as proposed by the Commission, but also cocoa, assuming that an international agreement is not in the meantime

⁽¹⁾ Decision 67/491/EEC relating to oleaginous products fixed the reference price for groundnuts at \$186 a ton; this disappointed the Africans who, in view of their costs, had hoped for at least \$190 a ton.

reached and that the world economic situation deteriorates as much as in 1955, 1956 and 1959.⁽¹⁾

51. In short, formal provision should be made in the new Convention for temporary support of the prices of certain products, that is, for a given period and under conditions to be laid down, pending the conclusion of the world agreements for specific products which the Community is trying to secure.

E. The main tropical export products

52. The conditions under which tropical products originating in the AAMS are sold vary widely from sector to sector. Specific arrangements should therefore be considered in the new Convention for imports into the Community of the various products.

53. As regards *coffee*, marketing and price levels call for no special provisions other than those already in force.

The 1962 coffee agreement was renewed this year, and the new text, which enters into force in October 1968, is in many respects an improvement on the earlier one.

As this international agreement has enabled the revenue of coffee-producing countries to be increased by an average of \$500m. (1965 world production: \$2,500m.), the importance for the development of these countries—and therefore of the Associated States—of extending this single stabilization agreement for a tropical product can be clearly seen.

54. *Cocoa* benefited in 1967, and continues to benefit, from a boom period with relatively stable prices. Current prices are the highest recorded since 1959, output during the past few years not having kept pace with the rise in consumption. Nevertheless, in the absence of an international agreement and of a market organization for this product, it is to be feared that the period covered by the new Association Convention may see price fluctuations which will reduce the profits counted upon by the producers of the developing countries, those of the Associated States included.

The Community should therefore pursue its efforts to secure a world agreement similar to that concluded for coffee, or consider granting the same aid as for oleaginous products and cotton should cocoa prices fall too steeply. In the meantime the Associated States concerned would perhaps be well advised to consider creating a joint fund for the stabilization of cocoa prices similar to those already existing in some States.

55. The problem of outlets for *bananas* is a serious one for the Associated States. Bananas

⁽¹⁾ Years during which prices fell below those of 1954.

account for the bulk of the exports of some of these countries, and serious difficulties have been encountered in disposing of them during the past two years.

As regards the European market as a whole, the fears of the Associated States are not unfounded because their share of the Community's imports has contracted from 23.6 per cent in 1964 to 18.6 per cent in 1966. Admittedly the Ivory Coast increased its exports to France by 15 per cent between 1966 and 1967 but those of Cameroon fell by 13 per cent and those of Somalia to Italy by 17 per cent.⁽¹⁾

56. Bananas more than any other product call for an international agreement. Unless something is done about the gap between the rise in supply and the rise in demand which has been widening for several years, serious difficulties, accompanied by grave social consequences, will be encountered in the years ahead.

57. Thus, in the absence of an international agreement, the requirements of a regime applicable to imports of bananas into the Community are as follows:

- (a) The Community must give priority to the interests of the overseas French departments⁽²⁾ (Guadeloupe—Martinique). At present their bananas have privileged access to the French market but not to the Community market as a whole.
- (b) It should next take into account the interests of AAMS producers. At present these enjoy a 20 per cent preference (the level of the common customs tariff) except on the German market.
- (c) Finally, the Community should take account of the conditions under which bananas are sold in certain Latin American States which are at present privileged suppliers of the Federal Republic of Germany which, under a tariff quota, admits about 600,000 tons free of duty each year.

58. So far the Commission has put forward no proposals as to the regime to be applied to imports of bananas.

Your Committee regrets that the Commission has not dealt with this problem in its excellent report but has elected to seek for a solution on a subsequent occasion. For over two years the Commission's staff have been carrying out a market study on bananas in conjunction with other qualified organizations. A solution ought therefore to be available for the opening of the negotiations on the renewal of the Association

⁽¹⁾ In Somalia's case the closure of the Suez Canal was chiefly to blame.

⁽²⁾ For which France would like to see a common agricultural policy regulation protecting the marketing of bananas produced in these departments, that is, on the territory of the Community.

Convention, particularly in view of the concern shown by the Associated States in this matter over the last few years.

59. In the report submitted by him to the Parliamentary Conference of the Association, Mr. Armengaud pinpointed the difficulties of finding outlets for bananas and displayed the initiative of sketching out the steps that should be taken.

Your Committee too has discussed the problem at length. The remedies suggested by the Rapporteur, like those proposed by the Association's Joint Committee, should induce the Commission—particularly in view of the response these have met with in professional and international quarters—to look into them closely before submitting to the Council its proposals, now in the course of preparation, on the regime to be applied to imports of bananas into the Community.

F. *Outlay taxes levied on certain AAMS products*

60. The problem of trade is tied up with that of outlay taxes which in certain member States are levied on a number of tropical products.

The Associated States, like other developing countries, have for years urged the abolition of these taxes which they consider to be a serious obstacle to sales of their products in the Community.

Such taxes are the more open to criticism because they impose on products originating in the developing countries a charge similar to that applied in the member States to luxury goods, and because in many developing countries these products are the main earners of export revenue and provide for their producers a means of bare subsistence.

Your Committee cannot therefore but repeat the wish—one shared, incidentally, by the Parliamentary Conference of the Association—that these taxes be progressively abolished. The Commission and your Committee also agree on this point: the new Convention should also provide—subject to tax harmonization measures to be taken within the EEC—for the States:

- (a) to undertake not to increase outlay taxes on the tropical products exported by the AAMS (coffee, cocoa, tea, bananas) and not to introduce new taxes on these products;
- (b) to try to reduce the existing tax rates, for example in the event of a substantial rise in the consumption of these products.

The Commission, it should be noted, suggested that these outlay taxes should be gradually abolished as long ago as 1963 when preparations were being made for the first UNCTAD Conference.⁽¹⁾

⁽¹⁾ See memorandum to the Council on the basic problems to be dealt with at the United Nations Conference on Trade and Development (Doc. I/COM (63) 475).

G. The special problem of trade between Madagascar and Réunion

61. Account must be taken of the exchange of commodities between Madagascar and Réunion which partakes of the nature of frontier trade.

The traditional flow of trade between Réunion and the French overseas department (which forms part of the Community's customs area) ought not to be disturbed to a serious extent. This wish was expressed by the Malagasy Government which fears that its exports to Réunion will be subjected to a levy when the regime applicable to imports into the Community of beef and veal originating in the AAMS is finalized.⁽¹⁾

In view of the (i) small volume of exports to Réunion of beef and veal from Madagascar,⁽²⁾ and (ii) the fact that the distance separating Réunion from the rest of the Community's customs area rules out any fear of deflections of trade, Madagascar should be exempted from the regime applicable to imports—to be adopted by the AAMS as a whole—by means of a nil-duty tariff quota equivalent to the mean tonnage of meat exports over the last three years.

IV—Financial and technical co-operation

A. Interventions by the European Development Fund

62. The aid granted by the Community in the field of financial and technical co-operation is, together with the expansion of trade, the means by which the Community strives to achieve the Association's aim of promoting the economic and social development of the Associated States. In view of the worsening of the terms of trade, trade expansion alone cannot ensure a sufficiently rapid development.

63. The total aid provided by the Six—whether as a Community or on a bilateral basis—accounts for some 83 per cent of outside public aid received by the Associated States. The member States' contribution is therefore essential for the Associated States, even though it is only a fraction (less than 20 per cent) of the funds used to finance their development plans. Where, as in many cases, this aid is devoted to infrastructure projects, it often helps to make other investment, public or private, fully effective.

64. This has already been demonstrated by your Committee, for instance in the Metzger report, submitted last July to the European Parliament, which sums up the position of financial and technical co-operation in the Association.⁽³⁾

⁽¹⁾ This levy would increase the cost of meat for the Réunion consumer and would be liable to make Madagascar's exports non-competitive.

⁽²⁾ In 1965 Madagascar exported to Réunion 1122 tons of fresh and frozen meat and 197 tons of preserved meat.

⁽³⁾ Doc. 89/68.

The considerable progress recorded in this report indicates that, following the events of the early years, the machinery of co-operation set up by the Community is now operating and that the results as a whole are highly encouraging.

Subject to some improvements in the procedure for granting aid, all the provisions of the Yaoundé Convention of financial and technical co-operation should therefore be taken over by the new Convention.

65. Moreover, with a view to moving closer and closer to European integration, it would be better gradually to transfer part of the member States' bilateral aid to the European Development Fund.

66. As regards the *total sum available to the new EDF*, this should be maintained at least at the present level. In other words, total aid should exceed, in absolute terms, the 730 million units of account currently earmarked for the eighteen AAMS over a period of five years, so that account can be taken of:

- (a) the increase in the GNP that has taken place in the six member States over the past five years—that is, aid should rise proportionally with the wealth of the member States;
- (b) the increase in the population of the Associated States, which reduces the amount per head of aid allotted;
- (c) the rise in the price of manufactured goods bought by the Associated States from industrial countries, and particularly from the Community;
- (d) the decline in the purchasing power of money.

An increase in Community aid is also justified by the past tendency for the total aid given by the West to the third world—and particularly by States—to be cut in favour of domestic requirements. The proportion of multilateral aid has declined while that of bilateral aid has grown larger.

Just as the Yaoundé Convention raised the Community's financial aid to the AAMS from 581m u.a. in the first Fund to 730m u.a., so should the new Convention push the level even higher.

