

# **THE DEVELOPING COUNTRIES - PRODUCE AND TRADE**

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PART IMARKETS IN TROPICAL PRODUCTSCOFFEEMarket trends

Indicator prices under the International Coffee Agreement during the 1967/68 coffee year were as follows:

	Colombian milds	Other mild arabicas	Brazils	(cents/lb) Robustas
<u>1967</u>				
October	40.53	38.43	36.76	33.07
November	42.77	39.31	36.63	33.94
December	41.14	38.61	36.63	33.97
<u>1968</u>				
January	41.58	39.28	36.93	34.40
February	41.87	39.42	37.13	34.32
March	42.95	40.02	37.32	34.27
April	42.70	40.19	37.83	34.18
May	42.39	40.00	37.39	34.25
June	42.78	40.28	37.25	34.33
July	42.83	39.99	37.25	34.01
August	42.63	39.29	37.25	33.92
September	42.59	38.73	37.25	33.94
October	43.30	38.76	37.49	33.59
November				

Prices for Colombian coffees improved considerably following a drop at the end of 1967 and early 1968, but this improvement did not last until the end of 1968. The trend for other mild arabicas was quite different - prices for these rose steadily during the first half of 1968 but by the end of the marketing year had dropped back to their initial level. The position of unwashed arabicas (Brazil) improved slightly over the same period, price fluctuations remaining very limited. The trend for robustas is comparable to that for other mild arabicas, with a rise in prices in the middle of the 1967/68 marketing year but similar price levels at the beginning and end of the year.

It is worth stressing that, thanks to the International Coffee Agreement, price variations continue to be modest. In a single year the biggest variation in average .../...

monthly prices was no more than 2.2 cents/lb, in other words, 5% of the average annual price for the coffees in question (Colombian arabicas).

The International Coffee Agreement

The 12th session of the International Coffee Council, held in August-September 1968, was largely devoted to a discussion of measures to implement the 1968 Agreement in the 1968/69 marketing year. It will be remembered that the new agreement came into force provisionally on 1 October 1968.

The usual difficulties encountered in connection with the fixing of annual quotas and their adjustment during the year were overcome. Here we might briefly recall the arrangements adopted for 1968/69:

- (a) The initial export quota was fixed at 47.8 million sacks;
- (b) Beginning in the second quarter, a reserve quota of 1.5 million sacks is to be made available on a pro rata basis in quarterly lots of 500 000 sacks should the combined daily price for the three main varieties of coffee (mild arabicas, unwashed arabicas and robustas) be equal to or higher than 37.4 cents/lb for 15 consecutive marketing days during each of the quarters in question. In other words, this represents a return to the average indicator price which serves as a barometer of fluctuations on the world market as a whole;
- (c) Quotas are to be adjusted according to the movements of the prices of the main types of coffee. The upper and lower price limits have been fixed as follows for 1968/69:

	<u>Minimum price</u>	(cents/lb) <u>Maximum price</u>
Colombian milds	39.25	43.25
Other mild arabicas	37.25	41.25
Unwashed arabicas	35.25	39.25
Robustas	30.50	34.50

The only changes as compared with 1967/68 are an increase of 0.50 cents in prices for Colombian milds and an increase of 0.25 cents in the maximum price for robustas. The Executive Board may, if necessary, revise these price margins

after 1 April 1969, by a two-thirds majority vote. Automatic adjustments to be made by the Executive Director will represent up to 3% of the initial quota, unless the Executive Board decides otherwise. Downwards adjustments in quotas may not exceed a quantity equal to 5% of the initial quota and the net increase resulting from an earlier adjustment.

The advertising programme for 1968/69 submitted by the World Coffee Promotion Committee (WCPC) presented unexpected difficulties for the Council, which has hitherto always approved the WCPC's proposals without debate. It is true that advertising is becoming more and more important because of the tendency for coffee consumption to remain stationary, or even decline, in some major importing countries, including the United States. The programme put forward by the WCPC had cut down on the number of consumer countries in which promotion campaigns would be carried out, with a view to making more efficient use of the resources available ( approximately \$7 million a year). The programme met with criticism from several exporting countries and had to be amended by extending the list of countries in which promotion campaigns would be organized.

