

PARLIAMENTARY CONFERENCE OF THE ASSOCIATION
BETWEEN THE EEC AND THE AFRICAN STATES AND MADAGASCAR

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Report

drawn up on behalf of the

Joint Committee

on the

Fourth Annual Report on the activities of the Council
of Association (Doc. 22-I/II) to the Parliamentary
Conference of the Association

Rapporteur: Mr. Édouard Ébagnitchie

*) 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.

At its meeting in Strasbourg on 7 December 1967 the Joint Committee decided, in compliance with Article 14 of the Rules of Procedure, to submit a report to the Parliamentary Conference of the Association on the fourth annual report on the activities of the Association Council.

At this meeting, Mr. Édouard Ébagnitchie was appointed rapporteur, in accordance with Article 15 of the Rules of Procedure.

This report was unanimously approved by the Joint Committee at the meeting it held in Brazzaville from 14 to 16 October 1968.

The following were present: Mr. Sissoko (Mali), Chairman; Mr. Thorn, Vice-Chairman; Mr. Ébagnitchie (Ivory Coast), Rapporteur; Messrs. Achenbach, Aigner, Armengaud, Briot, Califice (deputizing for Mr. Carboni), Ngoo Mebe (Cameroon), Colin, Mouloundou (Congo-Brazzaville), Dewulf, Bouanga (Gabon), Gerlach (deputizing for Mr. Carcassonne), Glinne, Hahn, Laudrin, Rakotozafimahery (Madagascar), Mohamed Fall Babaha (Mauritania), Metzger, Müller (deputizing for Mr. Pedini), Perret (Niger), Bicamumpaka (Rwanda), Guillabert (Senegal), Ahmed Goumane Roble (Somalia), Spénale, Komlan Kouma (Togo), Westerterp (deputizing for Mr. Schuijt).

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I—Introduction

1. The Parliamentary Conference of the Association is being called upon for the fourth time to comment on the activities of the Association between the European Economic Community and the 18 African and Malagasy States signatory to the Yaoundé Convention.

It is important to stress that the Conference, in its function as the institution responsible for exercising political control, has played a very necessary part in keeping the general public informed in the 24 partner States on all the problems arising in the relations between the EEC and the AAMS. In fact, this has been possible because all the members of the Association have never ceased to affirm their determination to carry on this common endeavour with a view to promoting together the economic and social progress of their peoples.

2. This determination to uphold the Association is now even stronger because the results in the form of an international solution to the problem of underdevelopment which the third world, particularly the AAMS, hoped would follow from the efforts made, notably by the United Nations Trade and Development Conference have not been forthcoming.

There is, on the other hand, no lack of proof of the success of the Association. It is thus easy to understand that this form of co-operation exercises an attraction for other African countries. The Associated African and Malagasy States cannot but be gratified that their European partners are widening their scope in this context; and it is worth remembering that it was the faith these States had in this original endeavour that has made the Association what it has now become.

This common faith should spur us not to relax our efforts but, at the same time, it should prompt us to see to it that the Association is increasingly consonant with the needs of the AAMS so that it may achieve in full the aims which it set for itself.

3. Following the meetings in Dakar, Rome, Abidjan and Strasbourg, the Antananarivo session represents an important milestone in co-operation between the European Economic Community and

the Associated States because it offers the members of the Parliamentary Conference of the Association an opportunity, in this pivotal year of the Association, to look back and assess not only how the Yaoundé Convention has been applied but also and, above all, to compare notes on the problems involved in renewing this Association.

We can thus help endow the Association with new means for action, in the light of the experience of the two previous Conventions and bearing in mind the imperatives of increased co-operation between Europe and Africa, so that this great common endeavour which is the Association may be still further strengthened.

4. With this object in view, the observations and suggestions which the Conference puts forward when it deals with the fourth annual report of the Association Council will, by virtue of today's circumstances, assume special significance.

The members of the Joint Committee, guided by a spirit of frank and constructive co-operation, made an active contribution at the meetings in Brussels and Brazzaville to the drafting of the report which we have the honour to submit to the Parliamentary Conference.

5. This report reviews the operation of the Institutions, the progress of trade, financial and technical co-operation and the right of establishment.

The last part of the report concerns the problems relating to the renewal of the Yaoundé Convention and questions which might arise should a transitional period prove necessary to ensure the continuity of the Association system in the event of any delay in the entry into force of the new Convention.

II—Activities of the Institutions

(a) *Association Council and Committee*

6. The parliamentarians of the Association are aware how important it is for the Institutions created by the Yaoundé Convention to function smoothly and they have always stressed the essential rôle of the Association Council—the only political, decision-taking body.

It was in view of these conditions that the Parliamentary Conference was persuaded in December 1967—following the pertinent comments made by Mr. Troclet to the Joint Committee⁽¹⁾—that the Council should hold more frequent meetings so as to avoid any hiatus in the work of the Institutions. Yet the Council only held one meeting during the period covered by this report and that was in Kinshasa on 23 July 1968.

7. The outcome of the meeting was on the whole positive and this deserves to be underlined; the results reflect the importance of the increasingly detailed discussions held between Association partners.

The main decision taken by the Council embodied the unanimous determination of the 24 States to continue the Association when the present Convention expires. Arrangements have thus been made for this purpose to open negotiations pursuant to Article 60 of the Convention; these are to begin at ministerial level as soon as possible and, in any event, before 15 December 1968 and conclude before 31 May 1969, the date on which the present Convention expires.

The Council also defined 'the general orientation of financial and technical co-operation' in compliance with Article 27 of the Convention. Lastly, appropriate decisions were taken concerning other specific problems which will be referred to in the various chapters in this report.

8. It is, however, regrettable that the Kinshasa meeting, which was due to take place last spring was not held until 23 July i.e. after the succession of reports of which it was the subject.

It is true that some understanding may be extended with respect to the very many commitments of the members of the Council. The fact remains that this difficulty may prove to have been prejudicial to the Association because its consequence was a delay of six months in the opening of the negotiations provided for in Article 60 of the Convention.

It is further to be regretted that the ministerial delegations were not of sufficient strength for such an important meeting, bearing in mind the political decisions which had to be taken concerning the renewal of the Convention.

9. The Association Committee held five meetings during the year under review, thus ensuring continuity in the co-operation needed for the smooth functioning of the Association. It was

thanks to the preparatory work done by the Committee that the Council was able, at its Kinshasa meeting, to take the many decisions of which an account is given in the annual report.

(b) *Relations between the Council and the Parliamentary Conference*

10. As in the two previous years, the Council delegated to the Association Committee the power to draw up and adopt the annual report provided for in Article 50 of the Convention. Although the Council considered 'that to ensure the work of the Conference be properly organized, this report must reach the Council as soon as possible after 23 July 1968' it was not until October 1968 that the parliamentarians in the Association received the Council report covering the period from June 1967 to July 1968, i.e. at the time when the Joint Committee, which was required to give its opinion on this document, was holding its own meeting.

It should be noted that the first report on the activities of the Council was sent to the parliamentarians in July and that the second and third were sent in August; the fourth was not sent until October. Since the July meeting of the Council, the Association Committee has not felt bound to meet to approve the annual report (notwithstanding the mandate it was explicitly given); this document was finally adopted under the written procedure and only sent to the Joint Committee on 11 October.

It goes without saying that this situation, which is liable to hamper the smooth functioning of the parliamentary bodies, created considerable difficulties for the Joint Committee and for its Rapporteur.

In the interests of the efficiency of parliamentary work, it is worth recalling the remarks made on the subject by the Joint Committee in 1967:

'The operation of the various cogs, particularly the parliamentary ones, would be distinctly smoother if the Council—unless there were subsequently any urgent need justifying an extraordinary session—made the necessary effort to hold its last session in May or even at the end of April so that the Association Committee might begin drafting the annual report, for which it has a mandate, as from the 1st of June.'⁽²⁾

Another comment needs to be made concerning relations between the Conference and the Council. The date of the Antananarivo Conference had to be changed; the Council indicated that the Ministers

⁽¹⁾ Report by Mr. Léon-Eli Troclet on the Third Annual Report on the Activities of the Council of Association, document 19 of 20 November 1967.

⁽²⁾ Report by Mr. Troclet, op. cit., para. 15.

would not be able to attend on the date scheduled because of the timetable that they had themselves set for the negotiations about the renewal of the Convention. It is to be regretted that the arrangements agreed on at the May meeting of the Joint Committee were not adhered to.

It would be desirable, in future, for the Association Council and Committee to adhere more strictly to the parliamentary timetable which is drawn up by reference to the Council's commitments to ensure profitable discussions between the Institutions.

11. The parliamentarians in the Association can only express satisfaction that it was once again possible for the President-in-Office of the Council to attend the meetings of the Joint Committee.

The Strasbourg meeting of the Parliamentary Conference of the Association was attended by Mr. Patasse (Minister for Development of the Central African Republic), President-in-Office of the Council, while the Brussels meeting of the Joint Committee was attended by Mr. Bourges, French Secretary of State for Foreign Affairs, in his capacity as President-in-Office of the Association Council.

Mr. Pedini, Italian Secretary of State to the President of the Council, in his capacity as President-in-Office of the Council of the Communities, took an active part in the work of the Joint Committee in Brazzaville.

It would be desirable, in view of the importance of the discussions between the Council and the parliamentary bodies of the Association, for this commendable custom to have a more formal basis. In 1966, indeed, Mr. Sissoko, General Rapporteur of the Joint Committee, suggested that the President of the Council should receive a formal mandate at each ministerial meeting to report on the Council's deliberations to the parliamentary bodies of the Association, without prejudice, of course, to the submission of the annual report referred to in Article 50 of the Convention.⁽¹⁾

12. At the Strasbourg session, the parliamentarians also expressed the wish to see the Conference's resolutions debated by the Council—possibly after a thorough analysis by the Association Committee. It does not appear that any such debate was held at the ministerial meeting in Kinshasa, where the Council simply took note of these resolutions without going into them in any detail.

It emerges from the report that the Association Committee held no more than a preliminary

discussion about these resolutions at one of its meetings.

The Council expressed the wish that it might be kept informed about these texts at the negotiations on the renewal of the Convention; the Joint Committee of the Parliamentary Conference can, however, hardly be satisfied at this attitude on the part of the Council and the Committee to the positions it adopts. It is to be hoped that, in future, the resolutions passed by the Conference will be fully debated by the Council and the Committee and that the outcome of their discussions will be referred to the Conference.

13. Similarly, the Council seems to have lost sight of the repeated request of the parliamentarians concerning the procedure of written and oral questions. This problem will have to be re-examined at the negotiations on renewing the Association Convention, in order to make the parliamentary control more effective in the interests of the smooth operation of the Association's institutions.

14. Once again, the Joint Committee would like to pay tribute to the Commission of the Communities—which plays a capital part in the life of the Association—for the very effective work that it is doing, both in the field of financial and technical co-operation and in seeking to solve trade problems.

In this context, the Joint Committee would like to emphasize the essential part played by Mr. Rochereau, a member of the Commission and for his unceasing and profitable efforts to ensure the success of the co-operation between the Europe of the Six and Africa. It feels particularly gratified at his active participation in the work of the Joint Committee and of the Parliamentary Conference.

The Joint Committee, moreover, particularly appreciates the important and positive contribution made by the Co-ordination Council and Committee of the Associated States. The representatives of the AAMS held three meetings at ministerial level in 1968—on the 'Co-ordination Council of the AAMS'—which dealt mainly with the problems of renewing the Yaoundé Convention.⁽²⁾ For their part, the Ambassadors accredited to the EEC held numerous meetings in Brussels in the framework of the 'Co-ordination Committee of the AAMS'.

The Joint Secretariat of the Association Council continued to play a significant part in the smooth running of the Association machinery and deserves to be commended.

⁽¹⁾ Report by Mr. Alioune Sissoko on the Second Annual Report on the activities of the Council of the Association to the Parliamentary Conference, Doc. 12 of 16 November 1966, para. 4.

⁽²⁾ The results of these meetings, which were held respectively in Niamey in January, in Brussels in May and in Kinshasa in July, are referred to in Chapter VIII of this report.

III—Trade

15. One of the major objectives of the Association is to promote an increase in the trade between the Associated States and the member States (Article 1 of the Convention). The growth in trade is, in fact, the best way of securing a sustained economic expansion in the developing countries.

In 1966, the export receipts of the developing countries totalled nearly \$42,000m, despite the poor condition of world trade and this represents nearly four times the financial aid extended to these countries; the importance to their development of boosting their exports is thus easy to understand.

16. It will be remembered that in 1965 the progress of trade within the Association caused some concern in view of the unfavourable trend discussed at length in the report by Mr. Sissoko.

The following year there was a marked recovery and the report by Mr. Troclet welcomed this development.

(a) Total EEC-AAMS trade in 1967

17. In 1967 there was a slackening in the growth of trade between the EEC and the Associated States.

In 1966 the EEC's imports from the AAMS increased by 15 per cent in value but fell in 1967 by 1 per cent from \$1,319m to \$1,304m.

The EEC's exports to the AAMS increased by 9 per cent in 1967, as compared with 2.3 per cent in 1966, or 846m in 1966, rising to 926m in 1967.

18. The total trade within the Association thus increased only slightly, by around 3 per cent, as compared with 9.7 per cent in 1966 and totalled \$2,230m. As compared with 1964, the rate of growth was 13 per cent.

The EEC continued to have a balance-of-payments deficit with the Associated States in

1967; it went down from \$472m to \$378m; the balance was thus lower than in the previous years because the EEC's sales increased more than its purchases.

19. It is worth noting that the overall trend in trade between the EEC and the AAMS in 1967 was consistent with the general trend in the external trade of the Community. There was a certain slackening in economic activity in the EEC and imports from third countries tended to level off; exports, on the other hand, increased by 8 per cent.