67. The Committee believes that aid should be given to the tune of 200 million u.a. per annum.⁽¹⁾

The procedures for granting aid—varied though they already are under the existing Convention—could be diversified still further. The aid given by the industrial to the developing countries could be made available on the following lines:

- (a) increasing support in the form of gifts or loans either on a bilateral or multilateral basis;

⁽¹⁾ This figure of 200m u.a. a year would be an average, total aid over the whole period being broken down into unequal annual amounts.

(b) paying prices for primary commodities and agricultural products of the developing countries that take costs of production into account and are fairer than world prices.

68. The aid given by the Community under the Yaoundé Convention has until recently mainly taken the form set out in (a) above.

In order, however, to fall in line with the wish of the developing countries—including the AAMS—for 'trade not aid', the Community should consider granting aid in the form indicated at (b).

In short, pending the conclusion of world-wide agreements on individual products—which the Community intends to advocate within the UN organizations—provision must be made for price support of certain products, as recently agreed by the Council of the European Communities in its Decision 67/491/EEC concerning oleaginous products of the Associated States.⁽¹⁾

69. This would entail not an increase in Community aid but an additional manner of granting it. It would also mean that outside aid in the form of gifts would cease to increase, and might even diminish proportionately, once a reasonable price for products of the developing countries—reflecting costs, that is, normal economic conditions—could be guaranteed. To speed up economic development in a State it is essential to guarantee a suitable return to producers that makes productive effort worth while and stimulates savings and social progress. What alone is required, therefore, is to reconsider the relative amounts of the various forms of aid to be made available, and in particular the procedures followed for granting aid to production.

70. This is what the Commission proposes in its memorandum, in which it provides for retaining both the EDF's aid facilities under the Yaoundé Convention and price support for certain products. This would to some extent result in an adaptation of aid to production which, instead of being fixed in one lump for each country, would be broken down by products.

71. The approach to this new form of aid should be flexible enough for adaptation to actual market trends in these products and to prevent distribution from being carried out on the rigid lines laid down for aid to production in the Yaoundé Convention. Because aid was fixed in a lump sum by countries for a period of five years on the basis of the specific situation existing in 1962, it proved to be impossible to offset the ensuing market fluctuations. Some States received aid for products whose prices, with an improvement in the economic situation, later rose sharply on the world market—the case above all with coffee—while others suffered a disastrous

decline in export revenue—particularly in the case of oleaginous products and cotton—which were not offset in any way.

72. As regards the way in which EDF aid is distributed, the criteria laid down in the light of the general guidelines defined by the Association Council⁽¹⁾ have at times been criticized by some Associated States.

One or two of these asked for an advance distribution of aid for industrial investment⁽²⁾ establishing a 'fair balance'—never clearly defined—between beneficiary States. A lump-sum distribution would certainly have the advantage that each State would know in advance exactly how much aid would be made available to it over a period of five years. It could thus make arrangements for its medium-term utilization, adjusting its development plans to the expected credits. Such a distribution, however, also has its disadvantages.

73. The distribution of EDF credits and the assessment of the practical utility of the projects to be financed in each State should therefore remain the prerogative of the Commission which administers the Fund, which operates in accordance with the general directives and under the supervision of the Association Council, with due regard for the views of the 'EDF Committee' consisting of representatives of each of the six member States.

The apportionment of aid among the 18 States is indeed a ticklish problem owing to the difficulty of establishing criteria for a fair and appropriate distribution.

74. At all events the new provisions should embody the concept of the 'degree of underdevelopment' which has recently been brought to the forefront in international discussions⁽³⁾ and appears in the Algiers Charter, adopted by all developing countries including the AAMS. Among the 18 States, whose development exhibits such wide variations, special attention will have to be paid to those remote from the coast, such as Chad, Mali, Niger, the Central African Republic, Rwanda and Burundi, all of which are particularly badly situated. Where there is a lack or insufficiency of links with the exterior, transport costs, whether in marketing home-produced goods or importing manufactured products from abroad, add substantially to the prices of commodities and in some cases are a serious obstacle to development.

75. This situation can be remedied in two ways: either (i) specific measures⁽⁴⁾ must be taken to

⁽¹⁾ In return for the Community's price support for certain of their products, the AAMS should naturally exercise a measure of discipline in their production.

⁽¹⁾ In its resolutions 1/66 of 18 May 1966 and 2/67 of 7 June 1967.

⁽²⁾ Such an advance distribution of aid among States was envisaged in the Yaoundé Convention only for aid to production and diversification.

⁽³⁾ This was originally coined by the African States in the Algiers Declaration of 17 October 1967.

⁽⁴⁾ To be provided for in the new Convention.

enable States to overcome the handicap of being isolated, or (ii) the Community, when submitting projects to the EDF, should give preference to infrastructure projects concerning transport in those States. The AAMS themselves are making praiseworthy attempts to regroup themselves with a view to breaking out of their isolated position and opening up new markets. In view of this, the Community should:

- (a) Make greater efforts to offset the factors impeding the EDF's attempts to promote the development of certain countries through special technical aid for the study and elaboration of projects for setting up communications in the worst-off areas (airports, roads linking these countries to others or to the coast);
- (b) Let it be known that it will give priority to projects presented *jointly by two or more States* for improving transport facilities in development areas with a high natural and economic potential in which existing resources cannot be fully exploited owing to the shortage of means of transport;
- (c) Consider, in the new provisions of the next Convention, the exceptional issue of plant and equipment to be financed out of non-repayable grants to undertakings wishing to settle in development areas in these States. Projects for improving infrastructure should be concentrated in such States so as to create a nucleus of development that would attract new labour and encourage it to settle there.

76. Briefly, the promotion of regional development—a major aspect of EDF policy—should continue to be pursued. In the process, increased funds should be made available to the poorer States, population density being taken into account.

77. While all the types of aid granted by the EDF under the existing Convention should be retained, the scope of intervention should be extended to three new spheres:

- (a) financial aid to cushion the effects of falling prices for certain products;
- (b) provision of facilities for plant and equipment to stimulate new activities in certain previously specified development areas;
- (c) aid to stimulate the marketing of AAMS products.

78. The Yaoundé Convention provisions on trade do not lay down any specific measures for promoting the sale in the Community of the products of the Associated States. Annex VIII to the Convention does, however, contain a laconic statement to the effect that member States 'shall consider means to promote increased consumption of products originating in the Associated States'.

Apart from studies carried out by experts into the possibility of increasing the consumption in the Community of certain AAMS products, the declaration of intent by the member States did not include any machinery for bringing about an expansion of trade. Thus, in its memorandum the Commission suggests that, in order to round off the Associated States' own efforts, special provisions—of which your Committee approves—ought to be introduced. Through the grant of non-repayable aid the Community could finance the following measures:

- (a) technical assistance and training programmes for improving the quality and output and lowering the cost of all services that, directly or indirectly, play a part in the formation of prices of export goods (more particularly inland and sea transport);
- (b) trade fairs and exhibitions;
- (c) vocational training of staff of administrative departments responsible for external trade in the member States and Associated States;
- (d) publicity campaigns in so far as these are effective and an economic proposition;
- (e) meetings between European and African representatives of various occupations.⁽¹⁾

79. None of these provisions of the Community could take the place of the Associated States' own efforts. The AAMS should co-ordinate their measures in such a way as to be able, if necessary, to exert powerful pressure to persuade other producers in the developing countries to conclude world-wide agreements with the industrial countries that consume tropical products and primary commodities. In this sphere the Associated States' own efforts are of crucial importance.

80. The experience gained with the first and the second Fund has shown that the Community's aid could be rendered more effective if certain procedures were improved.

It should be possible to simplify the present procedures governing invitations to tender in the twenty-four countries⁽²⁾ so as to obviate the delays for which the EDF is made to take the blame. For urgently-needed supplies up to a predetermined value and for minor works of interest only to local undertakings, the Commission should be empowered to advertise for bids locally. This would not only often speed things up but also show that the Community likes to give work to local undertakings.⁽³⁾

⁽¹⁾ See Commission memorandum, p. 25, D.

⁽²⁾ Article 47, 2 of the EDF's financial regulations.

⁽³⁾ This is all the more to be recommended because sometimes certain European undertakings only submit tenders so as to be able later to sub-contract detailed work to local undertakings, thereby securing a share of the profit for themselves.

81. It would also be essential, as suggested by the Commission in its memorandum, to draw up a general body of specifications for EDF contracts which would be applicable to all the AAMS and form, as it were, a simplified, updated version of existing specifications. This single document would be used for all works or supply contracts financed by the EDF. A draft of these specifications should be submitted when the new Convention is negotiated so that the Community can secure from the AAMS a declaration, to be annexed to the Convention, in which their governments undertake to embody them in their national legislation and bring them into force within one year at the latest.

82. As regards *technical co-operation*, investment in education and training is of prime importance for the economic development of the Associated States. In this connexion, the Committee would refer to the conclusions it submitted on the subject in the Metzger report (Nos. 92 to 106).

The provisions of the Convention on technical co-operation (before, during and after investment) enable projects financed by the EDF to be put in hand and specialists to be trained to ensure these projects proceed smoothly. These provisions should therefore be taken over by the new Convention.

The scope afforded by the existing Convention for general technical co-operation permits the Community to step in to help the AAMS in a variety of suitable ways. The provisions of the Yaoundé Convention on this point should also be taken over.