Two problems - stricter control measures and a stronger statute for the Diversification Fund - were left in abeyance in September and were raised again at another session of the International Coffee Council in December 1968.

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COCOAMarket trends

During the 1967/68 marketing year, prices for spot cocoa were as follows (monthly average for Ghana cocoa):

	<u>London</u> (shillings/cwt)	<u>New York</u> (Cents/lb)
<u>1967</u>		
October	246	29.5
November	273 <sup>1</sup>	31.3
December	290	31.5
<u>1968</u>		
January	293	31.6
February	282	29.8
March	280	30.2
April	284	30.6
May	282	29.9
June	282	29.1
July	285	29.6
August	295	31.0
September	331	36.8
October	374	39.4

<sup>1</sup> After devaluation.

The relatively slow rise in prices during 1967 levelled off during most of 1968 at 280/290 shillings/cwt (30/31 cents/lb), which is rather high. But the prices took another leap forward in the autumn of 1968, to reach record levels. The rise in prices in September and October was spectacular for spot cocoa and futures alike. Indeed, prices for spot cocoa have not been as high as 330 shillings/cwt (37 cts/lb) since 1959. The indicator price calculated in accordance with the draft international cocoa agreement (terminal market values) was in the region of 36 cents/lb at the end of September 1968, in other words 7 cents above the maximum of the price range envisaged in the draft

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agreement (20-29 cents/lb). Because of speculation, the increase in prices became even more marked during November, Ghana cocoa fetching 420 shillings/cwt for the first time since 1954.

The price pattern is largely explained by the statistics for the product. It looks as though the new 1968/69 harvest, which was affected by excessive rains in West Africa, will again be on the low side. This means that for the fourth year running production will not be sufficient to match the steady increase in consumption, which could only be met up to now by drawing heavily on stocks held by consumer countries. At present stocks are lower than they have been for ten years, and represent less than three months consumption. It is true that some trends in the opposite direction are also helping to unsettle the market. Partial figures for grindings in certain large consumer countries in 1968 show that these are down a little on 1967, and retail price increases could hinder the tendency for consumption to expand. These factors alone, however, will not be enough to act as a brake on rising prices in the months ahead.

Recent FAO forecasts can be summed up as follows:

	('000 tons)	
<u>Production</u>	<u>1967/68</u>	<u>1968/69</u>
Ghana	421	381
Nigeria	235	183
Ivory Coast	145	120
Cameroon	94	105
Brazil	147	171
<u>World</u>	<u>1339</u>	<u>1272</u>
 <u>Consumption (grindings)</u>		
Germany (FR)	148	143
Netherlands	105	103
France	52	48
Italy	42	40
BLEU	18	18
<u>EEC</u>	<u>365</u>	<u>352</u>
United Kingdom	92	92
USSR	90	90
USA	293	279
<u>World</u>	<u>1373</u>	<u>1367</u>

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Certain private sources forecast an even larger deficit in the 1968/69 harvest - which, they maintain, will not amount to more than 1 200 000 tons. In other words, given estimated grindings, they forecast a gap of approximately 170 000 tons between production and demand in 1969.

Consultations with a view to reconvening the United Nations Conference on Cocoa

Fresh consultations took place within UNCTAD in June 1968 with a view to finding a solution to the various problems left in abeyance when the cocoa conference adjourned in December 1967. Considerable progress was made with regard to arrangements to protect the minimum price and payments for buffer cocoa stocks bought from producing countries. A working party examined the control measures to be incorporated in the agreement. The problems of obstacles to consumption and preferences were discussed in the light of corresponding provisions in the International Coffee Agreement, but many countries had reservations on this subject. Nor was any solution found to questions like the division of voting rights, a possible right of veto, and exports of processed products.

The next negotiating conference, or another round of consultations, may take place during 1969.