A comparison between the trade of the Associated States on the one hand and the other developing countries on the other is illustrated by the following figures:

EEC imports in 1967 as compared with 1966

Origin

Total from third countries	No change
Developing countries	+ 2 %
AAMS	- 1 %
Nigeria	- 7 %
East Africa	- 2 %
Kenya	+14 %
Uganda	+14 %
Tanzania	-13 %

EEC exports in 1967 as compared with 1966.

Destination

Total to third countries	+ 8 %
Developing countries	+ 4 %
AAMS	+ 9 %
Nigeria	-12 %
East Africa	+ 6 %
Kenya	+ 6 %
Uganda	+ 8 %
Tanzania	+22 %

(b) EEC imports from the AAMS

20. The trend in the imports of each of the member States in 1967, as compared with the previous years, is illustrated by the following table:

Imports of the member States of the EEC from the AAMS

Country	Value (in \$m)				Variation (%)	
	1964	1965	1966	1967	1966-1965	1967-1966
Germany	158	161	170	179	+ 6	+ 5
BLEU	227	234	341	287	+ 46	- 16
France	609	547	600	610	+ 10	+ 2
Italy	99	150	153	164	+ 2	+ 7
Netherlands	55	53	54	61	+ 1	+ 14
Total EEC	1,149	1,146	1,319	1,304	+ 15	- 1

It will be noted that:

- (a) from 1964-1967 EEC imports from the AAMS increased from \$1,149m in 1964 to \$1,304m in 1967. These represented 2.5 per cent of the Community's total imports in tonnage (i.e. from third countries) in 1964 and 2.7 per cent in 1966; in value this proportion was 4.3 per cent in 1964 and this did not change in 1966;
- (b) in 1967, European imports fell by 1 per cent, from \$1,319m in 1966 to \$1,304 m in 1967. The main reason for this slight slackening was the fall-off in BLEU purchases (-16 per cent), which did not follow the exceptional expansion of the previous year (+46 per cent). In the other member States, on the other hand, there was an increase in the imports from the AAMS, particularly by the Netherlands and Italy.

21. France is still the most important customer of the Associated States. With purchases of \$610m, as compared with \$600m in 1966, its imports showed a 2 per cent increase over the previous year, its share in total Community imports from the AAMS being at a very high level (46 per cent).

The Belgo-Luxembourg Economic Union came in second place (22 per cent of total imports), despite the fall-off noted in 1967.

Germany's purchases expanded steadily. There was an increase of 5 per cent in 1967 with \$179m. In 1967, Italy's imports amounted to \$164m, showing an increase of 7 per cent over the previous year.

As for the Netherlands (fall-off in 1965, slight recovery in 1966), its rate of growth was the highest (14 per cent), purchases going from \$54m in 1966 to \$62m in 1967.

22. Broken down into products, there was an increase in AAMS sales on the European market in 1967 in the following cases:

Groundnut oil (\$54m as compared with \$51.5 in 1966);

Palm oil (31m as compared with 28.4);

Cocoa (100m as compared with 70);

Tropical woods (176.6m as compared with 174.2);

Cotton (37.6m as against 33).

Sales of the following products, on the other hand, fell off in 1967:

Iron ores (55.3m as compared with 57);

Bananas (53.8m as compared with 56.2);

Coffee (140m as compared with 152.5);

Groundnuts (70.3m as compared with 71.9);

Manganese (13.9m as compared with 17.5);

Rubber (10.8m as compared with 12.7);

Copper (274.7m as compared with 313.9).

23. It emerges from these data that the decrease in EEC imports in 1967 (which was, as we have seen, due to the fall-off in BLEU purchases), mainly involved mining products (manganese, phosphates, iron ores, copper and some non-ferrous metals).

Whereas in the previous years there was no increase in sales of AAMS agricultural products, there was a reversal of this trend in 1967.

24. As the table below proves, these overall figures cover up the different and even divergent situations of each Associated State:

Community imports from individual Associated States (1967)

	Amount (in \$1,000)	Variation (%) as compared with 1966
Burundi	3,112	+ 22
Cameroon	135,402	+ 13
Central African Republic	13,378	- 4
Congo-Brazzaville	32,080	- 5
Congo-Kinshasa	421,670	- 8
Ivory Coast	265,512	+ 10
Dahomey	10,824	- 18
Gabon	85,530	- 2
Upper Volta	3,214	+ 7
Madagascar	48,668	- 13
Mali	2,245	+ 92
Mauritania	58,229	- 3
Niger	37,479	+ 51
Rwanda	4,529	+ 6
Senegal	120,283	- 7
Somalia	15,763	- 22
Chad	15,723	+ 7
Togo	30,386	- 8
Total AAMS	1,304,027	- 1

Thus in 1967 eight Associated States increased their sales on the European market, some of them by large percentages (Mali 92 per cent, Niger 51 per cent, Burundi 22 per cent).

The exports of the other Associated States, on the other hand, slackened off to varying degrees (Gabon, Central African Republic, Mauritania, Congo-Brazzaville, Senegal, Togo, Congo-Kinshasa,

Madagascar), and in two cases the drop was appreciable (Dahomey, Somalia). ⁽¹⁾

25. In view of the slackening off in 1967, it is worth noting the slightly changed trend emerging in 1968.

Indeed, the first figures for 1968 show that from January to June, as compared with the same period of 1967, there was a 9 per cent increase in AAMS sales to the EEC as compared with 8 per cent in the case of the other developing countries. This involved most of the AAMS and in particular

Mali (+72 per cent), Chad (+57 per cent), Congo-Brazzaville (+40 per cent), Burundi (+40 per cent), Togo (+31 per cent) and Congo-Kinshasa (+25 per cent).

(c) EEC exports to the AAMS

26. With regard to the exports of the member States to the AAMS, the following table shows how 1967 compared with the previous years.

Exports of the member States to the AAMS

Country	Value (in million dollars)				Variation (per cent)	
	1964	1965	1966	1967	1966-1965	1967-1966
Germany	78	81	84	93	+ 4	+ 10
Belgo-Luxembourg Economic Union	86	93	93	82	—	— 12
France	583	565	569	627	+ 1	+ 10
Italy	40	50	59	72	+ 16	+ 23
Netherlands	33	36	39	50	+ 8	+ 30
EEC Total	820	827	846	926	+ 2	+ 9

27. The total exports of the EEC to the AAMS thus increased by 9 per cent from \$846m in 1966 to \$926m in 1967.

Thus despite the fall-off in previous years, France remained the member State supplying most to the AAMS (67.7 per cent of the Community's total exports to the AAMS in 1967 as compared with 67.3 per cent in 1966). Italy's share increased from 7 to 7.8 per cent in 1967, that of the Netherlands from 4.6 to 5.5 per cent, while Germany's share remained steady at 10 per cent and that of the BLEU fell from 11 to 8.9 per cent.

28. The most notable feature from 1964 to 1967 was the fall in France's share of total exports and, of course, the increase in the share of the other member States. In 1964, French exports represented 71 per cent, falling in 1966 to 67 per cent. Over the same period, the shares of the other member States increased as follows: BLEU from 8.5 to 11.1 per cent; Netherlands from 3.7 to 4.9 per cent; Germany from 8.8 to 10 per cent; Italy from 4.9 to 7 per cent.

This new trend was due largely to the gradual liberalization of the African markets with regard to Community exports, previously subject to a great many quantitative restrictions. This trend is consistent with the aims of the Association and deserves to be emphasized.

29. With regard to the individual purchases of the Associated States from the EEC, the position in 1967 is illustrated by the following table:

EEC exports in 1967 to the individual Associated States

	Amount (in thousand dollars)	Variation (per cent) as compared with 1966
Burundi	6,891	+ 6
Cameroon	116,088	+ 19
Central African Republic	24,488	+ 7
Congo-Brazzaville	56,020	+ 12
Congo-Kinshasa	120,404	— 8
Ivory Coast	191,193	+ 21
Dahomey	28,263	+ 24
Gabon	40,404	+ 4
Upper Volta	15,549	+ 11
Madagascar	95,256	+ 9
Mali	9,751	— 4
Mauritania	23,888	+ 65
Niger	23,245	+ 32
Rwanda	5,556	— 4
Senegal	119,798	+ 1
Somalia	15,305	+ 12
Chad	15,730	— 5
Togo	18,292	— 5
Total AAMS	926,121	+ 9

⁽¹⁾ Somalia's exports to Europe fell off mainly because of the closing of the Suez Canal.

(d) *The market for the main tropical products in 1967*

30. In 1967 there was a slight fall in the prices of Arabica coffees while Robusta coffees held steady at their 1966 price.

A new international coffee agreement was concluded in 1967; this was finally adopted by the International Coffee Council in February 1968. This new text is an appreciable improvement on the 1967 agreement in many ways. The increased receipts of the developing countries which produce coffee, which have averaged \$500m since the agreement came into force (total world trade in coffee amounted to \$2,500m in 1966), show how important maintaining just one stabilization agreement for a tropical product can be to the development of these countries.

31. The increase in cocoa prices noted in 1966 continued in 1967. Current prices are the highest for nine years: demand exceeds supply at present and experts consider that this trend could continue for years to come.

The third United Nations Conference on Cocoa, held in Geneva at the end of 1967, did not lead to any agreement. The results of the conference to be held under UNCTAD auspices will depend on the attitude of the consumer countries, particularly the United States which absorbs 35 per cent of the world's total cocoa imports on its own.

Although the price trend was favourable in 1967, the serious drops in previous years should not be forgotten. The EEC should therefore work with the AAMS for a world agreement.

32. At the end of 1966, cotton prices were at one of their lowest levels ever. World production fell by 10 per cent in 1966-1967. As a result, the market became steadier and prices gradually rose. In the 1967-1968 cotton year, output was down again. Bearing the drop in production during these two cotton years in mind, prices should hold at a relatively high level.

33. With regard to fats, previous trends were confirmed in 1967 with respect to the growing importance of by-products (soya oils, candle grease, lard) and to the growing share of the developing countries in international trade (East European countries for sunflowers and the United States for soya seeds).

34. FAO's last annual report showed a drop in value in the trade in agricultural products of around 5 per cent in 1967; this was due to the fall in the average price and volume of the exports. Most affected by this were the developing countries and for the second year running their currency receipts from agricultural products were down.

Receipts from the trade in such products as cotton, cocoa, rice, tea and sugar made real headway but the developing countries did not all gain as a result because of the inadequate quantities available for export. The devaluation of the pound and changes in the parity of other currencies led, in turn, to changes in the price relationships between some products and the relative positions of some exporters. Although the long-term effects are still somewhat uncertain there have already been appreciable repercussions on the sisal, tea, wool and sugar markets.

Another feature of 1967 was the proliferation of export drawbacks on a wide variety of products, followed by counter-measures by countries which felt their trade was under threat; this raised the problem of the nature of export drawbacks and their international repercussions.

This state of affairs is due to the keener competition on world markets and to the accumulation of surpluses, especially in the developed countries, and this, in turn, is due to the national policies for supporting agriculture at times when world prices are not progressing.

For all these reasons the FAO index of world prices for agricultural products fell by 3 points in 1967. This average 'blankets' widely divergent price movements, ranging from increases of 34 per cent for rice, 14 per cent for cocoa to falls of 16 per cent for rubber and sisal.

(e) *The banana problem*

35. The European banana market was discussed by the Joint Committee on several occasions, the problem being the inadequate expansion of AAMS exports.

The share of the AAMS in Community banana imports has gradually fallen since 1963, both in volume and value.

Share of the AAMS in the Community's imports of bananas
(percentage of total imports)

	Quantity	Value
1963	26.2	32.6
1964	23.4	30.4
1965	25.0	28.7
1966	18.2	21.8
1967	16.8	20.3

In 1967, the EEC imported 265,948 tons from the AAMS, broken down as follows:

	Tons	Value (in \$1,000)
Federal Republic of Germany	160,740	34,875
BLEU	19	2
France	—	—
Italy	1,008	104
Netherlands	104,181	18,839
EEC Total	265,948	53,820

36. These facts alone show how serious the present situation is and they justify the concern expressed by the Associated States and reflected in the discussions of the Joint Committee.

It is sad to think that after four years of efforts it has not been possible to deal with this constantly deteriorating situation.

What makes this even more to the point is that according to FAO's last annual report, there could be a pronounced drop in banana prices if the producing countries do, in fact, carry out their present expansion programmes in full.

Under these conditions, bananas are certainly one of the tropical products which would benefit from a trading arrangement within the Association, if only because of the dominant position they hold in the export trade of some Associated States.

(f) *Quota and customs dismantlement*

37. As regards quota and customs dismantlement within the Association, no major problem arose in the year under review.

AAMS products have had the benefit of the gradual removal of customs duties and taxes having an equivalent effect on importation into the member States.

Since 1 July 1968, when intra-community customs duties were finally removed, AAMS products have, as a general rule, been admitted duty-free into the Community.

38. There have, however, been some exceptions, such as agricultural products similar to and competitive with European products; these are subject to the various regulations in force.

As regards goods made by processing agricultural products, the Community considered that since

customs duties had been removed, both on imports from the member States and third countries and replaced by a charge comprising a constant and a variable component, the general rule of duty-free imports of AAMS products no longer applied. This is why the regulation adopted in 1967 and subsequently renewed provided only for the temporary continuation of the duty-free arrangement for two AAMS products, tapioca and chocolate, because these are of special interest to some exporting countries.

39. The Associated States have, for their part, to meet two obligations regarding customs duties. They have to treat products from all the member States in the same way without discrimination and Shen gradually to remove customs duties and taxes having an equivalent effect on the Community products they import.