83. As regards the procedure for awarding scholarships, the Commission should however consider a measure of decentralization in examining scholarship-holders' files so as to collaborate more closely with the appropriate authorities in the Associated States. This would apply only to study scholarships and on-the-spot training (particularly to part-time training scholarships). The files could be examined, in the light of criteria laid down by the Commission, by, say, a 'scholarship committee'. This would be presided over by the EDF comptroller and include an educational expert representing the Associated States.

B. *The rôle of the European Investment Bank (EIB)*

84. The economic situation of the Associated States being what it is, it is of course desirable that the bulk of Community aid should continue to be supplied in the form of non-repayable aid. This does not mean that other forms of aid should be regarded as of minor importance. On the contrary, any modification of the procedure for advancing EIB loans would increase their effectiveness for the development of the AAMS.

a) *Normal bank loans*

85. It is already clear that only partial use will be made of the EIB's loan facilities since, under the Yaoundé Convention, the Bank can advance up to 64m u.a. to the AAMS out of its own resources.⁽¹⁾

This is probably due to failure to grasp exactly what the Bank has to offer or to the fact that its financing facilities in the Associated States have not been sufficiently publicized, so that undertakings not yet established in those countries feel no interest in their development.

Moreover, the grants in aid of interest referred to in Article 19 of the Convention, which could have reduced the interest rate on normal loans, have almost never been granted.⁽²⁾

The principle of grants in aid of interest should be carried forward to the new Convention but the terms and conditions under which they are granted should be more clearly specified so that the existing provision can be effectively applied.

If member States wish the Bank's normal loans to be able to attain, in the new period, the ceiling at present fixed in the Yaoundé Convention, it might be better if grants in aid of interest were more comprehensive, procedures similar to those resorted to in the case of Greece being perhaps applied: entitlement to a grant in aid of interest at a fixed rate would exist where the project was to be carried out in particular States or handicapped areas, or concerned given sectors, except where the Commission considered the project too remunerative to warrant such a concession. The Commission could also authorize grants in aid of interest in States or areas not automatically entitled to them if the sponsor or State concerned adequately supported its claim.

In short, as laid down in the existing Convention, grants in aid of interest would continue to count towards the EDF's non-repayable aid and therefore to be authorized by the Commission.

86. Normal loans appear to be beyond the means of many severely handicapped firms and countries. Except in the case of large-scale projects and highly profitable undertakings, industrialization of the AAMS presents difficulties that cannot be entirely resolved through the existing forms of aid granted by the European Investment Bank under the Yaoundé Convention. The present policy on loans must therefore be reviewed and made more flexible. In so far as the EIB's statutes rule out new interventions, member States ought to give some thought to amending them.

⁽¹⁾ At 31 December 1967—that is, less than eighteen months before the expiry of the Convention, the Bank had only advanced 33 per cent of the sum earmarked for normal loans.

⁽²⁾ See Metzger report, No. 117.

b) *Loans on special terms*

87. The loans on special terms advanced by the Community out of EDF funds should continue to be administered jointly by the EDF and the EIB. Existing procedures for checking documents for such loans are too complicated as the papers have to be scrutinized first by the Commission and then by the Bank. The Commission should remain responsible for initiating the procedure, but the two organizations should co-operate more closely with a view to carrying out the necessary work jointly and speeding it up.

c) *Other forms of financial support*

88. Other forms of financial support could be considered for the new period. The EIB could supplement the work done by the EDF through its own banking activities for promoting industrial expansion in the Associated States. As already suggested by the Committee, it would be worth while investigating the conditions under which the EIB could be endowed with a structure similar to that of the World Bank, and how far its activities could be extended to operations such as those carried on by the latter's affiliate, the International Financial Corporation.⁽¹⁾ These new forms of intervention should, however, be adapted to the special conditions under which the Community grants aid to the AAMS.

The EIB would in this way be enabled:

- (a) to provide undertakings with funds of their own or of a similar nature (shareholders' advances) which would have two advantages:
 - (i) on the strictly financial plane it would reduce the sum brought in, and therefore the risk incurred, by promoters, thus encouraging them to invest;
 - (ii) African interests, and particularly development banks, national investment companies and local commercial banks, could from the outset take part in the management of the new undertakings;
- (b) to advance loans under conditions tailored to the requirements of particular undertakings:
 - (i) normal loans (with or without grants in aid of interest) where the undertaking's prospects of profitable operation and the country's ability to repay debts permit;
 - (ii) loans on special terms in other cases.

⁽¹⁾ The International Financial Corporation set up in 1956 concerns itself exclusively with assisting private enterprises. It calls for no governmental guarantees. Its rôle is that of an investment institution catering mainly for industrial projects. It not only extends loans but also invests in undertakings either by acquiring minority holdings of their capital or by guaranteeing public share issues.

89. The facilities to be made available should be in line with the special nature of Community aid to the AAMS, account being taken of the experience acquired by the International Financial Corporation. This would imply:

- (a) that funds made available, whether directly or indirectly, by the member States would be administered by the Bank's 'Special Section' set up in 1963 by the Council of Governors through which loans on special terms to Turkey are already being channelled;
- (b) that these funds would be used:
 - (i) for making funds available through minority capital holdings, advances, quasi-capital and the like in the undertakings to be set up or expanded;
 - (ii) for loans on special terms—either direct or through local development banks—to undertakings which, because of the country's low debt-bearing capacity, the limited profitability of the project, or excessive risk, could not be financed out of the Bank's ordinary loans;
 - (iii) for financial assistance to national development banks or institutions to enable them to acquire holdings in the companies to be formed and to grant them loans.

90. The EIB should assume no responsibility either for starting up industries or managing undertakings. As a general rule it should not accept any administrative rôle but see to it that the undertakings financed observe the rules of sound administration and finance and—perhaps in collaboration with the Commission—that these undertakings could, if necessary, enlist the necessary technical assistance, particularly in the field of management.

The Bank's activities in aiding the AAMS should be made the subject of a special annual report.

91. In addition to co-operating with the AAMS in the financial sector by extending normal loans and administering loans on special terms as at present, the Bank could engage in yet another activity—running a 'special industrialization section' whose establishment and mode of operation could be investigated in due course by the member States, the Commission and the EIB.

Without in any way encroaching on the activities of the EDF, whose prerogatives would be respected, the Bank could do far more to develop the AAMS in specific spheres and in this way assume the real functions of a development bank.

92. Whatever the forms of intervention finally decided upon, the Committee feels that a common approach to aid to the AAMS will have to be worked out.

C. Co-operation in the private sector

93. EDF aid, like that provided by the States, is intended to fill in the gaps left by private initiative in key sectors of economic development but not to take over the rôle of private undertakings which, on the contrary, should be encouraged to invest.

The Community's financing of infrastructure projects acts as a spur to the economy as a whole because it helps to create conditions in which private undertakings can settle in the countries concerned.

Public credits, from whatever source, are limited and quite insufficient to ensure rapid expansion of the economies of the developing countries. A flow of private investment is therefore essential for their rapid and diversified economic growth. The Associated States must therefore take steps to provide guarantees for private investment—a crucial requirement if new industries are to be set up on their territory.

The Community, too, should concern itself with measures likely to stimulate European private investment in the AAMS as well as with the provision of multilateral guarantees.⁽¹⁾ The Commission should, in the light of the measures being taken at international level, consider under what conditions a system of guarantees for investment could be adopted within the Association.

In addition, member States ought to bring their regulations governing investment guarantees into line.

V—Right of establishment, provision of services, payments and capital

94. The discriminatory practices still surviving in some of the Associated States as regards the right of establishment having been progressively eliminated, the aim set forth in Title III of the Yaoundé Convention on equality of treatment in the 24 States—on the basis of reciprocity between the Six and the Eighteen—has now been achieved.

Consequently, as the Commission suggests, the new Convention should contain provisions continuing the system set up by the Yaoundé Convention. The Committee feels, however, that there would be little point in including—as suggested by the Commission in the last paragraph of page 32 of its memorandum—a new provision supplementing the undertaking to abstain from discriminatory practices by a most-favoured nation clause, and this for two reasons:

⁽¹⁾ These multilateral guarantees for investment already exist in some Associated States. Thus, the Council of Entente—to which the Ivory Coast, Dahomey, Upper Volta, Niger and Togo belong—set up on 8 June 1966 an 'investigation and guarantee fund for public and private loans'.

- (a) This appears to conflict with the opinion expressed by the Commission on page 12 (b) of its memorandum, namely:

'The Community should agree, in a limited number of cases, to depart from the most-favoured nation principle, from which it benefits, in view of (i) the growing international trend towards the expansion of trade between developing countries, and (ii) the policy it has championed of encouraging the growth of large-scale markets between neighbouring developing countries having a comparable structure and output. These exceptional cases could include sub-regional industrialization agreements';

- (b) The provisions of Article 30 of the Yaoundé Convention largely reflect the views put forward by the Commission.

The Committee regards this addition to the provisions of the existing Convention as unnecessary; it would suffice to take over Article 30 of the Yaoundé Convention⁽¹⁾ as it stands, explaining, if necessary, how this should be interpreted.

VI—Final remarks

95. In negotiating the new Convention the Community and the Associated States are concerned not so much with amending the provisions of the Yaoundé Convention which, on the whole, have been found satisfactory, as with wording some of these provisions more clearly so as to avoid misunderstandings or differing interpretations which might have serious results. The essential is to remain faithful to the spirit of the Association Convention which lies in promoting, by appropriate means and under the most favourable conditions, economic, social and cultural progress in the 18 States. In this respect the measures taken by the Community to implement the Convention (for example, as regards the regime applicable to agricultural products similar to and competitive with European products) will be of greater importance for the AAMS than the new texts to be signed.