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OILS AND FATS

The general features of this market were confirmed during the last few months, the availabilities of its various components largely determining the trend of prices and the price ratios between competing products. Amongst these last, by-products are becoming more and more important - they accounted for 43% of total sales in 1967 compared with 39% in 1966 and 32% in 1955-1957.

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Prices have developed as follows since October 1967:<sup>1</sup>

	(US \$/t, cif European ports) (Nearest embarcation point)		
	4th quarter 1967	1st quarter 1968	mid-November 1968
Groundnuts, shelled (Nigeria)	159	158	(170)
Groundnut oil, 3.5% acidity, in bulk (Nigeria)	250	254	(280)
Palm kernels, 49% oil, in bags (Nigeria)	182	203 (2 months)	(158)
Copra, in bulk (Philippines)	241	265	(192)
Coconut oil, 1% acidity, in bulk (Ceylon)	366	403	(356)
Palm oil, 5% acidity, in bulk (Sumatra)	218 (2 months)	187	(135)
Soya beans, No. 2, in bulk (USA), (United Kingdom)	111	114	(109)
Soya-bean oil (all sources)	199	192	(172)

The most striking features of recent developments on the oils and fats market were as follows:

(a) Prices for products containing lauric acid (copra, palm kernels and their oils) in which copra and copra availabilities in the Philippines play a decisive role, shot up until the month of May. This rise was followed by an even more sudden drop in prices which, however, affected the primary products considerably more than their oils.

It will be noted that despite technical progress in the substitutability of different oils and fats, products containing lauric acid are still in the strongest position, partly because of the special characteristics of these products and partly because of the special influence that climatic factors have on the level of production.

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<sup>1</sup> See "The Developing Countries - Produce and Trade", No. 7, April 1968.

(b) Until November 1967, prices for palm oil remained at a level which corresponds roughly with average prices over the previous seven years.

Prices dropped appreciably from the end of 1967 until June 1968 but did not sink below a sort of threshold, approximately 15% lower than price levels in the previous six months. From June 1968 onwards prices plummeted, to reach approximately 60% of their average 1960-1967 level between September and mid-November.

The virtual disappearance of Nigeria as an exporter in 1968 - this trend was already very much in evidence in 1967 - was more than offset by a slight recovery in exports from Congo (Kinshasa) and Indonesia and by a very appreciable increase in exports from Malaysia.

Without going so far as to compare palm oil and fish oil markets, it is worth noting how exports of fish oil have grown. This is a by-product of fish meal manufacture. In 1967 640 000 tons were exported - appreciably more than the tonnage of palm oil - representing a 36% increase on the previous year. Fish oil prices dropped by about 50% between the first half of 1967 and November 1968.

(c) Soft oils are dominated by soya, mainly from the United States, the oil being a by-product of oilcake manufacture. Prices for soya-bean seed fell slightly from June onwards although soya-bean oil prices were much more depressed. The American harvest should be 6% higher than last year's (40% higher than average harvests over the period 1960-64).

Largely because of the announcement of relatively poor groundnut harvests in Africa, there is a tendency for seed and oil prices to become somewhat firmer than at the end of 1967 and early 1968. Prices have not, however, returned to the average level of previous years.

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As regards the African Associates and Overseas Territories, it has not yet been possible to go ahead with the financial aid arrangements,<sup>1</sup> provided for in a decision taken in July 1967. These cover the principal oils and fats imported into the Member States between 1 July 1967 and 31 May 1969, but they cannot be implemented because the necessary parliamentary procedures for approving the decision have not been completed in some Member States.

At international level, the FAO Study Group on Oils and Oilseeds met in December 1968 to consider future action in the light of the list of items for examination drawn up by it in February 1968.<sup>1</sup>

In this connection it should be remembered that the United Nations Conference on Trade and Development made a special request in April 1968 that possible solutions to the problems posed by trade in oilseeds, oils and fats be examined as a matter of urgency.

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<sup>1</sup> See "The Developing Countries - Produce and Trade", No. 7, April 1968.