With regard to the second point, the situation is as follows:

- (a) Thirteen Associated States now import EEC products completely free of duty. These are the States which belonged to the Economic and Customs Union of Central Africa (Cameroon, Central African Republic, Congo-Brazzaville, Gabon and Chad) and those of the Customs Union of the West African States (Mauritania, Senegal, Ivory Coast, Dahomey, Upper Volta, Mali and Niger) and Madagascar.⁽¹⁾
- (b) One Associated State, Rwanda, has introduced a two-tier preferential tariff and has simultaneously made a first cut in favour of the EEC of 15 per cent in the written down customs duty.
- (c) Four Associated States, Congo-Kinshasa, Somalia, Togo and Burundi have not yet granted any preferential tariff to the Community; they have acted by reference to the provisions of Article 61 of the Convention (exemption from the principle of reciprocity). Burundi and Somalia have, however, stated that they will give satisfaction to the Community in the near future—their new customs tariff is in preparation.

40. With regard to quota restrictions, the AAMS have, since 1964, steadily opened customs quotas to the five member States, in addition to France, which already enjoyed duty-free importation. This system provided for the total abolition of quantitative restrictions on 31 May 1968. Since then, therefore, the only quotas still operative are the

⁽¹⁾ The approximate average rate of tariff preference enjoyed by Community products is 17 per cent in the ECUCA, 10 per cent in the CUWAS and 8 per cent in Madagascar.

ones authorized under the Convention for the following reasons: (i) the needs of industrialization (ii) balance-of-payments difficulties (iii) obligations under existing regional market organizations.

- (i) *Protection of industrialization*: The following have introduced quotas for this reason: Senegal (lorries weighing more than 3 tons), Ivory Coast (matches, paints, detergents, wheat flour, oil products and machines for decorticating coffee beans), Madagascar (television sets, blankets, shoes, biscuits, cement and soap), Cameroon (agricultural equipment), Chad, Central African Republic and Congo-Brazzaville (wheat flour and oil products).
- (ii) *Balance-of-payments difficulties*: Two Associated States, Congo-Kinshasa and Mali, have signified that they cannot, for this reason, liberate imports from the Community at present.
- (iii) *Regional market organizations*: The member States of the African and Malagasy Common Organization (AMCO) have established a regional market organization designed to promote the marketing of sugar from the exporting Associated States in those which import this product (Congo-Brazzaville and Madagascar).

Leaving out Congo-Kinshasa and Mali, whose current financial difficulties preclude any early liberalization of imports, the other exemptions referred to only involve a small proportion of the AAMS imports concerned (less than 10 per cent).

On the whole the elimination of quantitative restrictions, which will be to the extent of more than 90 per cent, represents a major trade benefit in addition to tariff preferences.

(g) *Definition of the concept of origin*

41. At its meeting in Antananarivo in 1966, the Association Council introduced a common definition of 'the origin' of goods traded between the EEC and the AAMS to ensure the correct application of the preferential system provided for under the Convention.

Further decisions were taken in this context at the ministerial meeting in Kinshasa, particularly as regards the special system for parcel post and for the export of fish from Mauritania. The Council also took the necessary decisions to resolve the difficulties arising, on the one hand, with some Community machines and equipment comprising components which, to some extent, were 'from a different origin' and, on the other, as regards the exports from Senegal of mixtures of dried and salted fruits.

42. As regards the special system for certain postal consignments the Council was unable to take any final decision. The transitional system now in force was thus carried forward for the fifth time up to 31 December 1968. The disagreement centred on the unit value of parcels to come under this special system; the AAMS considered the amount proposed by the EEC to be too high. Discussions on this matter will continue on the Association Committee.

With reference to exports of fish from Mauritania, there is a controversy between that country and Italy because of the preferential position which products from Mauritanian processing factories—supplied by Spanish fishermen—enjoy on the Community market. This issue, which has frequently been discussed by the Association Committee, was provisionally settled by the Council at its Kinshasa meeting on the basis of a compromise proposal put forward by the Commission. Under this decision, a quota will be exempt from the general rules of origin (and this will apply until the Yaoundé Convention expires); this will cover fishery products from the Mauritanian territorial waters caught by fishermen from the Canary Isles resident in Mauritania; the quota will be for 3,000 tons of fish, including 750 tons for Italy. The Council, moreover, undertook to come back to this matter at its session of September 1968.

(h) *Products similar to and competitive with European agricultural products*

43. In pursuance of Article 11 of the Yaoundé Convention a system applicable to some AAMS products which are similar to and competitive with European agricultural products was determined. Regulations have been issued concerning rice, cassava and its derivatives (flour and starches), fruits and preserved fruits with sugar added and oleaginous products.

The prorogation of these regulations up until the Yaoundé Convention expires is to be welcomed.

44. With regard to the problems of tobacco, the Council report states that no proposal has, as yet, come before the Council of the Communities and that the AAMS will be formally consulted when a common proposal emerges.

A draft regulation has, in fact, been drawn up by the European Commission whereby the common customs tariff will be reduced by 85 per cent in respect of unprocessed tobacco and tobacco waste from the AAMS; this text has been referred to the European Parliament for its Opinion. The parliamentary committees concerned felt that these products should be completely free of customs duty. The volume from the AAMS is in fact equal to only a very small percentage of Community production

and, indeed, of Community imports. The Joint Committee took this view at its Brazzaville meeting, trusting that the problem would soon be solved.

45. With regard to sugar, the regional market organization for this product was set up by the AMCO. The African and Malagasy Agreement on sugar solved many problems and improved the situation but the scale of assistance required for its operation and the difficulties due to the need for an adjustment period have meant that it is not yet possible to ensure a financial balance under this arrangement. To deal with this situation the assistance of the Community was asked for by the President of the Council of the Agreement under Article 17.4 of the Yaoundé Convention for the 1967-68 year.

The European Commission supported the African countries and referred two proposals to the Council, neither of which has yet been followed up.

The special arrangements for AAMS sugar, to be enacted pursuant to Article 11 of the Convention (which should have come into force on 1 July 1968 when the Community's sugar market was set up) have thus not yet been made. Both the Joint Committee and the Council of the African and Malagasy Sugar Agreement deplored this gap in the regulations.

In July the Council advanced 1,277,000 accounting units to the equalization fund of the agreement; this is equal to 303 million CFA francs and is a step to be welcomed. No interest will be charged and this money will enable the fund to contend with the serious financial difficulties involved in operating the agreement properly.

46. The EEC system laid down for oleaginous products includes tariff provisions, whereby these products are imported free of duty, and special financial provisions. Under its decision of 25 July the Community undertook to provide total assistance of 14 million accounting units to offset the consequences of a fall in the prices of the products concerned.

The decision, including the tariff provisions, came into force with immediate effect on 1 July 1967 but the one concerning financial assistance is not yet operative because Germany, Belgium, Italy and the Netherlands stated they had to ratify this decision before implementing it.

Although the provisions envisaged include a clause making them retroactively effective from 1 July 1967, the Joint Committee strongly deplored this eighteen-month delay which is, economically,

highly prejudicial to the fats-producing Associated States.⁽¹⁾

47. A special problem arises with respect to Madagascar's exports of meat to Réunion, a French overseas *département* which comes within the customs area of the EEC and which applies a levy on meat imports in compliance with the provisions in force in the EEC. Bearing in mind the established flow of trade between Madagascar and Réunion and the distance between this *département* and the rest of the Community—which rules out the possibility of any diversion of trade—it would no doubt be desirable, in this special case, to introduce an appropriate exemption arrangement based on the rules for frontier trade flows.

(i) *The marketing of AAMS products in the EEC*

48. The problem of marketing AAMS products in the EEC has always been of primary interest to the parliamentarians in the Association. There was a major debate on this subject at the Parliamentary Conference session held in Strasbourg; the basis for the debate was the remarkable report by Mr. Armengaud.⁽²⁾

For their part, the Association Council and Committee have devoted a great deal of work to this matter, acting by reference to a report which the Council's Joint Group of Experts submitted in March 1967. The work done by this Joint Group has so far yielded very few practical results because the agreement reached by the EEC and the AAMS only covered a study into setting up a common African and Malagasy export organization and Community contributions to the cost of AAMS fairs and exhibitions of a commercial nature in Europe.

49. Hence two financing decisions have been taken involving EDF resources:

(a) one covering a sum of 100,000 a.u. ought to make it possible to carry out studies both in Africa and in Europe into setting up a joint export organization⁽³⁾;

⁽¹⁾ The European Commission decided to advance 8,709,623 accounting units to Senegal which was having special difficulties in marketing its groundnuts. It also asked the Council to approach the Governments of the member States to ask them if they would, as soon as possible, ratify the financial agreement under which assistance might be granted pursuant to the EEC Council decision of 25 July 1967.

⁽²⁾ Report on ways of promoting the marketing of products of the Associated States within the EEC at steady and profitable prices, Doc. 20 of 20 November 1967.

⁽³⁾ The AAMS have drawn up a plan for a joint export organization to improve the position of AAMS producers. It is designed to bring about a sweeping change in the established structure of AAMS foreign trade, notably by cutting transport costs. The promoters of the plan speak of a total saving of CFA Frs 15,000m which could have been made in 1964 if the transport to Europe had been made in chartered ships, which would have allowed for a linear increase of 7.5 per cent on the purchase of these products from the producers. The organization also plans to set up agency offices in the consumer countries. A statistical duty of 1 per cent on AAMS exports, levied from the export taxes, would give the joint organization an annual operating budget of CFA Frs 2,000m.

(b) the other, covering an amount of 500,000 a.u. should allow the AAMS to participate in fairs and exhibitions of a commercial nature in Europe up until the expiry of the present Convention.⁽¹⁾

While welcoming these two practical measures, which are of definite value, it should be noted that the efforts of this Joint Group of Experts have not yielded the expected results because the Community has refused to go beyond the letter of the Yaoundé Convention.

IV—Financial co-operation⁽²⁾

50. External trade cannot, on its own, secure the economic and social progress to which the AAMS aspire because of the variations in price of the primary products which they export and the constant deterioration in their terms of trade.

Financial and technical co-operation as provided for in the Yaoundé Convention thus plays an essential part in the development of the AAMS and is the principal feature of the life of the Association.

The total financial aid extended to the AAMS by all the industrialized countries in 1966 was \$528m. The Community and the six member States contributed 83 per cent, or \$439m, of which the fraction dispensed by the Community bodies amounted to \$102.7m, or 22 per cent of all the payments of the EEC countries and 19 per cent of the total financial aid given to the AAMS by all the industrialized States.⁽³⁾

51. With a year to go before the expiry of the Yaoundé Convention, the European Parliament took the commendable step of drawing up a balance-

sheet of financial and technical co-operation within the Association.

The report⁽⁴⁾ which Mr. Metzger drew up on that occasion is highly interesting and deserves to be widely circulated among all the members of the Parliamentary Conference of the Association. Hence the Committee stresses the value of this study and stated its satisfaction.

(a) *Total financial aid of the EEC to the AAMS*

52. Since 1958 the total financial aid of the EEC to the AAMS has been well over \$1,000m.

As on 30 June 1968, the accumulated commitments of the First and Second EDF totalled 1,030m. a.u., broken down among beneficiary States as shown in the table below:

Total financial aid of the EEC to the AAMS
(First and Second Funds)

	Sums committed (in million a.u.)
Burundi	19.6
Cameroon	101.6
Central African Republic	39.6
Congo-Brazzaville	42.9
Congo-Kinshasa	58.3
Ivory-Coast	88.1
Dahomey	40.4
Gabon	35.3
Upper Volta	49.2
Madagascar	116.5
Mali	63.2
Mauritania	29.5
Niger	51.0
Rwanda	16.9
Senegal	101.9
Somalia	31.5
Chad	58.9
Togo	25.3
Expenses	0.8
Sums not awarded	27.1
Advances to the Stabilization Funds	10.4
EIB Loans	21.0

⁽¹⁾ To date so far this programme has enabled some Associated States, grouped in common pavilions, to take part in the following international fairs: Milan Fair (April 1968), Brussels Fair (April 1968), Paris Fair (May-June 1968), Bari Fair (September 1968) and 'Partners in Progress' Exhibition in Berlin (October 1968).

⁽²⁾ Chapters IV and V of this report concerning financial, technical and cultural co-operation have been drafted on the basis of data given in the annual report on the management of financial and technical assistance in 1967 submitted to the Association Council by the Commission, pursuant to Article 27 of the Convention, and subsequently referred to the Parliamentary Conference (Doc. 22/III).

⁽³⁾ The last annual report of the Development Aid Committee stated that the total amount of contributions from the public sector in the main industrialized States to the developing countries was as follows (in million dollars):

	1966	1967
Germany (Fed. Rep.)	489.7	549.4
Belgium	81.1	98.8
France	744.8	831.1
Italy	121.9	202.8
Netherlands	95.9	113.5
Canada	128.1	170.6
United Kingdom	525.9	499.8
United States	3,660.0	3,723.0

Only 6 of the 17 member nations of the DAC either attained or exceeded the objective of 1 per cent of their national revenue in 1967; this goal was to represent the net amount of financial flows, both public and private, to the developing countries. These were France (1.64 per cent), Germany (1.26 per cent), Netherlands (1.24 per cent), United Kingdom (1.10 per cent), Portugal (1.07 per cent—figure for 1966) and Belgium (1.01 per cent).

⁽⁴⁾ European Parliament Doc. 89 of 2.7.68.

53. To complete this survey, we have the data supplied by the Commission on the breakdown of plans (for the two development funds) into the

nationalities of the enterprises to whom contracts were awarded and the countries of origin of supplies, as on 31 December 1967.

Breakdown of plans under the two development funds into the nationalities of the enterprises to which contracts were awarded as at 31 December 1967

Country	Work	Supplies	Surveys, technical assistance, supervision	Total
Belgium	2.43	5.50	12.41	4.21
Germany (Fed. Rep.)	6.28	21.39	21.16	9.85
France	48.70	38.35	22.49	43.89
Italy	12.09	9.22	17.79	12.70
Luxembourg	0.20	0.05	0.93	0.30
Netherlands	3.58	5.05	9.01	4.53
Associated States	26.72	18.97	15.76	24.39
Third countries	—	1.47	—	0.13

The data in this table show the growing proportion of contracts awarded to enterprises in the AAMS and Italy (both for supplies and for works) and to German enterprises (particularly supplies), which represent an appreciable change in the situation.