96. The Community will once again have to give proof of an imaginative and generous spirit.

In submitting a memorandum to the Council on the renewal of the Yaoundé Convention, the Commission reflected the wishes of the European

⁽¹⁾ Article 30 reads:

'In the event of an Associated State granting to nationals or companies or firms of a State which is neither a member State of the Community nor an Associated State within the meaning of this Convention, more favourable treatment than that resulting for nationals or companies and firms of member States from the application of the provisions of this Title, such treatment shall be extended to nationals or companies and firms of member States, save when it results from regional agreements

Parliament. The Committee cannot therefore but approve the suggestions put forward in that document aimed at improving the functioning of the Association.

It hopes that the parties to the negotiations on the renewal of the Convention will have the good sense to be guided by that document.

97. The scope offered by the Association as an instrument of development aid can be of fundamental importance both for the Community and for Africa.

The new Convention should tighten the bonds existing between the 24 members of the Association and bring the two continents closer.

For the Europeans, the Association requires the member States to become still more closely knit and offers the Community a further chance to spread its influence further afield.

For the AAMS, the Association must establish a community of interests among Africans and encourage further regional groupings which can culminate in an African Common Market. The

Association should therefore remain open to other States similar in structure to the 18 Associated States, as laid down in the existing Convention. In this respect, however, a great deal remains to be done.

While the trading arrangements laid down in the Yaoundé Convention have led to a free-trade area between the Community and each of the 18 Associated States, the main problems facing the latter can only be solved in time if the African economies are brought out of their isolation into a vast African free-trade area. The larger markets would impart a fresh impetus to inter-African trade—as yet hardly developed—and permit a pooling of productive resources and capital that would speed up the industrialization of Africa on entirely new bases and with larger marketing areas on the continent as a whole. It would also bring with it not only new jobs and customers who were able to pay but also savings which could be used for domestic investment.

It is with these considerations in mind that the European Parliament considers the negotiations for the new Association Convention ought to be conducted.

Total external trade of the EEC

Exports

(\$ million)

Destination	1958	1960	1963	1964	1965	1966	1967
World	22,775	29,729	37,555	42,562	47,915	52,649	56,140
Industrial countries	8,638	11,328	13,830	15,638	17,612	19,127	20,473
Developing countries	6,125	6,738	6,355	6,892	7,510	7,957	8,295
AAMS	712	603	726	821	828	847	926

Imports

World	22,948	29,595	40,414	44,910	49,024	53,678	54,928
Industrial countries	8,526	10,789	14,345	15,467	16,227	17,320	16,954
Developing countries	6,824	7,485	8,822	9,843	10,529	11,326	11,521
AAMS	914	952	989	1,150	1,146	1,319	1,304

Source: Statistical Office of the European Communities.

Imports into the Community of products covered by the common agricultural policy

1966

(Metric tons)

Product	Total imports from outside the EEC	Imports from AAMS	%
Shelled groundnuts	879,483	365,270	41.53
Copra	618,843	2,475	0.40
Palm nuts and kernels	331,087	59,847	18.07
Groundnut oil	246,401	150,513	61.08
Coconut (copra) oil	74,015	26	0.035
Palm oil	284,773	114,209	40.10
Palm-kernel oil	34,806	26,583	76.37
Raw sugar	847,159	26,567	3.14
Rice, hulled, polished, broken	180,458	12,539	6.95
Rice in the husk	260,485	—	—
Tinned pineapples	96,003	17,156	17.87
Pineapple juice	12,659	7,682	60.68
Flour or meal of manioc and the like	262,541	1	0.0004
Manioc roots and the like	624,191	11,720	1.88
Tapioca	6,973	4,989	71.55
Starches	99,676	842	0.84
Unmanufactured tobacco	283,420	5,171	1.82

Opinion of the Committee for Finance and Budgets

Draftsman: Mr. Aigner

On 14 May 1968 the European Parliament instructed the Committee for Finance and Budgets to draw up an Opinion for the attention of the Committee on Relations with African States and Madagascar concerning the memorandum of the Commission of the European Communities to the Council on the problems of the renewal of the Yaoundé Convention (Doc. 33/68).

On 30 May 1968 Mr. Aigner was appointed draftsman.

At its meeting of 10 September 1968 the Committee for Finance and Budgets studied the financial and budgetary problems raised in that memorandum.

At the same meeting it unanimously adopted the following Opinion.

The following were present: Messrs. Spénale, Chairman; Borocco, Vice-Chairman; Aigner, Draftsman; Artzinger, Battaglia, Boertien (deputizing for Mr. Westerterp), Corterier, Gerlach, Leemans, Radoux (deputizing for Mr. Wohlfart) and Rossi.

I—Introduction

1. The Committee for Finance and Budgets was instructed to draw up an Opinion for the attention of the Committee on Relations with African States and Madagascar, as the committee responsible, on the financial and budgetary problems raised by the renewal of the Yaoundé Convention.

2. The Association Convention concluded on 20 July 1963 between the EEC and the African and Malagasy States associated with it for a term of five years expires on 31 May 1969.

Under Article 60 of the Convention, the contracting parties must, one year before it expires, review the provisions to be considered for a further period.

This stipulation is intended to ensure that effective and prompt preparation is made for renewing the Association Convention.

II—Importance and scope of the Yaoundé Convention

3. The importance and scope of the Yaoundé Convention are not disputed. The Committee on Relations with African States and Madagascar is dealing with the matter in greater detail.

4. The Yaoundé Convention greatly widened the scope for action by the European Development Fund in the light of experience and of the wishes expressed by the Associated States. The new Fund marks a substantial step forward on the first Development Fund.

5. In the Association Convention provision is made for the first time for aid to production and to diversification out of the new Fund. The action of the Fund is also more effective than that of its

predecessor because the Yaoundé Convention lays down detailed provisions for general technical co-operation and technical assistance connected with investment.

6. The various measures provided for in the Association Convention cover economic and social investment, diversification, aid to production, technical assistance connected with investment, general technical co-operation and emergency aid.

III—Main provisions and features of financial and technical co-operation under the Yaoundé Convention

7. Aid under the Yaoundé Convention takes the following forms:

Article 16 provides for:

- (a) up to 620 million u.a. in the form of non-repayable aid;
- (b) 46 million u.a. in the form of loans under special terms, and
- (c) up to 64 million u.a. in the form of loans advanced by the European Investment Bank;
- (d) loans under (c) may, under Article 19, be accompanied by grants in aid of interest from the Fund of up to 3 per cent;
- (e) in addition Article 20 states that the Community may grant advances out of the liquid resources of the Fund up to a ceiling of 50 million u.a. for the purposes of price regulation. These are to be made to stabilization funds of the Associated States.

8. Finally, Article 39 of Protocol No. 5 to the Association Convention provides for the establishment of a reserve fund of 5 million u.a. for speedy allocation of urgent assistance in the event of natural disasters.

9. The various forms of intervention are described in more detail in Nos. 23 ff. of this Opinion.

IV—Memorandum of the Commission of the European Communities to the Council on the renewal of the Yaoundé Convention

I—General

10. The European Parliament concerned itself time and time again with the question of renewing the Association Convention,⁽¹⁾ in its view not only desirable but also necessary. Finally, in a resolution⁽²⁾ following the Metzger report on the results of financial and technical co-operation in the EEC-AAMS Association⁽³⁾, Parliament voiced its unanimous wish that the Association be continued with a new European Development Fund.

11. Analysis of public opinion in the member States also shows that a relationship of special responsibility between Europe and Africa is accepted and that the Yaoundé Convention is regarded as an effective and essential aspect of this special co-operation.

12. As the Commission rightly points out,⁽⁴⁾ the interim results of the EEC-AAMS Association have been satisfactory, particularly in the case of financial and technical co-operation whose special instrument is the European Development Fund. According to the Commission,⁽⁵⁾ the aid it has granted since 1958 to the Associated African and Malagasy States will by 1969 have reached 1,147,550,000 u.a. Since the Yaoundé Convention came into force the yearly credits in the eighteen States have varied around 130 million u.a.—a substantial contribution even by international standards.

The instruments of financial and technical co-operation created by the Convention, which open up a wide range of effective interventions and financing measures, have also proved satisfactory as a whole.⁽⁶⁾

The personal contacts provided for in the Convention and established at parliamentary and Association Council level have given particularly satisfactory results

13. As pointed out by the Commission, the trade benefits so far granted to the AAMS are insufficient and must be rounded off by financial and technical co-operation measures.

14. The Committee for Finance and Budgets therefore shares the Commission's view as to the necessity for maintaining and stepping up the financial and technical co-operation provided for in the Yaoundé Convention. A number of provisions should however be improved or amplified when the Convention is renewed.

15. Although it is agreed on all sides that it is both desirable and necessary to renew the Yaoundé Convention, opinion is divided as to whether such a complicated agreement should be renewed for only five years, one of which at least will have passed before the administrative and implementing machinery has been properly run in. Moreover, it is hardly possible, in the space of five years, to plan and carry out long-term economic, technical and financial programmes as successfully as over a longer period.⁽¹⁾

Moreover, there is no hiding the fact that longer planning periods make for more political mobility.

Unfortunately the Commission believes that 'the new Convention should once again stretch over a term of five years during which a considerable part of the Community's development aid policy could be carried out without extending the interval unduly.'⁽²⁾

16. The Committee for Finance and Budgets could accept the view that it might be as well to wait until the negotiations were under way before finally deciding on the duration of the new Convention.