BANANAS

General study of AASM bananas

The Commission has undertaken an extensive study of the market for AASM bananas in the EEC, as part of the Community programme to promote sales of AASM produce. This study will consist of three sections: production and marketing in producer countries; sea transport; and the marketing of the fruit in consumer countries.

The three sections of the study have been entrusted to an Italian agricultural research institute, a German expert on sea transport and a Dutch market research bureau. It will be supplemented by an analytical report which will summarize and discuss the information and conclusions contained in the three sections.

The purpose of the study is twofold: firstly, to give the most complete and precise account of the economic situation of banana-growing at all stages from producer to consumer, and secondly, to use the information thus obtained in order to make AASM bananas more competitive and in order to provide a basis for possible Community aid to promote sales. The Commission hopes to publish this study in the first half of 1969, and will ensure that it reaches a wide public.

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COTTONDevelopments on the world cotton market and their effects on the market for cotton from the Yaoundé countriesPrices

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

Quality: Standard No. 1 from Chad/Cameroon

Length of fibre 1 1/16 of an inch

1967		1968										
Jan.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
2.93	3.28	3.40	3.40	3.39	3.32	3.30	3.22	3.22	3.21	3.19	3.10	3.09

One feature of the world cotton market in 1966 was a big drop in prices. This meant serious difficulties for cotton-growing developing countries, including the African associates. The 1967 cotton year, however, saw a rather spectacular recovery in prices which was maintained during the early months of 1968. The rise in prices was particularly noticeable in the case of superior medium- or long-stapled qualities, which are the ones most in demand.<sup>1</sup>

From February 1968 onwards, however, the prospect of a more abundant harvest in the 1968/69 cotton year,<sup>2</sup> particularly in the United States, which is still the world's leading grower of cotton, encouraged importers to put off buying supplies in the hope that prices would fall - as they did in the months that followed.

The trend of prices for cotton from the Yaoundé countries closely followed the trend on the world market. Thus, as the table shows, Standard No. 1 from Chad/Cameroon experienced a more or less steady increase throughout 1967, reaching a peak price of 3.40 FF/kg (oif) in January 1968, but had dropped back to 3.09 FF/kg (oif) by November. This is a considerably lower level but it might

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<sup>1</sup> "The Developing Countries - Produce and Trade", No. 7, April 1968.

<sup>2</sup> The cotton year begins on 1 August and ends on 31 July.

perhaps be regarded as being more in line with the overall cotton situation.

World market prospects

There is no cause for any grave concern about the short-term prospects for the world market in natural fibres. Forecasts for overall production and consumption show that the statistical position is very close to equilibrium and stocks are normal - two factors which will obviously make for stability. However, prices may suffer a setback later, owing to stagnation or even reduced activity in the cotton industries in many industrialized countries, which makes these countries rather hesitant in their attitude to imports, combined with some pressure on prices from several developing countries faced with the necessity of disposing of their cotton crops.

In the longer term, the world cotton market will continue to depend on the consumption pattern for substitute fibres. The general trend towards substituting manmade for natural fibres is reflected in the decline of the relative share of cotton in world consumption of textile fibres; it dropped from 66% in 1957 to 54% in 1967. Conversely, the relative share of substitute fibres is increasing steadily; it moved from 28% in 1957 to 42% in 1967. Nevertheless, increased industrial capacity in developing countries and the growing demand for textiles should mean that, on the whole, cotton consumption will remain at a relatively high level.

Finally, the question of whether or not natural fibres will benefit from increased world consumption of textile fibres will continue to depend in the future, perhaps even more than in the past, on the capacity of producer countries to improve the quality of the natural product to meet the needs of the market and on their unremitting efforts to achieve greater competitiveness.

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PART II  
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TRADE WITH THE ASSOCIATED AFRICAN COUNTRIES

EEC imports of the main AASM products 1964-1967<sup>1</sup>

I. General trend of EEC imports from the AASM

(a) Compared with the trend of total EEC imports

Total EEC imports from the rest of the world had been growing steadily during 1964, 1965 and 1966, but did not increase in 1967. This, however, is the overall picture and it does not apply to all Member States - Dutch imports continued to rise, and Italian imports even more so. Imports by the BLEU and France remained much the same as in 1966, while German imports were down by 5%.