(b) *State of the First E.D.F.*

54. Before looking into the operation of financial aid under the Yaoundé Convention, it might be worth while to sum up the projects financed by the First European Development Fund (1958-1964). The table below shows the situation as at 30 September 1968:

State of projects under the First European Development Fund as at 30 September 1968

(in 1,000 a.u.)

Beneficiary State	Number of projects	Sums committed	Sums expended
Burundi	11	4,926	3,848
Cameroon	27	52,799	44,131
Central African Republic	27	18,217	12,714
Congo-Brazzaville	18	25,036	21,979
Congo-Kinshasa	16	19,594	12,036
Ivory Coast	19	39,659	31,559
Dahomey	18	20,778	16,491
Gabon	15	17,763	14,661
Upper Volta	14	28,343	23,782
Madagascar	40	56,265	52,769
Mali	24	42,023	41,069
Mauritania	11	15,377	14,928
Niger	8	31,309	24,355
Rwanda	11	4,942	4,445
Senegal	24	43,830	32,349
Somalia	8	10,089	7,825
Chad	19	27,926	26,001
Togo	18	15,935	12,386
AAMS Total	328	474,810	397,528

The data in this table show there has, in some cases, been a time-lag between commitments and payments. The Joint Committee has looked into

this on several occasions; it reflects an appreciable delay in carrying through some of the projects under the First European Development Fund.

It also considers regrettable that the relevant files are dealt with so slowly, leading to delays in decisions to finance.

At present, on the other hand, the Joint Committee is able to record with satisfaction that EDF commitments are being phased in a steadier flow.

(c) *State of the Second EDF*

55. As at 30 September 1968, the sums committed under the Second Fund totalled 485m a.u. and expenditure 126m a.u.

The phasing of the commitments is such that, when the present Convention expires, the EDF will probably have used up the total allocation of funds in the form of non-repayable aid. In contrast to 1963, there will thus be no residual funds left on 31 May 1969 to allow for the continuity of financial and technical co-operation should there be any hiatus in the life of the Association.

56. With reference to the beneficiary States and the nature of the appropriations, the position regarding commitments and payments is shown in the following table:

State of projects under the Second EDF as at 30 September 1968

(1,000 a.u.)

Nature of appropriations	Number of projects	Sums committed	Sums expended	Total per country	
				Commitments	Payments
<i>Burundi</i>				14,779	1,992
Investments	6	6,711	336		
Aid for diversification	2	5,250	318		
Tied technical assistance	15	2,366	1,219		
General technical co-operation	3	452	119		
	26	14,779	1,992		
<i>Cameroon</i>				48,836	10,050
Investments	7	26,137	4,230		
Aid for production	4	6,148	4,372		
Aid for diversification	1	749	684		
Tied technical assistance	10	1,225	464		
General technical co-operation	1	58	—		
Special loans	4	14,519	300		
	27	48,836	10,050		
<i>Central African Republic</i>				22,463	5,492
Investments	10	15,248	320		
Aid for production	5	5,056	4,175		
Tied technical assistance	12	2,009	925		
General technical co-operation	1	150	72		
	28	22,463	5,492		
<i>Congo-Brazzaville</i>				17,927	3,446
Investments	7	11,814	2,412		
Aid for diversification	3	5,169	685		
Tied technical assistance	7	944	349		
	17	17,927	3,446		

Nature of appropriations	Number of projects	Sums committed	Sums expended	Total per country	
				Commitments	Payments
<i>Congo-Kinshasa</i>				38,873	3,824
Investments	8	35,177	2,323		
Tied technical assistance	10	1,428	371		
General technical co-operation	5	2,268	1,130		
	23	38,873	3,824		
<i>Ivory Coast</i>				48,503	22,718
Investments	2	2,249	176		
Aid for diversification	3	35,388	22,321		
Tied technical assistance	6	1,076	210		
General technical co-operation	4	133	11		
Special loans	2	9,657	—		
	17	48,503	22,718		
<i>Dahomey</i>				20,653	6,559
Investments	7	14,877	4,321		
Aid for production	4	3,175	1,580		
Aid for diversification	2	1,499	107		
Tied technical assistance	5	1,100	549		
General technical co-operation	1	2	2		
	19	20,653	6,559		
<i>Gabon</i>				17,573	2,107
Investments	1	10,766	—		
Aid for diversification	2	4,000	—		
Tied technical assistance	3	2,807	2,107		
	6	17,573	2,107		
<i>Upper Volta</i>				22,449	3,086
Investments	7	17,052	1,499		
Aid for diversification	3	3,553	320		
Tied technical assistance	14	1,806	1,229		
General technical co-operation	1	38	38		
	25	22,449	3,086		
<i>Madagascar</i>				60,567	12,591
Investments	11	34,031	5,989		
Aid for production	3	19,065	5,506		
Aid for diversification	3	4,355	190		
Tied technical assistance	15	3,017	895		
General technical co-operation	1	99	11		
	33	60,567	12,591		
<i>Mali</i>				21,284	5,318
Investments	8	15,069	2,882		
Aid for production	4	3,931	1,464		
Aid for diversification	2	485	23		
Tied technical assistance	18	1,698	949		
Emergency assistance	1	101	—		
	33	21,284	5,318		

Nature of appropriations	Number of projects	Sums committed	Sums expended	Total per country	
				Commitments	Payments
<i>Mauritania</i>				14,346	5,042
Investments	6	12,198	4,102		
Aid for diversification	1	1,561	829		
Tied technical assistance	6	580	111		
General technical co-operation	1	7	—		
	14	14,346	5,042		
<i>Niger</i>				21,761	3,101
Investments	7	14,840	1,674		
Aid for production	4	4,275	836		
Aid for diversification	1	936	—		
Tied technical assistance	9	1,710	591		
	21	21,761	3,101		
<i>Rwanda</i>				12,922	2,814
Investments	7	4,601	427		
Aid for diversification	3	4,448	731		
Tied technical assistance	22	2,551	1,320		
General technical co-operation	4	1,322	336		
	36	12,922	2,814		
<i>Senegal</i>				53,448	24,356
Investments	6	12,984	227		
Aid for production	5	33,284	23,447		
Aid for diversification	3	5,579	470		
Tied technical assistance	4	1,583	209		
General technical co-operation	2	18	3		
	20	53,448	24,356		
<i>Somalia</i>				21,753	3,233
Investments	6	9,509	679		
Aid for diversification	1	5,953	—		
Tied technical assistance	14	3,373	926		
General technical co-operation	2	1,068	436		
Emergency assistance	2	1,850	1,192		
	25	21,753	3,233		
<i>Chad</i>				32,000	11,114
Investments	14	23,881	5,963		
Aid for production	4	4,176	3,218		
Aid for diversification	1	374	—		
Tied technical assistance	12	2,287	1,039		
General technical co-operation	2	67	67		
Special loans	1	1,215	827		
	34	32,000	11,114		
<i>Togo</i>				9,414	1,209
Investments	3	6,259	53		
Aid for production	2	1,849	490		
Aid for diversification	1	280	—		
Tied technical assistance	5	1,026	666		
	11	9,414	1,209		
Total	415			484,772	126,060

57. The First EDF focused principally on infrastructure projects. The Second European Development Fund, on the other hand, was primarily

concerned with the directly productive branches of the economy, as is clear from the table below:

Allocations made under the First and Second European Development Funds, broken down into sectors (actual payments)

(May 1968)

(Million a.u.)

Sector	First EDF		Second EDF	
	Amount	%	Amount	%
Basic services	252	45	151	31
Rural development	141	24	218	45
Support for agricultural prices	—	—	29	5
School building	113	19	52	11
Training	— ⁽¹⁾	— ⁽¹⁾	18	4
Health	50	8	27	5
Miscellaneous	25	4	15	3
	581	100	510	100

⁽¹⁾ Prior to the Yaoundé Convention, training came under the budget of the EEC Commission.

58. These facts show that there was a major change in policy under the Second Fund. There was an increase in the appropriations for rural production (agriculture, stock-breeding, fisheries); these attracted around half of the sums committed. Infrastructure (transport and communications, town-planning, hydraulic engineering) received one third of the appropriations.

The Second EDF also covered a wide range of rural development projects (structural improvements, aid for diversification, land irrigation, veterinary services, etc.).

The Fund also allocated an increasing proportion of its resources for industrial investment. Although still not on a large scale, there was a considerable increase as compared with the First EDF in the credits for this sector. As at 7 November 1968, 12.4m a.u. had been committed in this sector.

The appropriations for industrialization are mainly in the form of loans extended under special conditions; yet only 55 per cent of the Funds available for this purpose have been committed so far. The phasing is much slower than in the case of subsidies; this is because selecting suitable projects, which could be financed by repayable loans, are hard to find in most of the AAMS.

59. One reason why the Second EDF is more effective is certainly because of the profitable co-operation between the Commission of the Communities, which is responsible for running the Fund, and the EDF Committee.

The six member States of the EEC today feel much more directly involved in this work. Their representatives have acquired the habit of discussing projects — on the Consultative Committee — in which their respective countries have similar interests in the bilateral context. This has made for better co-ordination between EDF assistance and bilateral help, sometimes allowing for joint financing.⁽¹⁾

Similarly, the EDF and the EIB have often acted jointly with AID, the World Bank, the FIS and the AID/USA.⁽²⁾

⁽¹⁾ In the case of a regional development programme in the Central African Republic, France will finance part of the technical assistance, the EDF financing the investments. In two cases, the textile factory in Chad and the cement works in North Cameroon, joint finance has been provided not only by the EDF on special conditions but by private European groups, in addition to public assistance from some member States, local bank loans and suppliers giving credit. The EDF loan represented 16 per cent of the total cost of the product in Chad and 24 per cent of that in Cameroon.

⁽²⁾ The EDF and the World Bank/AID jointly financed road construction in Somalia and Mauritania. The EIB and the World Bank/AID together financed industrial and agricultural projects in Cameroon and Congo-Brazzaville.

(d) *The work of the European Investment Bank*

60. The Council's report states that as at 23 July 1968 the EIB had granted normal loans amounting to 20.9m accounting units out of a total available of 64 million. Hence the EIB may well have resources still in hand when the Yaoundé Convention expires.

It is also worth noting that only five Associated States had recourse to this form of loan:

IVORY COAST

loan of 1,015,000 accounting units to Sonaco (National Packaging Company) to build an industrial plant to package bananas.

CAMEROON

loan of 1,215,000 accounting units to Socatral (Cameroon Aluminium Company) for an aluminium-rolling plant.

loan of 2,025,000 accounting units to Sosucam (Cameroon Sugar Company) for building a sugar refinery.

loan of 4 million accounting units to Enelcam (Cameroon Electric Company) to increase the production of electricity.

loan of 1,215,000 accounting units to Sicam (Cameroon Textile Company) to build a spinning and weaving complex.

SENEGAL

loan of 2,400,000 accounting units to the SIES (Senegal Industrial Fertiliser Company) for an industrial complex.

CONGO-BRAZZAVILLE

loan of 9 million accounting units to the CPC (Congo Potash Company) for a mining plant.

MAURITANIA

loan of 11 million accounting units to Somima (Mauritania Mining Company) to exploit a copper deposit.

In view of this situation, the Joint Committee would like the European Investment Bank to change its policy to make it more effective in helping the AAMS to develop.⁽¹⁾

(e) *Implementation of Article 27 of the Convention*

61. When it met in Kinshasa, the Association Council followed the pattern of two previous years in taking a fresh look at the general policy for

financial and technical co-operation; it did so in the light of an annual report submitted by the Commission.

Resolution No. 3/68 which the Council adopted⁽²⁾ enlarges on and clarifies the two earlier resolutions, which remain fully valid. To a large extent it is a reflection of increased solidarity between the Associated States themselves.

62. The first part of the resolution deals with the various problems of economic and social investments and of tied technical assistance.

It begins by concentrating (paragraph 1) on the harmonization of investments as between Associated States. In the interests of economic co-operation and of inter-African trade, the purpose here is to stimulate the development of all the countries concerned under the most economic conditions possible and to help consolidate the solidarity between them by appropriately harmonizing their investment projects.

It is clear, as the resolution confirms, that the Community must be ready to give its support. Hence it stated that it will give the technical assistance requested by the AAMS in drawing up co-ordinated investment programmes wherever regional co-operation makes this desirable. This will mean more joint investment programmes on a multinational scale and more market agreements covering the distribution areas of products of new industries.

Paragraph 2 of the resolution, which covers agriculture, stresses the importance of developing the production of foodstuffs hand in hand with the efforts concentrated on industrial crops.

Paragraph 3 deals with stock-raising. It advocates more co-ordination between the producing countries (better breeding of livestock, increasing productivity, modernizing production and marketing structures, widening the scope of inter-African agreements on animal products).

Failing adequate means of communication, it is hard to see how these efforts are going to yield results. This is why paragraph 4 of the resolution stresses their importance.

The second paragraph of the resolution deals briefly with training at all levels. All the partners are concerned at the needs of the AAMS and are agreed they should look into the diversification of training methods, particularly by using new training techniques.

The Joint Committee would like, once again, to stress the importance of Article 27 of the Convention, whereby all the partners in the Association

⁽¹⁾ See para. 119.

⁽²⁾ The text of this resolution on the general orientation of financial and technical co-operation is given in Annex II.

are involved in working out a policy. It therefore welcomes the new decisions taken by the Council; these reflect the spirit of constructive co-operation which prevailed at the ministerial deliberations at Kinshasa.