2—Financial and technical co-operation

17. The practical success of technical and financial co-operation is mainly attributable to the fact that, contrary to the usual practice in bilateral relations, co-operation was geared to the financing of projects by grants of non-repayable aid. This form of assistance should be broadly maintained, even if more flexible methods ought to be applied here and there, particularly in the case of projects whose commercial character can be brought even more to the fore. These views are also put forward in the Commission's memorandum⁽³⁾ as well as in various reports and opinions of the European Parliament and the Parliamentary Conference of the Association.⁽⁴⁾

18. In deciding the future forms of this financial co-operation account will have to be taken of the heavy state of indebtedness of the recipient countries, which in some cases now exceeds their ability to repay. In choosing projects, more attention will have to be paid to their revenue-earning capacity. In future this criterion should be applied more strictly on both sides.

19. In order to get the most out of investment, group projects should be more consistently executed. Financial and technical aid should be accompanied by social measures to bring about a change in the attitude of citizens in the areas concerned. Nor should it be forgotten that, from the political point of view, too, beneficiary countries derive the highest benefit when investment permits an increase in the mass purchasing power, at least in the area concerned, such that a threshold is gradually reached at which further development sets in automatically.

⁽¹⁾ See Troclet report, Doc. 19/67, No. 163; Pedini report, Doc. 7/65, Nos. 6 to 9 and 99; Aigner report, Doc. 178/67 PE, Nos. 8 and 11.

⁽²⁾ Official Gazette of the European Communities, 19 July 1968, p. 23.

⁽³⁾ See Doc. 89/68 of 2 July 1968.

⁽⁴⁾ See I, paragraph 4 of the memorandum.

⁽⁵⁾ See I, No. 2 of the memorandum.

⁽⁶⁾ See I, No. 2 of the memorandum and No. 3 of the above resolution.

⁽¹⁾ See Pedini report, op. cit., No. 99, and Troclet report, op. cit., No. 166

⁽²⁾ See VI of memorandum.

⁽³⁾ See III of memorandum.

⁽⁴⁾ See resolution of the Parliamentary Conference of the Association of 7 December 1967, Official Gazette No. 316 of 28 December 1967, and Metzger report, op. cit., No. 139.

20. It should also be noted that, generally speaking, a project often fails for the want of a minimum of the requisite administrative capacity. In any overall approach to the problems involved, all projects should also take this aspect into consideration.

21. The above are only a few of the shortcomings that must be remedied.

A—Aid sectors

22. The Commission is of the opinion that the new Yaoundé Convention should take into account the experiences set out below, in the light of which certain provisions ought to be amended:

a) *Investment*

i) *Agricultural structures*

23. Because of its low productivity and the extent to which other sectors of the economy depend upon it, agriculture is particularly deserving of aid. More than any other sector it demands long-range measures. As in the past, the European Development Fund's activities should be geared to improving production conditions and the revenue-earning capacity of crops and be maintained at their present level.

At the same time, expansion of the production of typical tropical agricultural products intended for the world market can only be justified where the latter is capable of absorbing them. Aid should be concentrated more on the production of food for domestic consumption to enable the countries concerned to cope with the problem of feeding a growing population. If this problem cannot be solved by these countries themselves, then any other aid measures would be in vain.

This view is shared by the European Parliament.⁽¹⁾

ii) *Industrial development*

24. In the industrial sector the Community did not make a particularly large contribution to direct financing through the European Development Fund or by means of EIB loans to the AAMS. There were two reasons for this: (i) the number of large-scale projects were relatively few; (ii) medium-scale projects are still few in number because their usefulness depends on the existence of adequate regional outlets. It is small-scale projects that offer the Community the widest scope for industrial development measures. Effective steps should therefore be considered for this purpose.

Wider scope should be provided in the new Convention for loans to private undertakings, particularly for the modest and the smallest among them. For the really large projects a large-scale market stretching across the national frontiers will have to be created. The conclusion of bilateral agreements—essential for this purpose—should therefore be advocated.

⁽¹⁾ Aigner report, op. cit., Nos. 15 ff.

Finally, it appears desirable to take steps to encourage private investment. These should mainly take the form of guarantees for investment.⁽¹⁾

25. The Committee for Finance and Budgets shares the Commission's view that, in the new Convention, the Community ought to be given greater scope to encourage initiatives taken by the Associated States themselves. In particular, there appears to be a good case for preparing directives enabling more studies relating to the choice and preparation of projects to be entrusted to private organizations.

iii) *Infrastructure*

26. There is no doubt that the requisite infrastructure should continue to benefit from the Fund's aid as the recipient countries' own resources are inadequate. The existing infrastructure should be properly rounded off and expanded. Moreover, steps should be taken to ensure its maintenance. The new Convention should make suitable provision for this and at the same time underline the need for the AAMS to discharge the obligations they incur under financial agreements.⁽²⁾

b) *Technical co-operation*

27. The European Parliament has dwelt, in a number of reports and Opinions, on the importance of technical co-operation as a means of rounding off financial co-operation.⁽³⁾ The Committee for Finance and Budgets regards it as essential to step up and widen the sphere of action in this domain, particularly in the preparation and implementation of training programmes. The training of AAMS nationals in particular should be encouraged.⁽⁴⁾ Moreover, so long as there are insufficient suitably qualified Africans, more specialized training staff and facilities should be sent out to the AAMS.

28. The Committee for Finance and Budgets considers that the Commission's activities in this field have been particularly successful. This is why the intention to step up co-operation has its full backing.

c) *Aid in connexion with prices, production and marketing of products exported by the AAMS⁽⁵⁾*

29. The Commission considers that the new Yaoundé Convention should include various measures aimed at:

- (a) increasing productivity and cutting the costs of products exported by the AAMS;
- (b) helping the AAMS to overcome any price difficulties that might affect some of their exports as a result of falling prices on the world market;

⁽¹⁾ See Aigner Report, op. cit., No. 11, and European Parliament report by Mr. Armengaud, Doc. 95/64, No. 56.

⁽²⁾ See resolution of the Parliamentary Council of the Association No. 2/67, No. 3.

⁽³⁾ See Spénale Opinion (PE 19.650/déf.) I, C and VI. 3; Pedini report, op. cit., Nos. 53 ff.

⁽⁴⁾ Parliamentary Conference of the Association held at Abidjan in December 1966; resolution of the Association Council on the general lines of financial and technical co-operation, 18 May 1966, No. 20.

⁽⁵⁾ Commission's memorandum, III, 1, C; Armengaud report, Doc. 20/67 of the Parliamentary Conference, B, Chapter VI.

(c) promoting sales in the Community.

30. As regards grants of non-repayable aid to stabilization funds for the purpose of price regularization, provided for in the Yaoundé Convention, the Commission considers that this system could be retained in the new Convention.

31. It appears from the Commission's memorandum that special measures should be taken to improve marketing and selling conditions for AAMS products, particularly in the Community. For this purpose non-repayable aid should be considered.

32. Such aid would in the main be devoted to:

- (a) training of administrative staff and of personnel employed in trade fairs and exhibitions and on sales promotion (some thought being given to the possibility of enlisting the services of experienced agencies and similar institutions);
- (b) publicity campaigns;
- (c) symposia, study meetings and other exchanges of views;
- (d) trade fairs and exhibitions.

33. The Committee for Finance and Budgets believes that the funds allocated to this sector should give excellent results—a view repeatedly expressed by the European Parliament.⁽¹⁾

B. Technical aspects of aid

a) *Loans on special terms*

34. According to the Commission, some difficulties have been met in utilizing the 46m u.a. in the form of loans on special terms referred to in Article 16, a, of the Yaoundé Convention. The Commission and the EIB have, however, managed to devise a system of collaboration in the study of project documents and in the allocation of credits. This is operating satisfactorily and should make it easier to cope with the difficulties mentioned. The Committee for Finance and Budgets has duly noted this.

35. The Commission considers that in order to promote industrial development the new Fund should be in a position to finance, on special terms, projects which, though not directly profitable, serve as a jumping-off ground for revenue-earning projects. These special credits—allocated, and repayable, in foreign exchange—gave rise to certain difficulties connected with the limited capacity of the Associated States to make repayment. To get round this snag, the Community devised a procedure which, though not expressly provided for in the Yaoundé Convention, no doubt reflects its underlying spirit. This is in the form of two-stage credits comprising (i) a long-term component in foreign exchange repayable by the beneficiary, and (ii) a credit made available in local currency to be repaid to the State within a shorter period by the institution responsible for executing the

project. The Commission considers that this arrangement should be expressly written into the new Convention.

The Committee for Finance and Budgets has taken note of this and suggests that the Commission should, in addition, authorize countries short of foreign exchange to receive special credits to be repaid in local currency. Should the borrowers' financial position subsequently improve, recourse could be had to a revision clause laying down that repayment should be made in foreign exchange.

36. In this connexion it should be stressed that co-ordination of measures at bilateral, international (World Bank) and Community level should be increasingly endowed with an institutional character.

b) *Grants in aid of interest*

37. The Commission proposes that the interest-rate subsidies provided for in Article 19 of the Yaoundé Convention should be carried over to the new Convention, but without setting limits to them—as has so far been the case—so that the actual interest borne by borrowers could, where necessary, be kept down to 3 per cent.

On this point, too, the Committee for Finance and Budgets sets out from the principle that funds will have been put to the best use when a project proves to be an economic success.