The pattern of Community imports from the AASM is slightly different. Taking 1964 as base year (= 100), the index of Community imports was as follows:

	<u>1965</u>	<u>1966</u>	<u>1967</u>
Total imports	106	114	114
Imports from AASM	100	115	113

It is clear, then, that total EEC imports from the rest of the world increased from 1964 to 1966 but were stagnant in 1967. Imports from the AASM, on the other hand, showed no increase in 1965, moved up appreciably in 1966 and maintained this level in 1967.

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<sup>1</sup> This analysis is derived, in the main, from a study published in July 1968 by the Commission (Directorate-General for Development Aid) entitled "The pattern of EEC imports of the main AASM products - 1964-1967".

(b) Imports from the AASM by individual Member States

France continues to be by far the chief EEC importer of AASM products. In 1967 French imports returned to their 1964 level, following a decline in 1965 and 1966 (index 90 and 98 respectively, taking 1964 as base year).

In contrast to this imports by BLEU, the EEC's second largest importer of AASM products, increased appreciably in 1966 (index 150, taking 1964 as base year) but slackened in 1967, although the level remained appreciably higher than in 1964 (index 127).

There was a steady if modest increase in German imports from the AASM (indices 102, 108 and 114 for 1965, 1966 and 1967 respectively).

Italian imports increased spectacularly in 1965 (index 153). This trend slackened somewhat in 1966 but picked up again in 1967 (index 166).

Finally, following a period of stagnation, the value of Dutch imports from the AASM increased in 1967 (index 111).

In 1967 the AASM provided 8.7% of total French imports (as against 9.7% in 1964) and 9% of total BLEU imports (as compared with 8.2% in 1964). The AASM's share in total Italian imports, though still on the low side, was up on 1964 (2.6% as against 2%), while their relative share of total German and Dutch imports remained constant but very low (1.7% and 1.6% respectively).

(c) EEC imports from the individual AASM countries

The AASM countries which export most to the EEC are Congo (Kinshasa), the Ivory Coast, Cameroon and Senegal. In 1967 these four between them accounted for almost three-quarters of all AASM sales to the EEC. Since 1964, EEC imports from Congo (Kinshasa) have increased by 33%, and imports from the Ivory Coast by 22%. Over the same period, imports from Cameroon and Senegal fell slightly (by 3% and 2% respectively).

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Imports from Gabon are also sizeable, and relatively stable. There has been an appreciable falling-off in imports from Madagascar (by 27% between 1964 and 1967), mainly owing to a decline in purchases of sugar and coffee. Imports from Mauritania have increased considerably (55%), thanks to the growth of mineral ore exports. Imports from Niger have also been booming (63%), largely because of increased purchases of groundnuts in 1967. Congo (Brazzaville) and Togo also export considerable quantities of goods to the EEC. In 1967 these six countries together accounted for approximately 22% of EEC imports from the AASM. In other words, the remaining associated countries (Somalia, Chad, the Central African Republic, Dahomey, Burundi, Upper Volta, Mali and Rwanda) account for no more than 5% of total EEC imports from the AASM.

## II. Principal AASM products imported by the Community

### (a) Their relative importance

Copper is the main item imported by the Community from the AASM, representing more than one fifth of the value of these imports. Copper is followed by tropical woods and coffee, which lie half-way down the list (with 13% and 11% respectively), and by a handful of products representing between 8% and 4% of total EEC imports from the AASM in terms of value. They are cocoa, groundnuts, mineral ores, groundnut oil and bananas, in that order.

During the period under consideration there was scarcely any change in this sequence, apart from that resulting from a distinct, steady increase in imports of mineral ores. These now occupy sixth place in total EEC imports from the AASM.

Between them the eight products listed above account for approximately 70% of total Community imports from the AASM. It is clear, therefore, that there is still very little export diversification.