(f) *Implementation of Annex VI*

64. Before closing this chapter, regret may be expressed at the unduly formal and restrictive interpretation given to Annex VI by the governments of the member States.

Under the terms of these provisions, the six governments agreed 'to proceed, at the expiry of the three years subsequent to the entry into force of this Convention, to a re-examination of the financial aid, such re-examination being designed to bring to light imperfections therein and to lead to the taking of any decisions which may prove necessary in the light of experience gained over this period.'

This re-examination led to no practical result. No measure was formally taken by the EEC member States, in the light of the four years of activities of the Second Fund, to take into account the experience gained.

No remedy, for example, has been found to the difficulties arising in connexion with aid for production and diversification in some AAMS; the six Governments feel that there is no major imperfection which would justify changing the present system.

V—Technical and cultural co-operation

65. In addition to financial aid for economic and social investments, the overall effort of the EDF on behalf of the Associated States includes action of other types (technical aid linked with investments, general technical co-operation, cultural co-operation), which represent a substantial contribution to the development of the AAMS.

(a) *Technical assistance linked with investments*

66. In the year under review, technical assistance linked with investments took a prominent place in its three forms 'preparatory', 'concomitant' and 'subsequent'. All the AAMS received the benefit of this aid for very many projects.

Through this action the European Commission is now able to finalize a great many development projects about which final decisions can soon be taken, once a third fund is endowed with the necessary resources.

67. Of the 34 investment and diversification projects financed in 1967, 16 obtained preparatory, technical assistance of 2,900,000 a.u.

Concomitant technical assistance, i.e. linked with the execution of projects (training and educating the beneficiary populations, direction and supervision on behalf of the country concerned), totalled 8,400,000 a.u.

Aid subsequent to investments, which is exceptional, was given in the case of only one project in 1967 and the amount involved was 2,800,000 a.u.

(b) *General technical co-operation*

68. In the field of general technical co-operation (sending experts, planning, surveys, mining research, trade promotion), the Second EDF financed operations to the extent of over 26m a.u.

In 1967, 674 experts (including 283 in the agricultural sector and 224 in the industrial sector) worked in the AAMS within this framework of general technical assistance and technical co-operation.

69. It is also worth drawing attention to the importance of some general surveys that have been made, such as those into marketing AAMS products in the EEC. One survey deals with the production, transport and marketing of AAMS bananas, the aim being to improve productivity and make the product more competitive. Others cover tropical fruits, oleaginous products, coffee, cocoa, butter, hides and skins.

There has also been a major programme for helping the AAMS to have stands at fairs and exhibitions in the Community; this is financed by the EDF within the framework of general technical co-operation. This programme is jointly run by the Community, the member States and the AAMS concerned. The member States bear the cost of hiring the exhibition stands, the AAMS provide the products exhibited and cover the cost of managing the stands and the EDF pays for the building and setting up of stands and for publicity.

The Joint Committee welcomed this move which is certainly going to help promote trade within the Association; it would like to see the programme expanded.

(c) *Cultural co-operation*

70. Training men is of great importance in development and is one of the conditions on which investments in the AAMS depend if it is to be effective.

Point 20 of the resolution passed by the Association Council in Antananarivo stated that investment policies are only of value if they are coupled with

a programme for training the men responsible for carrying it out and, subsequently, for running the projects concerned. It is understandable that the EDF has gradually increased its work in this field.

71. The number of Community scholarships to AAMS nationals again increased in 1967-1968, totalling 1,940⁽¹⁾ as compared with 1,679 in 1966-1967. Of these 468 were financed from the budget of the Commission and the rest were financed by the EDF. The AAMS programme is comparable in scale to that of the United Nations for all the developing countries.

The Joint Committee welcomes this increase in the number of scholarships especially since there is an increase in the number of scholars attending for training in the AAMS (37 per cent as compared with 30 per cent the previous years and 7 per cent in 1962-1963).

It trusts that this work will continue because local training is better suited to the needs of the AAMS. It will also serve to strengthen the co-operation links between the AAMS in the field of training manpower.

72. An increasing number of scholars have been going in for agriculture (26 per cent as compared with 20 per cent the previous year) and this is likely to increase. The improvement in farming techniques calls for an increasingly large number of managers in agriculture.

The Joint Committee noted with concern, however, that in 1966-1967 there was a fall in the number of scholarships in the technical sector.⁽²⁾ It therefore hopes that this sector will attract more scholarships in future.

73. In the AAMS, the shortage of executives is a particularly serious problem at the junior executive level. For this reason part-time training programmes and specialized programmes should be on a larger scale in future.

The Joint Committee welcomes what the Commission has done in:

- (i) training craftsmen, clerks and directors of small concerns in Cameroon, Congo-Brazzaville, Congo-Kinshasa, Gabon and Madagascar;
- (ii) training managers for the agricultural co-operatives in Rwanda;
- (iii) training textile workers in Chad.

At the same time, the growing number of requests submitted to the Commission for correspondence

courses shows that there is a real need here.⁽³⁾ The Association Council took account of this in its resolution when it said that it hoped there would be a greater variety of training methods, particularly through the use of new teaching techniques.

74. One important decision may be noted with satisfaction. In April 1968, the EDF appropriated a reserve of 3,200,000 a.u. for the renewal of scholarships for the period after the 1968-69 academic year. This will enable those who are not due to finish their courses in 1969 (when the Yaoundé Convention expires) to have their scholarships renewed up until when their studies are completed.

With regard to the academic year 1968-69, the programme envisaged involves 1,600 scholarships to be financed by the EDF, with the addition of 300 to be financed by the Commission. In view of the previous, steady rise in the number of scholarships, this levelling off has caused some concern to the Joint Committee.

VI—Right of establishment

75. There is nothing new to report concerning the implementation of the Convention regarding establishment, services, payments and capital. The aim of the Treaty has been achieved in this context; in 1967 indeed, the AAMS concerned informed the EEC that the provisions of Title III had come into force.

76. The Committee therefore dealt, during the year under review, with questions of detail; these concerned the entry arrangements to be made for AAMS delegates to Belgium and other EEC countries on their official missions relating to the Association. In this respect, the positive response of the Belgian authorities to the approaches made by the AAMS may be noted with satisfaction.

VII—The external relations of the Association

(a) Trade policy

77. Under Article 12 of the Convention the contracting parties agreed to inform each other and, at the request of one of them, to consult each other for the purposes of the effective application of the Convention. Pursuant to this clause, the AAMS asked the EEC to phase the introduction of the tariff concessions granted at the Kennedy Round; the EEC was unable to meet this request in so far as it was a general one and thus difficult to win acceptance for it from all the parties to the

⁽¹⁾ More detailed data on the scholarships programme for 1967-1968 are given in Annex I.

⁽²⁾ See Table C in Annex I.

⁽³⁾ In 1966 and 1967, the EDF financed 810 scholarships for correspondence courses, the results of which were as follows (reflecting the interest of the scholars): very good or good, 41 per cent; average, 15 per cent; poor or nil, 44 per cent.

negotiations; but the Community did accede to the AAMS requests in respect of four tariff positions of importance to them.

Similarly, the EEC did not meet the wishes of the AAMS concerning the suspension of tariffs on tea and cashew nuts. The present arrangements will remain in force until the Yaoundé Convention expires. The future system for these products will be a matter for those who negotiate the new Convention.

(b) Co-operation at the international level

78. At its session in Strasbourg, the Parliamentary Conference discussed the participation of the 24 partners at the Second United Nations Conference on Trade and Development. It called upon the EEC, its member States and the AAMS to do their utmost to dovetail their policies bearing in mind their mutual interests at the international level; this, on the basis of the spirit and letter of the Convention and particularly its Protocol No. 4.

Consultations at four meetings were held at the New Delhi Conference and these enabled the partners in the Association to harmonize their viewpoints on some of the commercial issues dealt with by UNCTAD.

79. Prior to that Conference the AAMS took an active part in defining the policy of the 77 developing countries vis-à-vis the industrialized States. Their defence of the trading system obtaining under the Yaoundé Convention deserves to be acknowledged.

80. The New Delhi Conference did not yield very satisfactory results—considering the hopes to which it had given rise. A few principles of definite interest did, however, emerge.

One of these was the idea of the 'degree of underdevelopment'. The developing countries have thus recognized the existence of differing situations calling for differing solutions through accepting the principle of special measures in favour of the least-developed countries which, indeed, include the AAMS.

UNCTAD also adopted a new objective with respect to aid for the developing countries, recommending that all the economically advanced countries should try to transfer to the developing countries a net minimum amount each year representing the financial equivalent of 1 per cent of its gross national product.

Lastly, a general agreement was reached on the principle of generalized, and non-reciprocal preferences to be granted by the industrialized States to the finished and semi-finished products of all the developing countries.

81. On this point the Associated States are aware of the fact that the least developed countries which already get the benefit of tariff preferences have very little to hope from a general preferential system which would not yield any substantial additional benefits with regard to their exports of processed agricultural products. At the meeting in Algiers and at the New Delhi Conference, however, the AAMS endorsed the principle of this system; it did so as an act of solidarity with the rest of the third world; but they made the fundamental reservation that this generalized system ought to yield benefits to them that would be at least equivalent to those they attracted under the Community's preferential system.

Under these circumstances the Association should not be an obstacle to the implementation of this system: this will call for new international negotiations at which the EEC and the AAMS will no doubt have to go on confronting and harmonizing their views.

82. Still with reference to co-operation between the Association partners at the international level, the excellent collaboration during the negotiations for renewing the International Coffee Agreement gives cause for satisfaction.

It is to be hoped that this co-operation will continue particularly in the arduous negotiations with a view to concluding an international cocoa agreement.

(c) Consultations about the Association agreement between the EEC and East Africa

83. During the period under review, the EEC continued and concluded the negotiations concerning the association with three East African countries (Kenya, Uganda and Tanzania).

The AAMS can only welcome the conclusion of the Association agreement which was signed on 26 July 1968.

In this connexion, however, there is one observation to be made concerning the consultation procedure laid down in Article 58 of the Convention. The consultations on the Association Council were not held until 23 July which was three days before the signature of the agreement. Under these conditions, the consultations were no more than a formality lacking in any real meaning.

VIII—The renewal of the Yaoundé Convention

84. Article 60 of the Yaoundé Convention reads: 'One year before the expiry of this Convention the Contracting Parties shall consider what provisions could be made to apply for a further period.' The renewal of the Convention which expires on 31 May

1969 is thus one of the main concerns of all the Association partners at this time.

The parliamentarians of the Association have already had an opportunity of stating their attitude on this problem. The Parliamentary Conference held in Strasbourg in December 1967 recommended to the Community, its member States and to the Associated States that they should, without delay, prepare the renewal of the Association when the Yaoundé Convention expired so that negotiations might in fact begin on 1 June 1968 and be completed in good time so as to avoid any break in continuity.⁽¹⁾

(a) *The work of the EEC and the AAMS with a view to opening negotiations to renew the Convention*

85. The AAMS have held two ministerial meetings to discuss this problem.⁽²⁾

The first of these meetings was held in Niamey from 12 to 13 January 1968 and this finalized the procedures and the working schedule in anticipation of the future negotiations. Under the terms of the decisions taken at that time, each State was to set up a national committee to finalize the technical files and a secretariat in Brussels responsible for co-ordination was to centralize the relevant data; an extraordinary meeting of the Ministerial Co-ordinating Council was to be held in Brussels in the Spring.

86. This meeting of the AAMS Co-ordination Council was held in Brussels on 7, 8 and 9 May 1968. On that occasion the AAMS envisaged asking the EEC at the Council meeting in Kinshasa if the negotiations referred to in Article 60 of the Convention could begin in October. Following the guidelines given by the ministers, AAMS diplomatic representatives in Brussels were asked to do the necessary ground-work on the Co-ordinating Committee and to complete their work by October.

87. The work done by AAMS ministers and the AAMS diplomatic representatives accredited in Brussels, was complemented by the noteworthy personal efforts of Mr. Hamani Diori, President of the Republic of Niger. In September and October he paid a series of official visits to the six member States and to the Commission to discuss the renewal of the Convention; he was acting on behalf of the 18 Associated States in his capacity as President-in-Office of the AMCO; the basic text here was the memorandum he submitted to the EEC in 1966.

88. For the EEC, the first step was taken by the Commission in April. In a report to the Council,⁽³⁾

it came out in favour of upholding the Association, for improving some of the trade arrangements, increasing the price guarantees for some tropical products and for keeping financial assistance up to at least the level of the Yaoundé Convention.

89. The European Investment Bank has also dealt within its own sphere with the problems involved in the expiry of the Yaoundé Convention. Its Management Committee submitted a memorandum to the Council in June and this contained suggestions for improving Community aid to the AAMS.

90. The European Parliament, has frequently spoken in favour of renewing the Association.

Following the Parliamentary Conference in Strasbourg, a major debate held in January 1968 showed the interest of the European Parliament in continuing with the Association.⁽⁴⁾ At its session in July 1968, the European Parliament assessed the results of financial and technical co-operation and stated its resolve to see the Association continue with a new European Development Fund.⁽⁵⁾

At its session in October 1968, the European Parliament gave its Opinion on the memorandum by the European Commission. It also held a major debate on all the problems involved in renewing the Association. The report submitted by Mr. Thorn deserves to be widely circulated both among the member States and the Associated States.⁽⁶⁾ It is to be hoped that the conclusions drawn in this report and the resolution relating to it⁽⁷⁾ may carry some weight with the negotiators of the new Convention.

91. The Council, for its part, made no move until the ministerial meeting in Kinshasa.⁽⁸⁾ It was at this meeting that the representatives of the Six signified to the AAMS their agreement to open negotiations for a renewal of the Convention.

92. The overall agreement of all the partners on renewing the Association was thus finally forthcoming on 23 July 1968 on the Association Council.