C. Provision of aid and execution of projects

38. As regards calls for contributions from the member States and the principle of non-budgetary management and of the separation of authorizing officers from accounting officers, the Commission feels that no changes should be made. The Committee for Finance and Budgets knows of no reason for thinking otherwise. Moreover, it shares the Commission's views regarding the general conditions applicable to EDF contracts, participation by undertakings in projects financed by the Fund, and the matter of tax exemption. Further details are given in the Commission's memorandum.⁽¹⁾

D. Volume of aid

39. The Committee for Finance and Budgets agrees with the Commission that the present volume of development aid furnished by the Community should be maintained, and if possible increased, in the new Convention. This is warranted by the increased cost of projects and the constant and rapid growth of the population.

40. In addition, according to the Commission, it would be desirable, as far as the member States are concerned, for the expenditure agreed upon for a new association period to be comparable to that effected under the Yaoundé Convention—that is, if it allowed for the growth of the GNP of the member States.

⁽¹⁾ See Metzger report, op. cit., Nos. 66 ff. and Spénale Opinion, op. cit., B.

⁽¹⁾ Memorandum, III, 3 A, B and C

41. The Parliamentary Conference of the Association and the European Parliament have also repeatedly advocated that the present volume of aid should be maintained, and even increased, under the new Convention.⁽¹⁾

42. The disparity in GNP as between the 'haves' and the 'have-nots' is the burning issue of our century. If a feeling of despair is added to the growth of population, hunger and poverty familiar to the great bulk of mankind, the resulting explosive mix will constitute a greater hazard than the threat of

mass destruction implicit in modern weaponry. Development policy is peace policy. Co-operation between peoples, and particularly between poor and rich States, is a prerequisite for endowing the twenty-first century with new forms of organization that will win acceptance from mankind as a whole.

43. In this spirit, and in the light of the various points of view set forth in this Opinion, the Committee for Finance and Budgets has come out unanimously in favour of renewing the Yaoundé Convention.

⁽¹⁾ Aigner report, *op. cit.*, No. 20; Troclet report, *op. cit.*, Nos. 163 and 166 ff.; Pedini report, *op. cit.*, Nos. 99 ff.; Metzger report, *op. cit.*, No. 147; Spénale Opinion, *op. cit.*, VI, 14.

Opinion of the Committee on Agriculture

Draftsman: Mr. Briot

At its meeting of 14 May 1968 the European Parliament requested the Committee on Agriculture to submit an Opinion, for the attention of the Committee on Relations with African States and Madagascar, on the memorandum addressed by the Commission of the European Communities to the Council concerning the problems connected with the renewal of the Yaoundé Convention.

On 19 June 1968 the Committee on Agriculture appointed Mr. Briot draftsman of the Opinion.

On 10 September 1968 the Committee adopted the following Opinion by 16 votes with 2 abstentions.

The following were present: Messrs. Boscary-Monsservin, Chairman; Sabatini and Vredeling, Vice Chairmen; Briot, Draftsman; Baas, Bading, Bersani, Carboni, De Wulf, Dulin, Kriedemann, Lucker, Marengi, Mauk, Müller, van der Ploeg, Richarts and Vals.

1. Part Four of the Treaty of Rome regulates the association between the Community, on the one hand, and the overseas countries and territories and countries having special relations with Belgium, France, Italy and the Netherlands on the other. Article 136 lays down that for an initial period after the Treaty comes into force the details of and the procedure concerning the association of the countries and territories with the Community shall be determined by an Implementing Convention annexed to the Treaty.

Article 60 of the Yaoundé Convention, which is to remain in force from 1 June 1964 to 31 May 1969, provides that the Contracting Parties shall, one year before its expiry, consider what provisions could be made to apply for a further period.

It was with this in mind that the Commission submitted to the Council and to the European Parliament a number of ideas on the renewal of the Yaoundé Convention

2. What major developments have taken place since the signing of the Yaoundé Convention likely to have a direct influence on its contents?

Two spring to mind: the two UNCTAD conferences and the conclusion of association agreements in Africa.

The two UNCTAD conferences are known to have achieved only limited practical results, particularly as regards agricultural products. On the other hand, the merits of regional solutions, of which the arrangement between the European Community and the Associated African and Malagasy States is an example, were recognized by the countries attending the conferences—especially that held in New Delhi—although such an approach had been criticized in the past.

The association agreement concluded with Nigeria—not yet ratified by all member States—and, quite recently, with the East African Community (Tanzania, Uganda and Kenya) bear out the Community's

willingness to enter into agreements with other States, in or outside Europe, in pursuance of Article 238 of the Rome Treaty.

3. These two events have certainly added strength to the Commission's view that the Yaoundé Convention should be renewed as a whole. This is why it advocates setting out from the principles already set forth in that Convention, subject to the adoption of a number of amendments suggested by the experience of the past five years. From the comments so far made by the Associated States it appears that they too want to see the Convention renewed, though not to discuss it article by article as this might result in its very principles being called into question.

4. The Commission has accordingly broken down its memorandum into six parts which correspond to those of the Yaoundé Convention ⁽¹⁾

The Committee on Agriculture will concentrate on Parts I to III (General; Economic and commercial questions; Financial and technical co-operation) at the same time providing a statistical survey.

I—General

5. It should be recalled that the aim of the Yaoundé Convention was to expand trade between the Community and the associated overseas States, to strengthen the economic independence of the Associated States and thus to contribute to the development of international trade.

The need to expand trade between the Community and the Associated States was catered for on the one hand by the preferential treatment of tropical products from the Associated States, and on the

(1) I—General
II—Economic and commercial questions
III—Financial and technical co-operation
IV—Right of establishment, provision of services, payments and capital
V—Institutions
VI—General and financial provisions

other by the regime applied to similar and competitive products.

The purpose of increasing the economic independence of the Associated States was served by making provision for financial aid to enable these countries to become more competitive on the markets.

6. After mentioning that the work of the institutions has helped to promote co-operation on an equal footing between the parties to the Association, the Commission goes on to deal with trading arrangements and with financial and technical co-operation.

The Commission considers that, despite the by no means negligible attempts made at international level to solve the trade problems of the developing countries, the existing arrangements between the EEC and the AAMS ought—subject to any amendments that may be called for by the changing international pattern in the field of trade and development—to be maintained in the years ahead. It will be found that the Commission's recommendation does not differ much in this respect from the resolutions passed at the New Delhi Conference.

7. In relations between the EEC and the AAMS the preferential treatment granted to the latter replaced bilateral arrangements which were often highly advantageous and could not be terminated without some alternative being offered.

In spite of this preferential treatment, AAMS exports to the Community are so far not better than those of the other developing countries. Indeed, in some cases they have not done as well. Moreover, the measures contemplated at international level—relating above all to manufactured or semi-manufactured products—offer only partial answers to the problems of the Associated States or cannot benefit them until they have become more highly industrialized.

In these circumstances, abolishing or watering down the preferential treatment given to the AAMS would result in their falling back economically and socially. It should be noted that the Algiers Charter recommends measures to help the least advanced among the developing countries.

8. The second major aspect of the Yaoundé Convention is technical and financial co-operation. The Commission points out that since the Convention came into force credits allocated in the eighteen States concerned have stood at around 130 million u.a. a year.

A special feature of Community aid has been a measure of flexibility which has facilitated the adaptation of insufficiently productive sectors or the taking over of the planning and execution of integrated projects for establishing fresh sectors of production.

Nevertheless, the Community's efforts to promote development are thwarted when the countries concerned are unable to secure adequate outlets for their products and at least a stable source of revenue from their exports.

Now, it has been found that the trading advantages so far enjoyed by the AAMS were insufficient to push up their exports to the level expected.

If these are to show a substantial rise—in terms of tonnage but above all of value—special efforts will have to be made in the trade sector. Moreover, these will have to be supplemented by financial and technical co-operation measures maintained in their present form but made wider in scope.

II—Statistical survey

9. The Committee on Agriculture is disappointed to see that the Commission's memorandum provides no figures clearly bringing out the economic and financial significance—fundamental for the AAMS—of the arguments advanced in connexion with the Yaoundé Convention or its renewal.

This is why it felt it necessary to illustrate the relationship of EEC-AAMS trade to overall trade (Table I), the trend in EEC-AAMS trade over the last few years (Table II) and the price movements of the main products exported by the AAMS to the EEC (Table III).

Tables IV and V relate to similar and competitive agricultural products covered by the common agricultural policy. Table IV compares imports of similar and competitive products from the world as a whole with those from the AAMS. Table V gives details of imports from the AAMS, by country of origin and destination, for the most important of these products.

These tables relate, of course, more particularly to EEC imports. It should also be noted that the export markets of the AAMS outside the Community are somewhat diversified, and that France's share of EEC exports to the AAMS is contracting while that of each of the other member States is growing larger.