The relative importance of the eight products does, however, vary considerably from one member country to another. With the exception of mineral ores, all eight of them figure amongst the main products imported by France, but the order is slightly different. Coffee heads the list, followed by tropical woods,

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groundnuts, groundnut oil, copper, bananas, cotton and cocoa. France thus imports all the main products exported by the AASM with the exception of tin and zinc.

BLEU, on the other hand, concentrates on imports of mining products, particularly copper and tin, which alone represent more than 70% of all their imports from the AASM. BLEU also imports significant quantities of certain crop products (cocoa, tobacco, palm oil, palm kernels, rubber and cotton).

The Netherlands imports a relatively limited range of products. The main items are cocoa, woods, palm oil and copper; these four represent 70% of all Dutch imports from the AASM. They are followed by palm kernels, cotton, sisal, iron, phosphates and tin.

Four products also represent 70% of total Italian imports from the AASM; they are copper, woods, coffee and bananas, in that order.

German imports are slightly more varied: they include primarily tropical woods, cocoa, iron, coffee and palm oil, together with most of the other AASM products imported by the Community but with two notable exceptions - bananas and groundnuts.

(b) Trends 1964-1967

The proportion of crop products in total AASM exports to the EEC declined steadily between 1964 and 1966, recovering slightly in 1967. It remained preponderant all the time, however.

These fluctuations are explained by a degree of stagnation in imports of crop products during the first three years, combined with a substantial increase in imports of mining products. The converse is true for 1967 - imports of crop products rose and imports of mining products fell.

Between 1964 and 1966 there was a decline in Community imports from the AASM of coffee, palm kernels, palm oil, groundnut oil, cotton, sisal and, especially sugar. This was offset to some extent by increased imports of cocoa, bananas, groundnuts, palm-kernel oil, oilcake and cattle hides. Over the same three-year period the Community stepped up its imports of iron ores, manganese, phosphates and, most important of all, copper.

The growth of imports of cocoa and oilcake was maintained in 1967 and imports of palm oil, groundnuts and sugar rose. There was also a steady advance in imports of secondary products such as vanilla and essential oils. On the other hand, 1967 witnessed a decline in Community imports of AASM iron, manganese, phosphates, tin, copper (this product had admittedly experienced a real boom in 1966), and zinc.

Crop products dominate in imports by all Member States with the exception of BLEU. Here these products are altogether of secondary importance - barely 10% in 1967 as against 17% in 1964. There is no indication, however, of crop products having made a recovery in either France or Italy in 1967 - their relative position in these two countries continues to decline.

(c) Competition from other developing countries

The poor degree of diversification which characterizes Community imports from the AASM is also evident in its imports from other African countries and even more so in its imports from Asia. The main reason for this is the relatively limited range of goods offered by these developing countries.

A further ten products or so must be added to the eight listed in order to account for 70% of total imports from Africa excluding the AASM. But a single product on its own accounts for almost 45% of these imports - this product is,

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of course, petroleum from North Africa and Nigeria. Other important items in order of value, are copper, iron, cotton, cocoa, groundnuts, coffee, phosphates, oilcake, tropical woods, tobaccos and manganese ores. Competition between these developing countries and the AASM is mainly confined to coffee, groundnuts, manganese and copper.

Petroleum from the Middle East is, of course, the principal import from Asia, representing almost 65% of all Community imports from that part of the world. Other important Asian exports to the Six are rubber, copra, palm oil, tropical woods and tin ores.

The picture for Latin America is different. No single product dominates trade to such an obvious extent, and these countries have a somewhat wider range of goods to offer: cereals, meat, wool and silver must be added to the list of products exported in quantity by the AASM. It is worth noting that Latin America exports hardly any tropical oilseeds, rubber, phosphates or aluminium, and only very small quantities of tropical woods or manganese ores. Competition is largely confined to bananas, coffee, copper and iron ores.

Finally, imports from the overseas countries, territories and departments associated with the Community are limited to a handful of products (petroleum, sugar, bananas, coffee, vanilla, copra, rice, essential oils and aluminium).