The importance of this political decision (taken at the ministerial meeting in Kinshasa) is to be noted with satisfaction, especially in view of the reservations on the part of some member States, which had opened up the possibility that they might take a different attitude. The resolution passed by the Association Council reflects the political

⁽⁴⁾ Report by Mr. Aigner (Doc. 178/67 of 17.1.68).

⁽⁵⁾ Report by Mr. Metzger (Doc. 89/68).

⁽⁶⁾ Report by Mr. Thorn (Doc. 137/68).

⁽⁷⁾ The text of this resolution is annexed to this report (Annex IV).

⁽⁸⁾ At its session of 30 May 1968, the Council simply took note of the report from the Commission. The Permanent Representatives Committee was asked to study this Report.

⁽¹⁾ Resolution on the Third Annual Report on the activities of the Association Council, para. 29.

⁽²⁾ When this report was being drawn up, a new AAMS ministerial meeting was being planned for 13 December 1968.

⁽³⁾ A summary of this is annexed (Annex III).

will of the partners to continue with their joint endeavours. On the basis of this text the work in preparation for the negotiations proper will go forward according to the following schedule:

- (a) The EEC and the AAMS were to prepare independently for the negotiations, so that they might arrive at a common line on the largest number of issues possible within a reasonable time.
- (b) This preparatory work was to lead up to a meeting of the Contracting Parties, to be held as soon as possible and, in any event, before 15 December 1968 to allow for a first joint examination on those points where a common line had emerged. At this meeting too, the practical arrangements whereby the negotiations might be concluded before 31 May 1969 were also to be worked out.

The parliamentarians in the Association deplored the fact that the negotiations were to begin several months behind the schedule laid down in the Yaoundé Convention. When the Joint Committee met in Brussels it stressed this point, expressing its concern at the consequences of delays in implementing Article 60. It was, however, with satisfaction that the Committee took note, at its Brazzaville meeting, of the determination of the Council not only to renew the Convention but to conclude the relevant negotiations before the present Convention expires. But the Council has failed to abide by the schedule it laid down; so it would remind the Association Council of its real concern in this context, which is to avoid any stop-gap arrangement between the expiry of the present Convention and the implementation of a new one.

Yet, in view of the length of time taken in parliamentary ratification procedures, the Joint Committee said it would, as a precautionary measure, look into the problems which would arise if a legal vacuum proved inevitable. This is why this report discusses measures for a possible transitional period, in addition to those involved in renewing the Convention.

(b) *General problems*

93. The first question is: should an agreement of the same type as that concluded at Yaoundé be envisioned or one of a different kind? In other words should one envisage an agreement with protocols which could be changed or a renewed convention which would embody the experience of the past?

It will be remembered that this question has already been raised on the Association Committee.⁽¹⁾

⁽¹⁾ See the reports of Mr. Pedini and Mr. Troclet *op. cit.*

The general view seems to favour an agreement of the Yaoundé type which would safeguard the underlying principles of the Association but which would have some of its provisions changed particularly those on trade and the machinery for financial and technical assistance.

The statement made in Libreville on 24 June by the Gabon Minister for Economic Affairs pinpoints this situation:

'It would be a serious mistake to go in for an article-by-article revision of the Yaoundé Convention. We should be involved in endless negotiations. There should be no sudden change in the EDF investments system. The timetable for the negotiations will not be adhered to unless we restrict our attention to a few real problems and at the same time avoid any major upheaval.'

94. While agreeing that the next convention should be open to the accession of new States (Article 58 of the Convention) the Joint Committee agrees with the European Commission that in the present state of affairs, distinct association agreements concluded in the appropriate manner with one or more States having comparable production and structures would be preferable to any standard association agreement.

95. With regard to the period covered by the new convention, the Joint Committee had an interesting discussion in Brazzaville. There were two main viewpoints and the arguments on both sides are worth recapitulating here for the benefit of the members of the Parliamentary Conference.

On the one hand, a period of five years would be justified because it would be easier to adjust to new realities arising in world trade and in the development of the AAMS themselves. The experience of the Yaoundé Convention has shown that adjustments are needed even before five years have elapsed. It is also to be feared that the total amount of financial assistance to be decided for the whole period might be the same for five or for seven years. Lastly the depreciation of currencies which would occur over a longer period would reduce the real value of the financial assistance.

On the other hand, there are good arguments in favour of a period of seven years. A longer period would avoid having negotiations too close together i.e. in the fourth year; the experience gained in the two previous conventions have shown that there is a risk of a break in continuity; this has both legal and financial implications. This longer period would also enable the Associated States to see how much assistance they might expect in a longer term and they could make their development plans accordingly.

The Joint Committee did not think fit to state its attitude on his point. Bearing in mind the insufficient information it had, it left it to the Conference, if not to the negotiators of the new convention, to make the final choice.

96. To round up these general points, it is worth stressing the importance attached by the AAMS to the fact that the Association has its origin in the Treaty of Rome (Part IV). In the first annual report on the activities of the Council of Association, Mr. Pedini stated that the Association had, for the Community, a permanent and institutional character. This point was also made by the Commission in its report to the Council when it stressed the meaning and the political importance of the Association which it regarded as an essential part of the Community construction. The Joint Committee considers that the new convention ought, in its preamble, to reaffirm the permanent character of the association.

(c) *Institutional problems*

97. It is not necessary to stress the importance and the originality of the institutional structure created by the Yaoundé Convention which has established a genuine atmosphere of partners working together. The institutional provisions should therefore be renewed.

In view of its essentially political nature and its powers of decision, the Association Council ought to comprise the ministers who are, by virtue of their own governmental office, most familiar with association problems. Such ministers should be present at every session of the Council, irrespective of any prior agreement which may be made between the two groups of partners and expressed by their respective spokesmen.

98. For the same reasons, the Association Committee, the smooth running of which is essential to the continuity of this co-operation, should retain its present level of representation.

It would, moreover, be desirable for the Committee to be able, wherever necessary, to refer to a joint group of experts for the technical analysis of special problems.

99. On a different note, the new Convention might formally recognize the seat of the AAMS Co-ordination Council and Committee and of the Joint Secretariat of the Association. A special protocol could lay down the privileges and immunities of the members of the Co-ordination Secretariat permanently resident in Brussels. This would guarantee the independence of their office, and, at the same time, state the system to govern for the property, funds and assets which the Council and the Committee might come in due course to hold.

100. As regards 'informing and consulting each other' pursuant to the Convention, the relevant provisions (Articles 11 and 12) have not, as is generally recognized, given complete satisfaction to either party. The Joint Committee therefore hopes that the next Convention will improve the procedure in this context, so that there may be an effective dialogue to take account of the interests of both sides. Under Article 11, the EEC ought to be required to tell the AAMS Co-ordination Committee of its intentions—even prior to the consultations proper.

101. Lastly, the provisions on the right of establishment, services and capital have not raised any special difficulties and should be retained as they stand.

(d) *General problems of trade*

102. The preferences which the AAMS enjoy on the Community market replaced the bilateral preference arrangements of the Franc Zone (including guaranteed prices) which were very advantageous to the Associated States. As the Commission notes in its memorandum to the Council, the Community preferences have not enabled all the AAMS to obtain better results with their exports to the Community than the other developing countries. In some cases their position is now less favourable than that of other developing countries.

Under these conditions, the Joint Committee would like these preferences at least to be maintained; they have not inhibited the normal expansion of trade between the Community and the other developing countries. Maintaining these preferences is justifiable, particularly since the AAMS are among the least economically developed nations, on whose behalf UNCTAD II advocated preferential measures.

As for the preferences granted by the Associated States to the EEC, which logically come into a free trade area system, the AAMS consider that they are a factor for balance and should therefore be maintained.

Assuming that preferences for finished and semi-finished products from all the developing countries are generalized in line with the UNCTAD recommendations, it would be desirable to give the Associated States preferential treatment.

103. With regard to quantitative restrictions, the safeguard clauses laid down in the present Convention should be maintained and even strengthened, both nationally and regionally, so that under certain conditions appropriate protection could be given to the growing industries of the Associated States through effective quota measures.

104. The present arrangements for trade with third countries, as laid down in Article 12 of the Convention, should be retained; any tariff reductions decided upon should only be granted after discussions on the Association Council.

It would also be highly desirable—as the Commission proposes—for the Community to waive the most favoured nation clause in some cases so as to promote industrialization agreements on an area basis between neighbouring States in Africa.

105. The new convention will have to find new answers and, in this context, reference should be made to the following general principles:

- (a) setting up compensation machinery to help the sensitive AAMS exports along the same lines as the provisions enacted for oleaginous products. Special protocols could deal with specific products and these could, in some of their provisions, be subject to review;
- (b) acknowledgement of the principle of a 'profitable price' for AAMS producers to be used when setting the reference price on importation into the Community;
- (c) trade promotion and publicity to expand the market for AAMS products in the EEC;
- (d) up-holding and, if necessary, increasing the tariffs and quota concessions for AAMS products in the Community.

Special provisions governing market organizations would be of interest within the Association in the case of products not covered by international organization.

106. Similarly, the new Convention ought to do something about the consumer taxes on tropical products charged in some member States. It is worth remembering here the conclusions drawn by Mr. Armengaud in his report on the effects of these taxes on consumption patterns.⁽¹⁾

In the opinion of the AAMS, the best solution would be to abolish or gradually to reduce these taxes—or even to set a ceiling on them. In any event, ad valorem taxes should replace specific taxes without delay.

The argument of the six Governments, however, deserves taking into account; they regard these consumer taxes as a matter for their own national, fiscal and budgetary policies.

⁽¹⁾ The studies into coffee consumption made by FAO and INRA-Europe came to very similar conclusions: the abolition of these taxes would lead to an increase of coffee consumption of 7 per cent in France, of from 10 to 14 per cent in Germany and of from 28 to 30 per cent in Italy, taking into account the normal flexibility factors. The Commission, for its part, pointed out that the dearness of some products (coffee, cocoa) had a definite influence on consumption structure.

Under these conditions, a special protocol might be envisaged in the new Convention, articulating the willingness of the member States to set a ceiling on these taxes and then to reduce them along lines to be laid down.

(e) *Products similar to and competitive with European agricultural products*

107. The various EEC regulations governing the importation of products similar to and competitive with European agricultural products have been much criticized.

These regulations were issued by the Community hand in hand with its elaboration of the agricultural policy. The Associated States, on the other hand, have been dissatisfied at the way Article 11 of the Convention has been applied. On many occasions, they have not been consulted until after the implementation of the regulations in question. The current trade preferences given under this system at present are often minimal in comparison with the treatment given to third countries. In fact, the AAMS products do not have free access to the European market but, as a rule, only attract a slight reduction in the levy. As a result, the difference between the Community price and the world price has resulted in a levy on AAMS products which is quite high; this is because the protection of the European market is worked out by reference to world prices.

This is a major issue for the AAMS because the products concerned represent 45 per cent of their exports to the Community. This is why these States would like the arrangements under Article 11 to be improved.

108. The new Convention ought to give a clearer definition of the term 'similar to and competitive with'. The conditions under which these provisions are applied ought also to be spelled out more clearly.

The AAMS consider that some of their products may be regarded as similar to European ones without actually competing with them. They feel that the concept of competition should be interpreted as follows: no competition should be deemed to exist if the EEC is short of AAMS products of comparable quality and if the latter only come to represent a very small fraction of EEC imports and thus do not pose a commercial threat to the marketing of the European agricultural product concerned.

Where AAMS products are similar to but not competitive with EEC products a duty-free import system should be envisaged. Raw tobacco is a case in point. The AAMS raw tobacco exports to the EEC represent not more than 1.8 per cent of the Community's imports.

109. At a more general level, the Joint Committee endorsed the suggestions made by the Commission in its note to the Council. It felt that the new convention should incorporate a price guarantee system similar to the one for oleaginous products; it would be based on the following principles:

- (i) the definition of a 'contractual' price by reference to the cost price in the AAMS coupled with a degree of trade preference sufficient to boost imports from the Associated States;
- (ii) the granting of subsidies in the event of prices falling below this rate.

There should be special protocols governing individual products and some of the clauses in them could be subject to review.

(f) *Processed agricultural products*

110. The rules for EEC imports of the processed agricultural products from the AAMS have given rise to misunderstanding and to controversy between the Association partners. The Associated States consider that these products come into the industrial product category and ought therefore to be free of duty in compliance with Article 2 of the Convention. The member States, on the other hand, consider that because there is no duty on imports of these products from third countries (these having given way to a system of levies) they are no longer covered by Article 2.

Article 11 in fact makes no reference to this point. The provisions enacted so far in respect of these products have come under the Treaty of Rome rather than the Yaoundé Convention.

111. The new Convention will have to be much more specific in defining the importation rules for processed agricultural products, especially since it is Community policy to encourage industrialization in Africa, not least in the form of processing agricultural products.

The European Commission thinks the AAMS should be granted a substantial trade preference over third countries under the new system. The levy applicable to the basic product ought to be computed by reference to the 'contractual price' for that product.

The Joint Committee considers that there should normally be no duties on importation — in all cases where this is possible. The present system of duty-free entry under Regulation 127/67/EEC for tapioca and chocolate should be retained in the new Convention.

It would also be desirable to introduce compensatory taxes on some processed agricultural products when they are imported into the Community.

112. Your rapporteur would like to point out that it would have been both sensible and desirable for the Community to introduce a very liberal system to govern imports of what is produced by the growing industries in the Associated States, instead of endeavouring to protect itself, even when there is no competitive threat. It should not be forgotten that the EEC can also invoke the safeguard clause (Article 13) of the present Convention in the event of any serious deterioration in its economic situation.

(g) *The specific problems of bananas*

113. The marketing of bananas is a subject of concern to the Associated States; for some of them, bananas make up the bulk of the export trade and serious difficulties have been encountered in this context in recent years.