TABLE I
Overall summary
1966

(\$ thousand)	
<i>I—Imports</i>	
World trade (based on imports, excluding Eastern bloc countries)	191,400,000
Total EEC imports, including intra-Community imports	53,658,000
EEC imports from third countries	30,735,000
of which: EEC imports from AAMS	1,319,030
<p style="font-size: small;">Imports from the AAMS represented, in tonnage, 2.5 per cent of EEC imports from third countries in 1964 and 2.7 per cent in 1966; their <i>share in value</i> was 4.3 per cent in 1964 and showed no change in 1966.</p>	
<i>II—Exports</i>	
World trade (based on exports)	203,200,000
Total EEC exports, including intra-Community exports	52,646,000
EEC exports to third countries	29,412,000
of which: EEC exports to AAMS	846,669

TABLE II
Total EEC-AAMS trade

(1,000 u.a.)						
<i>Imports</i>						
	France	BLEU ⁽¹⁾	Netherlands	Germany	Italy	EEC
1964	541,642	227,227	55,576	158,213	98,895	1,149,583
1966	600,152	340,781	54,055	170,554	153,448	1,319,030
<i>Exports</i>						
1964	583,389	86,210	32,852	78,370	39,886	820,707
1966	569,978	93,830	39,118	84,733	59,009	846,668
<i>Trade balance</i>						
1964	— 26,283	—141,017	— 22,724	— 79,843	— 59,009	—328,876
1966	— 30,174	—246,951	— 14,937	— 85,821	— 94,439	—472,362
<i>Rate of growth</i>						
<i>Imports</i>						
1966-1964	— 1.57	+49.97	— 2.74	+ 7.8	+55.16	+14.73
<i>Exports</i>						
1966-1964	— 2.3	+ 8.83	+19.07	+ 8.1	+47.94	+ 3.16

⁽¹⁾ Belgo-Luxembourg Economic Union.

The rise in absolute figures was mainly accounted for by mining products.

The quantitative index for the 7 principal mining products (1964 base = 100) rises to 131 in 1965 and to 141 in 1966; the *value index* to 113 and 159 respectively.

The quantitative index for the 19 principal vegetable products (1964 base = 100) rises to 97 in 1965 and to 99 in 1966; the *value index* to 94 and 96 respectively (see also Table III).

TABLE III
Imports into the EEC of the main AAMS products

<i>(\$ thousand)</i>				
	1964	1966	1964	1966
Total imports	1,149,583	1,319,030	Unit value \$1 a ton (EEC average)	
of which:				
Bananas	50,680	56,205	201	194
Coffee, unroasted	162,673	152,625	785	784
Groundnuts	67,549	71,959	211	197
Groundnut oil	56,474	51,517	380	342
Cocoa beans	77,592	70,150	520	442
Iron ore	36,397	57,110	12	11
Wood in the rough	164,163	164,816	68	68
Cotton (not carded or combed)	35,721	33,310	600	569
Unwrought copper	180,349	313,941	634	1,073

TABLE IV
Imports into the Community of products covered by the common agricultural policy
1966

<i>(Metric tons)</i>			
Product	Total imports from outside the EEC	Imports from AAMS	%
Shelled groundnuts	879,483	365,270	41.53
Copra	618,843	2,475	0.40
Palm nuts and kernels	331,087	59,847	18.07
Groundnut oil	246,401	150,513	61.08
Coconut (copra) oil	74,015	26	0.035
Palm oil	284,773	114,209	40.10
Palm-kernel oil	34,806	26,583	76.37
Raw sugars	847,159	26,567	3.14
Rice, hulled, polished, broken	180,458	12,539	6.95
Rice in the husk	260,485	—	—
Tinned pineapples	96,003	17,156	17.87
Flour or meal of manioc and the like	12,659	7,682	60.68
Pineapple juice	262,541	1	0.0004
Manioc roots and the like	624,191	11,720	1.88
Tapioca	6,973	4,989	71.55
Starches	99,676	842	0.84
Unmanufactured tobacco	283,420	5,171	1.82

TABLE V
Imports into the EEC of the principal 'similar and competitive'
agricultural products of the AAMS

1966

(Metric tons)

	EEC imports	Main countries of origin		Main importing countries	
Shelled groundnuts	365,270	Senegal	236,725	France	338,861
		Niger	104,013		
Palm nuts and kernels	59,847	Togo	15,459	France	43,417
		Cameroon	17,672	Netherlands	11,052
		Ivory Coast	10,787		
Groundnut oil	150,513	Senegal	143,056	France	150,513
Palm oil	114,209	Congo		Germany	45,073
		(Leopoldville)	88,039	France	32,594
				Italy	18,879
Palm-kernel oil	26,583	Congo		Italy	9,945
		(Kinshasa)	14,007	Germany	9,439
		Dahomey	11,855	France	6,389
Rice, hulled, polished, broken	12,539	Madagascar	12,539	France	12,525
Tinned pineapples	17,156	Ivory Coast	17,052	France	11,136
				Germany	3,454
Pineapple juice	7,682	Ivory Coast	7,682	France	7,337
Manioc roots and the like	11,720	Madagascar	11,720	France	11,525
Tapioca	4,989	Madagascar	4,794	France	4,989
Unmanufactured tobacco	5,171	Madagascar	3,193	France	5,171

III—Economic and commercial questions

10. The regime applicable to similar and competitive products is the question with which the Committee on Agriculture is mainly concerned.

The general arrangement for products imported from the AAMS into the Community consists in progressively eliminating customs duties and charges equivalent in effect (Article 2). As the customs union between the member States was completed for most of the products on 1 July 1968, products from the AAMS are now in general admitted into the Community free of duty.

The Yaoundé Convention contains special provisions (Article 11) governing products similar to and competitive with European products covered by the Community's common agricultural policy. Moreover, special arrangements were made for processed agricultural products. It is this aspect of the Yaoundé Convention that is of special interest to the Committee on Agriculture.

A. Similar and competitive products

11. The Commission points out that the treatment at present applied to these products has been frequently criticized and has been a source of disappointment for the Associated States concerned.

So far the Community has issued regulations on rice, manioc products (roots, flour and starches),

fruit and preserved fruit containing sugar, and oleaginous products. Proposals have been submitted for unmanufactured tobacco and sugar. The object of these regulations is to introduce preferential treatment by reducing import charges on these products.

This reduction was, however, kept within narrow bounds so as not to have an adverse effect on the price support given to European producers. As protection is based on international price-levels, the AAMS were unable to increase their revenue from exports to the EEC, particularly as exports to traditional markets remained sluggish and no fresh outlets were found on the remaining Community markets. Moreover, while the output of the African and Malagasy States showed a substantial rise, owing to tumbling world prices, the value of sales remained unchanged.

12. Under these circumstances the Commission recommends that the Community try to make greater concessions to the AAMS without, however, harming the interests of Community farmers.

It therefore suggests that protection with respect to the AAMS should in future be based on a special price level to be known as the 'contractual price'. This would have to be negotiated with the Associated States concerned, account being taken of the costs of the exporting Associated States.

The Commission feels that it should be possible in this way to push up the revenue of the AAMS. The flow of trade must clearly be stepped up—or

at least maintained — and the contractual price coupled to a sufficient degree of preferential treatment of imports of AAMS products.

13. The Commission believes that such trade arrangements would be particularly suited to *products liable to levies*. European producers would not suffer; the system would differ from the present one in that it would reduce the amount of levies since the contractual price would exceed that ruling on the world market.

Similar and competitive products liable to levies at present include rice, manioc products, sugar, fruit and preserved fruit with added sugar. Clearly the quantities imported from the AAMS are small compared to the Community's output of similar or competitive products.

In its attempts to find pragmatic solutions to problems arising from its relations with certain Mediterranean countries, the Community has already resorted to the 'conventional price' formula in the case of olive oil and citrus fruit.

14. This formula could also be applied to trade in *dutiable products* in so far as the common agricultural policy lays down provisions as to their price. This would be the case with beef and veal, tobacco and fishery products.

Imports of beef and veal amount to about 4,000 tons, of which 2,500 to 3,000 tons come from Réunion, which is considered as Community territory.

Imports of tobacco stand at around 5,000 tons or \$7m. in value.

Imports of fishery products amount to 11,500 tons (\$10m.) of which 7,500 tons are in the form of preserves (i.e. 2% of the Community's imports from third countries). The Community produces 2 million tons as compared to 220,000 tons in the AAMS.

The Committee on Agriculture stresses the importance it attaches to encouraging imports of sea products from the Associated States. For their part, the Associated States should not take any measures governing access to their territorial waters and fishing zones that would discriminate against the member States in relation to third countries.

The Commission recommends that preferential treatment for these products should take the form of cuts in customs duties which, if necessary, could be extended to duty-free entry. Thus, the proposal for a regulation on tobacco from the AAMS contemplates an 85% reduction in the Common External Tariff.

15. Finally, in the case of dutiable products for which no pricing provisions exist in the Community, the arrangement could consist solely in cuts in the Common External Tariff which could also be extended to duty-free entry.

16. The Committee on Agriculture would draw attention to the existence of trade links between the Associated States and certain French overseas departments forming part of the Community's tariff area. A similar situation may arise in other countries belonging to this area. In these territories remote from the Community, trade is carried out across the

frontiers, and some modified arrangement ought to be introduced so as to take account of local trade patterns.

B. *Processed agricultural products*

17. The second departure from the principle of free movement of goods between the Associated States and the Community applies to processed agricultural products.

The Commission recommends that for these products (at present, tapioca and chocolate) the Convention should make generous concessions since Community policy is to encourage industrialization of the AAMS, particularly through the processing of agricultural products.

The arrangements should be based on the following principles:

- (a) commercial advantages, as against third countries, identical to those accorded to each other by the member States. This means that for processed agricultural products liable to a levy the fixed component of this levy (corresponding to the processing costs) would be reduced to zero; dutiable products would be freed from duty;
- (b) imposition of a levy on the basic product calculated on its contractual price. In other words the levy would no longer be calculated on the world price of the product.

18. The Committee would point out that these principles fit in with the solutions proposed by the Joint Committee of the Association.⁽¹⁾ These appear likely to offer a measure of satisfaction to the AAMS without distorting the terms of competition within the group formed by the Associated States and the European Community.