The AASM therefore have to contend with competition from other developing countries on Community markets for all the products traditionally exported by them. The only exceptions to this are palm-kernel oil and aluminium; for these two products they have the field to themselves.

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TRADE ARRANGEMENTS IN THE ASSOCIATION AGREEMENT BETWEEN THE EEC AND THE EAST AFRICAN STATES

On 26 July 1968 an Association Agreement was signed in Arusha between the EEC and the member countries of the East African Community - Kenya, Uganda and Tanzania. The Agreement is based on Article 238 of the Treaty of Rome and on the second formula in the Declaration of Intention made by the Member States of the Community on 20 July 1963. In this the Member States declared that they were prepared to seek the conclusion of association agreements "involving reciprocal rights and obligations, notably in the matter of trade" through negotiations with countries whose structure and production is comparable with those of the AASM.

In essentials, the Agreement follows the pattern of the Yaoundé Convention and the Lagos Agreement, and creates a free trade area between the partners. Allowance has been made, however, for the different levels of development of the partners. Thus, when products originating in the Member States of the Community are imported into the East African states they will, in principle, benefit from the elimination of customs duties and charges having equivalent effect. But the East African states may retain or introduce customs duties and charges having equivalent effect which are necessary to meet their development needs or their industrialization requirements or which are intended to contribute to their budgets.

The Community has agreed that customs duties will be abolished in respect of a limited number of EEC products only. In no case may the customs duties and charges having equivalent effect levied by the East African states under these provisions give rise, de jure or de facto, to any direct or indirect discrimination between EEC Member States.

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As regards import restrictions, the East African states have undertaken not to apply any quantitative restrictions or measures having equivalent effect to imports of goods originating in the EEC Member States but, notwithstanding this principle, they may retain quantitative restrictions or introduce new ones on the importation of goods originating in Member States in order to meet their development needs or industrialization requirements, or in the event of difficulties in their balance of payments or, where agricultural products are concerned, in connection with the development of the East African Common Market.

For their part, the EEC Member States have undertaken to apply to East African products the same arrangements as those applied between themselves in the matter of both customs duties (duty-free entry) and quantitative restrictions. As an exception to this principle, the Community has pledged itself, within the framework of the common agricultural policy, to take the interests of the East African countries into consideration as regards products similar to, and competitive with, European products.

Furthermore, to safeguard the interests of the AASM, intra-Community arrangements will only apply within the limits of given tariff quotas to two products - unroasted coffee and cloves - which compete with products from the AASM. The volume of the tariff quotas has been fixed by common agreement on the basis of imports over the last three years. For the same reason, special provisions authorize the Community to take the necessary steps to safeguard the interests of the AASM in the event of Community imports of tinned pineapple from the East African states exceeding a certain quantity in any one half-year, this quantity being calculated on the basis of imports in the three most recent years.

In all fields, arrangements have been made for possible consultations on implementation of the provisions of the Agreement.

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As regards the definition of the concept of origin of goods, which is important in connection with special arrangements for products from the East African states, a Protocol to the Agreement indicates that the Association Council shall, at its first session, lay down a precise definition of the concept of "goods originating in ..." and will determine the methods of administrative co-operation. The Community has pointed out to the East African states that it would be well if this definition of origin could be as close as possible to that contained in the Yaoundé Convention.

The Agreement is supplemented by a number of provisions analogous to those in the Yaoundé Convention:

- (a) Without prejudice to special provisions for border trade, the treatment that the East African states apply to goods originating in the Member States shall in no case be less favourable than that applied to goods originating in the most favoured third country.
- (b) The Agreement shall not preclude the maintenance or establishment between the East African states of customs unions or free trade areas, nor the retention or establishment of customs unions or free trade areas between the East African states and one or more third countries.
- (c) The Agreement allows exceptions to be made to the provisions described above for reasons of public morality, public policy, public security, etc.
- (d) Safeguard clauses are included to deal with the possibility of serious disturbances occurring in a sector of the economy of one or more of the East African countries or of the Community or of one or more Member States.
- (e) Any measure or practice of an internal fiscal nature that directly or indirectly leads to discrimination between the products of one Contracting Party and like products originating in the territory of the other Contracting Parties is prohibited.