West Germany has a nil-duty tariff quota for this product under a protocol in the Treaty of Rome; this was renewed under Annex IX of the Yaoundé Convention. Under this Germany may, up till 1 January 1970, import no more than 238,800 tons free of duty. In 1967, however, Germany imported 600,000 tons free of duty, including 19 tons from the AAMS.

It is true that Annex IX discusses the contingency of Germany's needing quantities exceeding the quota. In this event, it is required to consult the Associated States 'as to their being able to supply on suitable terms all or part of the quantities requested'. The 'suitable terms' have, however, never been defined, so that the German importers have never lacked arguments for retaining and expanding their established trading relations (quality, consumers' tastes, regularity of supplies, price).

114. The idea of revising this Annex might be entertained, so that appropriate terms could be defined in advance. The problem has now gone beyond this limited context because the question of prices on importation will continue to raise problems on the German market, even if the CET preference of 20 per cent is applied. To deal with this, structural action is needed in the member States, coupled with a banana market organization within the framework of the Association.

115. It will be for the Commission to propose suitable arrangements for a further period, particularly in the light of suggestions made by the Joint Committee in a report which Mr. Armengaud submitted to the Parliamentary Conference in Strasbourg.

(h) *Assistance to support the prices of tropical products*

Despite the efforts made to improve the structure of agricultural production in the AAMS,

prices have sagged more in the case of some products than costs have been cut. Thus countries which obtain most of their receipts from these products have not been able to align with what are known as world prices, as was envisaged in the Yaoundé Convention. The Joint Committee has discussed this on several occasions. In the report submitted by Mr. Armengaud, it advocated arrangements for stabilizing tropical products. The parliamentarians should unite their efforts to find a satisfactory solution to this problem in the new Convention.

The Joint Committee also took great interest in the proposals made by the Commission in its Note to the Council to the effect that special financial aid would be granted in the case of products of major importance in the economies of the Associated States if the 'world' price were to fall below a reference price previously set by the EEC after consultations with the AAMS.

During the next period the advances to the stabilization funds, which are used to keep prices on an even keel, would be maintained.

(i) *Financial and technical co-operation*

116. In view of the very favourable results of the EEC's financial aid to the AAMS, all of the provisions in the present Convention which deal with financial and technical co-operation should be retained in the new one, subject to improvements in the procedure for granting aid in some instances.

117. The first question arising is the amount of assistance to be given.

The Joint Committee adopted a suggestion by your Rapporteur in endorsing the analysis made by Mr. Thorn in his report before the European Parliament:

'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.'⁽¹⁾

118. It would not be advisable at present to make any radical change in the relative proportions of subsidies and loans when it comes to dividing up the assistance given.

Grants should still comprise the bulk of the Community's assistance, bearing in mind the economic situation and the state of indebtedness of most of the Associated States.

As regards loans, the Joint Committee felt that the new convention ought to give the AAMS the option of repaying these in local currencies.

To ensure the best possible use of normal loans, recourse should be had more systematically to the interest rebates already provided for. Indeed, an interest rebate will not make an investment more profitable but it will lighten the financial burden incurred with projects which will only yield a profit in the longer term.

119. As regards the breakdown of EDF assistance between beneficiary States, it is well known that different opinions have been expressed among the AAMS. Some would like the assistance to be divided up in advance in favour of economic investments according to the principle of a fair balance between the beneficiary States. This fixed sum breakdown would acquaint the beneficiary State with the amount of assistance it might attract during the whole of the period covered by the Convention for the purposes of its development programmes.

In fact, such a system would raise some very delicate and complex problems, for it would be hard to find suitable criteria. It would be reasonable for EDF credits, therefore, to be divided up as in the past, i.e. for the Commission which manages the Fund to consult with the EDF Committee and, referring to the guidelines laid down by the Association Council, to assess the value of projects submitted by the AAMS.

When assessing projects, the principle of 'the degree of underdevelopment' should be taken into account; this is, moreover, in line with resolutions already passed by the Association Council. Hence the situation of countries which are far from the sea (Chad, Mali, Upper Volta, Niger, the Central African Republic, Rwanda, Burundi) and under a particular handicap owing to the lack of adequate

⁽¹⁾ Report by Mr. Thorn, op. cit. para. 66.

direct communications with the outside world, would be taken into consideration.

120. As regards the breakdown of assistance into sector, the Third EDF should place greater emphasis on industrialization proper; it only attracted 8.5 per cent of the operations under the Second EDF. As far as possible this should go beyond the stage of surveys and make practical use of the research work done by the Commission in 1967 into the possibilities of industrialization that exist in the AAMS.

This industrialization can be considered in different ways:

- (i) through the creation of industries producing commodities to replace some of those imported from the industrialized States;
- (ii) through the setting up of production plants geared to the Community and world export markets.

These two approaches could, indeed, be dovetailed.

Their success depends on sufficient capital being available in the form of non-repayable assistance, EDF loans on special conditions, European Investment Bank loans attracting interest rebates, private capital underwritten with multilateral guarantees and, lastly, loans extended by other international bodies. Against this background, projects should no longer be weighed in relation to the ability of the AAMS to repay their loans but only in relation to their practical merits.

The EDF ought to co-operate with the EIB in seeing how private capital could be invested in the industrial development of the AAMS. This could be encouraged in various ways: multilateral guarantees for private investments, direct action in raising capital and setting up enterprises, notably through local development banks and other credit agencies, etc.

The suggestions made in the report by Mr. Thorn on this subject⁽¹⁾ are worth taking a closer look at because they are in line with the ideas put forward by the AAMS and reiterated by President Hamani Diori in his recent visits to the six capitals of the EEC countries.

121. The technical assistance linked with investments should continue according to the established pattern (preparatory, concomitant and subsequent assistance) as should general technical assistance (general surveys, sending expts, training managers,

full-time and part-time scholarships). The work of the EEC in this context has, indeed, been completely satisfactory.

IX—Problems concerning a possible transitional period

122. The Joint Committee has on several occasions given expression to its concern that the new association should begin when the Yaoundé Convention expires. It was indeed in December 1967 that the parliamentarians of the Association first called for a prompt implementation of Article 60 to avoid any break in continuity.

The Joint Committee would very much like the negotiations to be completed in good time in line with the Council's affirmation in its Kinshasa resolution. However, bearing in mind that the ratification procedure usually takes a long time (involving the Parliaments of the 24 signatory States), it considered it would be worthwhile briefly to discuss the possibility of a transitional period and any necessary arrangements pursuant to Article 60.⁽¹⁾

123. In 1963 there was a gap between the expiry of the first Convention and the beginning of the second; at that time, however, there were still substantial credits in reserve with the result that no harm was done. But at the present rate of EDF commitments, it is to be expected—as the Commission has already stressed—that the resources earmarked for non-repayable assistance will be completely used up by 31 May 1969. The effect of this would be that the EDF's activity would come to a halt.

124. In view of this situation, special measures must be taken in time to ensure the continuity of financial and technical co-operation.

With this in mind the European Commission ought to have the necessary funds in its own budget to finance new scholarships for the 1969-70 academic year; at the same time the programme of fairs and exhibitions of a commercial nature ought to go forward without interruption.

As regards new investments, the European Commission should be authorized to take anticipatory financing decisions—the sums relevant to be appropriated from the future development fund; the financial commitments involved in these decisions would not become operative until the new Convention came into force.

⁽¹⁾ This particularly involves the European Investment Bank which should be able to go on granting loans to promote the industrialization of the AAMS under improved conditions, i.e. there should be a more systematic granting of interest rebates on these loans; it should use its own funds to purchase minority holdings in the capital structure of enterprises; it should grant financial assistance to Development Banks. See report by Mr. Thorn, *op. cit.* paras. 84/91.

⁽¹⁾ Article 60,2: 'The Council of Association should take any transitional measures which may be necessary until a new Convention comes into force.'

125. The institutional machinery created by the Yaoundé Convention ought to go on operating in the normal way. Similarly, emergency measures ought to be taken with reference to trade.

X—Conclusions

126. In view of the criticisms that have, from time to time, been levelled at the Association, it is fortunate that an African Rapporteur should now have the opportunity, in this report to the Parliamentary Conference of the Association, to draw the conclusions that emerge from four years of activities pursuant to the Yaoundé Convention.

This Convention, of course, followed on from Part Four of the Treaty of Rome. Thus the Association can today look back on nearly 10 years of co-operation between the Six and the Eighteen.

Truth to tell, our Association draws its strength and dynamism from a practical situation and from a network of long-established links to which agreements have most adventitiously given a precise and yet flexible legal form.

127. The criticisms directed at the Association Council and Committee should not cause us to forget the sound record of these institutions in the year under review.

There are, of course, many problems which have not been solved. Others are still being analyzed but a great many of the difficulties encountered by the Associated States have been tackled and new approaches are taking shape which will, we hope, soon be translated into practical results.

128. It is financial and technical co-operation which has brought the most substantial benefits to the economies of the Associated States. It has enabled them to achieve undoubted progress at a time when assistance from the industrialized States to the developing countries is tending to diminish. It is encouraging to see that the European Economic Community has appropriated sums exceeding 1,000m a.u. for the AAMS.

It is, indeed, a pity that some of the funds earmarked for repayable assistance (special EDF loans and ordinary EIB loans) have not been used; those who drafted the Yaoundé Convention certainly overestimated the ability of the AAMS to submit economic projects which could be financed by such loans. The difficulties inherent in this situation should be carefully analyzed and, if possible, dealt with when the Association is renewed.

The scale of the needs of the Associated States and the considerable losses they incur because of the

fall in price of their products mean that Europe must make a greater effort in the case of financial assistance in the new Convention, especially bearing in mind the growth in the national incomes of the Six.

The new fund will thus have to be more substantial, have a wider range, be more flexible in the appropriation arrangements and better fitted to promoting the necessary industrialization of the AAMS.

129. These are all grounds for legitimate satisfaction but the record for trade in the Association has not come up to the hopes which the Associated States placed in the trade provisions of the Yaoundé Convention.

It is true that the creation of free trade areas between the Six EEC countries and each of the Eighteen Associated States is almost an accomplished fact. Reciprocal preferences and the liberalization of trade have led to an appreciable increase in trade in the Association.

This growth has, however, been limited on both sides in comparison with the growth in trade with third countries, particularly with non-Associated States in Africa.

As a result of the definition of the system for agricultural products similar to and competitive with European ones and for processed agricultural products, the intra-Community system has given way to various unilateral measures taken by the Community.

It has to be added that the effects and the results of the implementation of the common agricultural policy have meant even more serious prejudice to the AAMS from those provisions in the Convention which oblige them to bring their prices in line with what are known as 'world rates'; it is well known that these are often no more than bargain prices, whereas the trade in agricultural produce between industrialized countries is now carried on within organized markets under protection arrangements which are usually substantial.

130. The new Convention will have to deal satisfactorily with this whole range of anomalies.

Our hearts prompt us to look at where we stand in relation to the world at large and to assess the problem of the developing countries in a way that gives practical expression to the solidarity of the third world. Our minds, however, oblige us in the light of experience to accept that, at present, this would be unrealistic and fraught with danger because it would tend to destroy the machinery created by the Yaoundé Convention without its being clear, pending a solution to the problem of underdevelopment, how and by what it would be replaced.

This is why we are resolved to maintain the Association for it is a living reality. We are agreed on the goal we have to achieve, which is to make the 18 African and Malagasy States into developed nations; it is now a question of adjusting our means for action by improving their efficiency. Consequently a clear-sighted approach calls for an adjustment and a consolidation of the Association.

The Association should be regarded as a continuous operation. It is not possible either to plan or to build in uncertainty, so it is in the interests

of all to give permanence to this framework, within which the contents alone would be periodically subject to modification by joint agreement between the partners. This is, indeed, dependent on creating a certain state of mind. The 24 partners in the Association are fully aware of sharing a common destiny, which binds them together, and it may be expected that the reason, the generosity and the solidarity since the Association began will not fail to grow in strength, so that the next Association system may measure up in full to the aspirations of all.

Details of Community scholarships awarded to nationals of the Associated States⁽¹⁾

(a) Breakdown into country of origin of AAMS nationals receiving scholarships (years 1961-1968)

Country	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
Burundi	9	19	33	68	103	106	153
Cameroon	9	41	56	112	203	201	186
Central African Republic	2	2	17	36	47	34	24
Congo-Brazzaville	19	22	27	128	124	46	61
Congo-Kinshasa	57	69	87	166	316	336	382
Ivory Coast	23	44	58	76	109	119	119
Dahomey	12	20	27	65	83	89	91
Gabon	38	36	41	41	21	21	22
Upper Volta	3	16	36	58	68	89	131
Madagascar	47	39	47	80	112	67	74
Mali	0	24	33	46	31	48	56
Mauritania	4	11	19	26	36	50	64
Niger	15	21	31	39	50	50	53
Rwanda	8	10	31	65	76	120	149
Senegal	13	19	37	37	29	35	69
Somalia	30	35	47	99	90	125	153
Chad	5	30	28	34	55	54	43
Togo	11	7	30	65	79	89	110
Total Associated States⁽²⁾	305	465	685	1,241	1,632	1,679	1,940

⁽¹⁾ Source: European Commission.

See also the report by Mr. Metzger on the problems of financial and technical co-operation within the EEC-AAMS Association, Doc. 89 of the European Parliament, 2 July 1968.

⁽²⁾ The EEC also awards scholarships to nationals of the non-independent overseas States and territories with which it is associated.

(b) Breakdown into country of award

(percentage figures rounded off)

Where trained	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
Belgium and Luxembourg	25	30	23	18	18	17	13
France	36	32	28	26	20	16	12
Germany (Fed. Rep.)	15	14	15	18	17	15	14
Italy	17	14	14	15	13	15	14
Netherlands	6	3	8	8	8	2	6
Africa and Madagascar	—	7	9	14	21	30	37
Israel	—	—	3	1	3	3	2

(c) Breakdown into type of training given

(percentage figures rounded off)

Year	Economics	Agriculture	Technology	Professions for women
1961-62	33	21	46	—
1962-63	38	14	35	13
1963-64	30	18	36	16
1964-65	26	17	43	14
1965-66	24	20	56 ⁽¹⁾	—
1966-67	27	26	36	11

⁽¹⁾ This figure also includes professions for women.