IV—*Financial and technical co-operation*

19. The Committee on Agriculture does not regard it as its task to concern itself with every aspect of this matter.

It will instead deal with only two of these: (i) investment for improving agricultural structures and (ii) aid relating to the price, production and marketing of products exported by the AAMS. It should, however, be noted that the Commission's memorandum also envisages aid for the promotion of the sales of their products.

A. *Improvement of agricultural structures*

20. The Commission points out that 80 per cent of the population of the AAMS still depend on farming, including stock raising, for its living. Because of the low productivity in this sector, which acts as a brake on the economy, success in other sectors largely depends on development aid.

The Commission's proposals include conventional measures for improving production methods by

⁽¹⁾ See Armengaud report, Doc. 20/67, op. cit.

imparting knowledge and providing guidance. In addition, the setting up in certain cases of large-scale farms to produce suitable products by modern methods should be considered. If necessary these could be equipped with processing facilities.

This proposal appears to the Committee on Agriculture to be a particularly sensible one, especially for farms intended to serve as a model. For this purpose such farms should be capable of bearing the cost of amortizing investments; otherwise they would naturally fail to set the example desired.

Small holdings would obviously have to be retained alongside these model establishments, and the need to provide education and technical training for the population should not be lost sight of.

B. *Aid to marketing*

21. The second aspect the Committee on Agriculture would like to deal with is the provision of aid to cushion the effects of the fall in prices of certain products exported by the AAMS. The Commission dwells on the need to distinguish between subsidies to offset falling prices and advances to stabilization funds with a view to regularizing prices.

Measures should also be considered for certain products that form the backbone of the export revenue of some Associated States but are not covered by an international agreement.

22. Support should be given whenever the world price falls below a reference price fixed by the Community after consulting the AAMS. There is no question of fixing and guaranteeing a remunerative price because aid ought not to encourage overproduction and make things even more difficult for these products. All that would be aimed at is to cushion the effects of a sharp drop in world prices. A ceiling would be set to this type of aid.

23. The Commission points out that such an arrangement was adopted by the Council for oleaginous products in a decision of 27 July 1967. This was taken under Regulation No. 355/67 which followed up a resolution of 23 December 1963. This resolution set out, in addition to the principles to be applied to oleaginous products as a whole, those governing imports of these products from the Associated States.

The regime introduced by the decision of 27 July 1967—in force from 1 July 1967 to 31 May 1969—covers aid for oleaginous products from the Associated States whenever the world market price falls below the reference price fixed by the decision for each oleaginous product.

The following limits are, however, set to this aid:

It amounts to only 80 per cent of the difference between the world market price and the reference price; amounts of up to 80 per cent are deducted from aid to production financed by the EDF in so far as these amounts correspond to the difference between the reference price and the world price. The aid granted may not exceed 13 million u.a. for the period in question.

This system has not, however, entered into force yet because some member States have still to ratify the Council's decision, under which they are involved in budget expenditure for an event not expressly mentioned in the Treaty. The Council made this decision because it was not possible to grant preferential treatment to vegetable seeds imported from the Associated States because these are already admitted free of duty.

The Commission considers that with the present market situation this aid could be provided for oleaginous products, as already decided, and cotton.

24. In addition, the system of repayable advances to stabilization funds referred to in the Yaoundé Convention should be kept in force to help these solve the liquidity problems which would arise for some products in the event of wide fluctuations in prices.

25. The Committee on Agriculture proposes that the arguments put forward by the Commission on the renewal of the Yaoundé Convention be approved, all the more so as a number of these are based on the work done and the resolutions passed by the European Parliament.

In this connexion the Committee would draw attention to the proposal adopted by the European Parliament⁽¹⁾ for a charge on imported oleaginous products.

Some members of the Agricultural Committee have pointed out that the receipts could be passed on to the AAMS as a whole rather than only in part.

The Committee would draw attention to its view that the efforts made to conclude an international agreement on vegetable oils and fats should be continued

26. In spite of some difficulties encountered in its application, the Yaoundé Convention has proved to be one of the positive aspects of the European Economic Community's activity, both in the political and in the economic sector. In the social sector, in view of the rise in the living standard of the Community's population, it is essential to create suitable conditions in which the living standard of the peoples of the Associated States, too, can be gradually raised.

⁽¹⁾ See extract from the resolution passed on 21 March 1968, Official Gazette of the Community No. C 32 of 6 April 1968, p. 5:

'12. Requests the application of the Community charge on fats, decided in principle by the Council in December 1963, and urges that this should be increased to 0.10 units of account and that the funds thus made available be allocated to the EAGGF; part of these receipts should, however, be used to increase the prices paid to the producers of the countries associated with the EEC under the Yaoundé Convention, so as not to penalize them in applying this provision.'

Opinion of the Committee on External Trade Relations

Draftsman: Mr. Bersani

On 14 May 1968 the Committee on External Trade Relations was asked for an Opinion on the memorandum addressed to the Council by the Commission on the problems connected with the renewal of the Yaoundé Convention (Doc. 33/68), a subject for which the Committee on Relations with African States and Madagascar had been made responsible.

Mr. Bersani was appointed Draftsman of the Opinion at a meeting held on 9 September 1968.

The following Opinion was adopted unanimously—with one abstention—by the Committee on External Trade Relations at a meeting of 23 September 1968

The following were present: Messrs de la Malène, Chairman; Kriedemann and Westerterp, Vice-Chairmen; Artzinger, Baas, Bech, Boersma, Brégégère, Fanton, Marengli (deputizing for Mr. Graziosi), Micara, Radoux, Vredeling

1. It is with great interest that the Committee on External Trade Relations takes note of the memorandum addressed to the Council by the Commission of the European Communities last April for the purpose of preparing for the renewal of the Yaoundé Convention.

The initiative taken by the Commission, more than one year before the expiry of the present Association Agreement, is welcomed. It reflects the wishes of the European Parliament which has unfailingly stressed the crucial rôle played by the Commission in the association with the African and Malagasy States. It is, moreover, a good thing that these problems should be closely studied within the Community so that the ground can be carefully prepared for negotiations which, in pursuance of Article 60 of the present Convention, should lead to renewal of the present association system

2. The Committee on External Trade Relations is in favour of continuing the Association with the 18 African and Malagasy States and with the overseas countries and territories. With the situation as it is today, the Association is at once an effective and an original answer to the problem of regional development aid. The EEC-AAMS Association has marked a step forward in that it has shown that Africa can set out on the road to economic development while becoming politically independent by entering in a lasting and organized fashion into collaboration with the countries of the free world.

3. The Yaoundé Association ought not to remain the only contribution the Europe of the Six, as the largest world trading bloc, can make to solving the problems of the developing countries. These call for measures on a far wider scale—with the aid, among other things, of trade policy instruments—for the benefit of the third world as a whole, with special regard to the difficulties of Latin America. Regional arrangements, effective though they have been, have

been too limited in scope and can only be entertained pending real world-wide solutions. For the Europe of the Six the association with the AAMS must therefore form only part of the far-reaching action it can and must take, jointly with the other industrial countries, to alleviate the want from which so large a section of mankind is suffering.

4. This is why the renewed Association must be capable of adapting itself to any progress made at world level in the overhauling of the structures of international trade. Thus, the Association should not hamper the introduction of the system of general non-reciprocal preferences contemplated by UNCTAD in New Delhi for the manufactured and semi-manufactured products of all developing countries. Nor should it hold up the quest at world level for far-reaching remedies leading to a gradual change in the trade and tariff policies of the industrial countries aimed at promoting the exports of the poorer countries, and particularly the worst-placed among them.

It is too soon to pronounce on the outcome of a development which will not be completed for a considerable time. It may, however, be expected that, if the international efforts being made in this direction prove successful, the commercial content of the EEC-AAMS Association may in future undergo a change which might be accompanied by a tightening of the bonds of association in the field of financial co-operation

5. To prepare for the future, it would be as well to provide in the new Convention for suitable instruments of collaboration in the trade policy field between the EEC and the AAMS. Steps should be taken to renew and strengthen all the machinery that has so far enabled the parties to the Association to co-ordinate their policies with respect to the main problems of trade with third countries—for example, Article 12 of the Yaoundé Convention (exchanges of information on trade policy) and Protocol No. 4

(joint action at international level concerning mutual interests, with particular regard for tropical products).

6. The EEC-AAMS Association should continue to be kept open to countries with comparable outputs and economic structures. The declaration of intent approved by the EEC member States on 2 April 1963, which opens the door not only to accession but also to a separate association, carrying reciprocal rights and obligations, or a trade agreement, should naturally remain applicable to these countries.

In the renewed association, the search for contacts between the 18 Associated States and other African countries that have forged links of association with the EEC should be continued. Similarly, the EEC-AAMS Association should be used increasingly as an instrument for fostering economic groupings among the Associated States and, if possible, also between the Associated States and third countries.

7. In conclusion, the Committee on External Trade Relations, having regard to the observations made above, is in favour of renewing the trading arrangements of the EEC-AAMS Association on the basis of the system at present in force.

It also earnestly hopes that the international situation in the field of trade and development will so progress as to bring about a radical change in the existing preferential system and usher in a new economic order in trade relations between the industrialized and the developing countries.

The EEC-AAMS Association induced the six member States of the Community to discuss among themselves the major problems of development, increasingly a subject of international debate. It is to be hoped, therefore, that the crucial date of expiry of the Convention in 1969 will offer an opportunity to the EEC to reaffirm and strengthen its special links with a number of less advanced countries, with a view to arriving at a common commercial policy towards the developing countries as a whole.