.../...

(f) Finally, with regard to commercial policy, the Agreement provides that the Contracting Parties shall keep each other informed and, should one of them so request, shall consult together within the Association Council for the purpose of giving proper effect to the Agreement. Information given and consultations held shall bear on measures concerning trade with third countries if these measures are likely to harm the interests of any Contracting Party.

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PARTICIPATION BY THE AASM IN EEC TRADE FAIRS AND EXHIBITIONS IN 1968; UNDER THE COMMUNITY PROGRAMME<sup>1</sup>

The AASM took part in seven fairs and exhibitions during 1968. Five of these were general trade fairs, and two were specialized food exhibitions. The events concerned were the 46th International Fair in Milan (6 AASM countries exhibited); 41st International Fair in Brussels (8 AASM); 57th International Fair in Paris (7 AASM); 32nd Levant Fair in Bari (4 AASM); 6th "Partners in Progress Exhibition" in Berlin (14 AASM); 7th International Food Exhibition (IKOFA) in Munich (3 AASM); 3rd International Food Exhibition in Paris (4 AASM). It is estimated that a total of 5 million people visited the AASM stands.

Many practical problems had to be tackled in this connection, regarding choice of sites, utilization of space allocated, construction, equipment and decoration of stands, display of produce, stands where produce could be sampled, preparation of documentation (publicity folders, technical leaflets on individual products, special brochures), public relations (film shows, lectures, receptions, press and radio coverage, etc.).

<sup>1</sup> See "The Developing Countries - Produce and Trade", No. 7, April 1968.

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The experience of 1968 has been distinctly encouraging. The initial results are worthwhile, for the general public and trade circles in the Member States, and for the AASM countries themselves.

Trade contacts mainly concerned export possibilities for AASM products. Importers, wholesalers and roasters "discovered" certain varieties of arabica coffees from the Yaoundé Convention countries for the first time. People in the cocoa, skins and hides, and fish products trades, and importers of craft work - to single out the groups most affected - showed a lively interest in the goods offered by the exhibitors. During the seven fairs and exhibitions more than a thousand trade contacts were made and recorded, some of them of great importance for the AASM.

The AASM stands were a great success with the general public. The stands at which visitors could sample coffee, cocoa, pineapple juice, peanuts, mangoes, and tapioca preparations exerted their familiar attraction. But great interest was also shown in the wide variety of goods produced by African craftsmen. Numerous orders were placed for these, and many were sold. The AASM representatives themselves were pleased, on the whole, with this formula for group participation in fairs and exhibitions. Their efforts and the ventures undertaken became more ambitious as the programme advanced. They are now aware of the advantages of finding openings for their products, and appreciate the exertions that must be made to get into certain EEC markets.

The balance sheet for this first year of joint participation in fairs and exhibitions is, therefore, a favourable one. The programme could be made even more effective by choosing those fairs and exhibitions best suited to the special characteristics of AASM goods; training stand personnel; selecting goods for display; previous trade publicity; and following up the trade contacts made.

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The programme will continue throughout the first half of 1969, with AASM stands at international fairs in Milan, Brussels and Paris in April and May.

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STUDY ON THE POSSIBILITY OF CREATING A JOINT AASM EXPORT AGENCY

The main purpose of this study is to suggest concrete ways and means of promoting sales of AASM products on Community markets. The first phase of the study, already under way, is being carried out in the Yaoundé countries themselves. It deals with marketing conditions; forecasts for increase of exportable products; difficulties encountered in marketing these products on EEC markets; and opinions and suggestions from the public and private sectors as to desirable improvements, with particular reference to the advisability of creating a suitable export agency. The second phase of the study will be carried out in Europe. It will deal with the special marketing conditions for AASM products, the improvements which should be made, the steps which should be taken to promote trade, the structure of an agency which might be set up for this purpose, the cost of such steps and this agency, viewed in the light of the advantages which the AASM might be expected to reap from them over the next five years.

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