(d) Breakdown of scholarships awarded in 1967-68 into country of origin of AAMS nationals receiving awards and type of training given

Country of origin	Economics	Agriculture	Technology	Professions for women	Total
Burundi	31	31	84	7	153
Cameroon	76	36	51	23	186
Central African Republic	14	1	8	1	24
Congo-Brazzaville	36	9	16	—	61
Congo-Kinshasa	69	111	189	13	382
Ivory Coast	34	38	27	20	119
Dahomey	21	13	6	51	91
Gabon	4	7	10	1	22
Upper Volta	29	21	34	47	131
Madagascar	18	38	7	11	74
Mali	27	20	9	—	56
Mauritania	8	5	51	—	64
Niger	9	9	34	1	53
Rwanda	17	67	61	4	149
Senegal	14	14	16	25	69
Somalia	51	27	70	5	153
Chad	19	23	1	—	43
Togo	21	25	33	31	110

(e) Breakdown showing countries where training was given and scholarships awarded in 1967-68

Establishments located	Number of scholarships		% of general total	
<i>in the member States</i>				
Belgium	267		12.9	
Germany	298		14.4	
France	261		12.6	
Italy	303		14.7	
Netherlands	129	1,258	6.2	60.8
<i>in the Associated African and Malagasy States</i>				
Burundi	33		1.6	
Cameroon	155		7.5	
Congo-Brazzaville	19		0.9	
Congo-Kinshasa	131		6.4	
Ivory Coast	176		8.5	
Dahomey	28		1.4	
Upper Volta	41		2	
Mali	23		1.1	
Mauritania	50		2.4	
Rwanda	54		2.6	
Senegal	48	758	2.3	36.7
<i>in Israel</i>		52		2.5
General total		2,068		100 %

Part-time courses conducted locally to train managers for small enterprises were also financed; 183 people took such courses in 1967-1968 in their own countries, as follows:

Cameroon	60
Congo-Brazzaville	73
Congo-Kinshasa	12
Gabon	28
Madagascar	10

Third Resolution

of the Association Council on the general guidelines for financial and technical co-operation

The general guidelines for financial and technical co-operation, as laid down by the Association Council at its third and fifth sessions (Resolutions 1/66 and 2/67), cover the various aspects of co-operation; they are still perfectly valid and will continue to apply. The proposals made below are designed to supplement these guidelines on the basis of experience gained.

Economic and social investments and technical assistance

1. In the interests of economic co-operation and of inter-African trade, the Associated States concerned will try, in the most appropriate way, to harmonize their investment projects so as to promote the development of all the States concerned under the most economic conditions possible and so as to help strengthen the solidarity between them.

The Community, for its part, is ready to help the AAMS in achieving this goal by providing such technical assistance as the AAMS may request to draw up co-ordinated investment programmes in spheres where regional co-operation is desirable. It will promote the exchange of information for this purpose.

In the sphere of industrialization in particular, the drive already under way will be continued and even stepped up, with a view to establishing (i) investment programmes which are dovetailed at multi-national level and (ii) market agreements organizing the distribution area for the products of the new industries.

2. In selecting projects affecting agricultural production, all due attention should be paid to

expanding the output of foodstuffs, hand in hand with the efforts in the sphere of industrial crops.

3. To develop stock-raising, the producing countries will have to dovetail their efforts to improve livestock still further, particularly from the health standpoint, and to increase productivity. The emphasis here will be on designing and creating modernized production and marketing structures.

To ensure that stock-raising makes a bigger contribution towards raising the living standards in the AAMS, the scope of the agreements between African producing and consuming States must be widened in order to regularize and improve the flow of animal product supplies.

4. Without prejudicing the special national interests of the Associated States, greater importance should be attached to creating and improving the means of communication, particularly between States, where the aim is to facilitate trade and reduce the handicap of the regions and countries in the interior.

Occupation and managerial training

5. In order to make the best use of existing possibilities to meet the major need for training of the AAMS, the Community and the Associated States ought together to see how training methods can be diversified, particularly through the use of new teaching techniques.

The present text enters into force on 23 July 1968.

Summary of the Note from the Commission of the Communities to the Council of the Communities on the problems of the renewal of the Yaoundé Convention

I—Introduction and general considerations

On 3 April 1968, the Commission of the European Communities submitted to the Council of the Communities a Note on the problems of renewing the Yaoundé Convention.

In this Note the Commission reaffirmed its support for continuing the Association after the expiry of the Yaoundé Convention (31 May 1969) and indicated appropriate guidelines for the new Convention.

The Note begins with a political introduction stressing the meaning and importance of the Association, which it describes as an essential component of the Community construction. The EEC-AAMS Association is a tangible expression of the Community's activity in regard to development assistance. It is also an original and constructive contribution which provides evidence of the possibilities of co-operation and mutual trust between the industrialized countries and those in the throes of economic development. The Association has promoted the establishment or the consolidation of relations between the African States and the member States of the EEC. The Association must remain open but the European Commission does not consider that it is possible at the moment to have a single Association including the 18 countries already associated and new applicants. This would imply an appreciable increase in the resources to be earmarked for financial aid; it would also affect relations with other third countries and involve a review of the participation of new applicants in other preferential areas (the Commonwealth). The analysis of these questions has led the Commission to believe that such a system is not consistent with present realities and possibilities.

The entry of the United Kingdom and other European countries into the Community, on the other hand, would make it possible to have a 'great Association'. In short, the inclusion of English-speaking countries in the EEC-AAMS Association is, for the Commission, linked with the enlargement of the Community.

At present, the Commission considers that the most suitable arrangement would be as follows: an Association with the 18 AAMS, open to the accession of other countries and, hand in hand with this, distinct association agreements with other African countries having comparable productions and structures. These distinct agreements would be modelled on the Yaoundé Convention without, however, containing any provisions on financial and technical assistance and with different provisions in certain fields. Practically speaking and bearing

the real situation in mind, the procedure to be followed would be:

- (a) to initiate and successfully conclude negotiations for the renewal of the Yaoundé Convention which is the model for any Association with the African countries and remains open;
- (b) expedite the implementation of the Lagos Agreement with Nigeria;
- (c) successfully conclude the negotiations with the East African countries.

The Commission considers that all the essential machinery of the Association should be maintained, with certain improvements. The experience gained has shown that it would be enough to improve the provisions of the Yaoundé Convention on certain points which have, in practice, proved to be inconsistent with the end in view.

The changes envisaged by the Commission mainly concern products which are not imported free of duty into the Community, i.e. agricultural products which are similar to and competitive with certain Community products; a system of contractual prices and trade preferences has been suggested for them. The other main new features would be an undertaking by the Six not to increase and, in some cases, to reduce consumer taxes on tropical products, assistance to help African bananas and an adjustment of the level of financial aid in relation to the increase in cost and population.

II—Economic and financial questions

The European Commission is in favour of maintaining the preferential trade arrangements between the EEC and the AAMS.

The situation will be different from that obtaining when the Yaoundé Convention was negotiated because there will no longer be any customs duties within the Community as from 1 July next; hence there will be no customs duties vis-à-vis the Associated States (apart from some exceptions). It will no longer be a question of phasing out duties but purely and simply of applying the intra-Community system of the free movement of goods without prejudice to the special conditions governing African products similar to and competitive with European agricultural products and some of the products of the foodstuffs industry.

The position regarding AAMS products imported into the Community is as follows:

1. Industrial products

The preference given to the AAMS as compared with third countries will be dependent on the level of the Community customs tariff.

2. Tropical products

The Community has already reduced its external tariff duties for third countries, thus correspondingly reducing the preference in favour of the AAMS. Other developments cannot be ruled out and may include world commodity agreements, which would provide the AAMS with markets at reasonable, stable prices. It will, in some cases, be difficult for the Community to adjust its tariffs for third countries, bearing in mind the difficulties encountered by the AAMS exports and the reductions already made under the Kennedy Round (bananas, pineapples).

The Commission adds, however, that the preference given to a tropical product ought to be subject to review during the term of the Convention, if international measures affecting the product gave benefits to the AAMS which are at least equivalent to those they would attract under the preferential system.

3. Products similar to and competitive with European agricultural products

The measures at present in force have the effect of somewhat reducing the financial burdens levied by the Community on importation. The effects are marginal and statistics show that exports have not expanded. The Commission therefore feels that the EEC should be ready to work out new arrangements, which would give greater satisfaction to the AAMS without prejudicing the interests of Community agriculture.

It is in this connexion that the Commission suggests the 'contractual price' method. Instead of paying the world price to the AAMS, the Community would base its transactions on contractual prices, to be negotiated with the countries concerned, bearing in mind the cost prices in the (producing) Associated States. This system would be particularly suitable for products subject to levy. As regards products subject to customs duties, the Community could envisage tariff reductions down to the nil-duty levels.

4. Processed agricultural products (foodstuffs industry)

The Commission considers that the system applicable to these products should be clearly indicated in the new Convention and be very liberal because the products concerned are the result of a second processing. One of the aims of the Association, after all, is to encourage the AAMS to become industrialized, particularly through processing agricultural products. The system concerned should be based on the following two principles:

- (i) trade benefit vis-à-vis third countries; this should be identical with that which the member States enjoy;

- (ii) the charging of a levy on the basic product used, calculated by reference to the 'contractual price' worked out for the basic product in question.

5. Consumer taxes

Although it is not certain that a reduction in consumer taxes would have such a favourable effect on AAMS exports as they might expect, the EEC should take action here, bearing in mind the insistence with which the abolition of this obstacle to consumption has been called for.

Reciprocity on the part of the AAMS and other measures

Reciprocity should be required of the AAMS and should theoretically be very wide-ranging; the application of this principle could, however, be flexible through recourse to numerous exceptions.

Products originating in the Community should theoretically be free of duty on entry into all the AAMS. The preference given to the Six should be real, even on the part of those countries which have not yet applied any preferential measure. Yet the AAMS option to maintain, establish or raise duties and taxes on imported goods to protect their industry or for budgetary reasons should be maintained.

The possibility of maintaining quantitative restrictions for the same reasons or to protect local agricultural production would remain and this possibility would apply both nationally and regionally (if the AAMS concluded agreements amongst themselves to promote the marketing of their products within a certain area).

The Community should show real understanding as regards the freedom of the AAMS to organize customs unions, and inter-State market organizations and even the freedom to conclude agreements with other developing countries, in so far as such agreements are endorsed by UNCTAD or GATT.

III—Financial and technical co-operation

The relevant provisions in the Yaoundé Convention have proved serviceable, being sufficiently varied, flexible and complete broadly to measure up to the different needs of the Associated States. Community help is a key feature in the economic development of these countries. The growing and disturbing indebtedness of the developing countries prompts the suggestion that the new Association should not abandon financial aid in the form of grants-in-aid (while continuing with the system of special loans in favour of those Associated States which are sufficiently developed).

There are several fields in which the operation of this assistance—i.e. the operating methods of the European Development Fund—is completely satisfactory and there is no need to plan any change.

In other fields, new criteria should be taken into account or, alternatively, the present criteria should be made more precise and adjusted, particularly with regard to the following sectors:

1. *Investments for the purpose of improving agricultural structures*

A great effort should be made to improve the productivity and viability of farms. The bulk of the appropriations should be used to improve on established farming methods by recourse to enclosures over a fairly long period and by making those involved familiar with modern techniques.

2. *Investments in industrialization*

The Community's contribution to financing new industries in the Association directly has not, so far, been on a very large scale. When major projects are of real interest, they tend to find other sources of finance. There are still not very many projects on a medium scale and their interest is dependent on the organization of adequate regional markets. The Community could do more and be more effective with regard to small-scale projects concerning industries tailored to the needs of national domestic markets. The EEC could here use local development banks for 'relay' purposes and couple the investments proper with high-level technical assistance from the development bank.

In any event, the Community should continue to arrange loans to private enterprises and it would also be desirable to envisage measures likely to encourage private investments; in this connexion, it would be in the interests of the AAMS to give guarantees to this category of investments.

3. *Infrastructure investments*

The new Convention should enable the Community to induce the Associated States to make the necessary efforts to see that the basic services created are used in an effective manner and not allowed to deteriorate too quickly for lack of the means of upkeep. Obligations should be provided for, such as a requirement that the beneficiary States appropriate sufficient sums for a road fund, using its resources for this specific purpose.

Subject to this reservation, the Community should continue to finance basic service projects (transport, telecommunications, education, health, etc.) which are of general interest.

4. *Technical co-operation*

Technical co-operation is the necessary adjunct to financial help, and so the training of manpower must be stepped up. The facilities of some non-governmental organizations, such as that of the 'Young Volunteers' might also be made use of. The Commission draws attention to the desirability of language courses, of coupling certain European educational establishments with ones in Africa, the organization of training conferences, not only in Europe but in Africa, etc. What, on the other hand, must be avoided is a situation where the EDF is financing current expenditure on administration,

upkeep and operation in connexion with projects carried through. It should therefore be laid down that help will only be given to set an investment in motion.

5. *Help affecting the prices, production and marketing of products exported by the AAMS*

The Yaoundé Convention provides that assistance of this kind should enable the AAMS to adjust their production to world market conditions; they are due to be phased out in 1969. In some cases, however, the time interval of five years has proved insufficient for the AAMS to make their production competitive; this form of assistance can therefore not be abandoned.

The Commission explains this situation by referring to the deterioration of some world prices and the lack of world market organizations, the lack of aid for production in the case of bananas and the insufficient expansion of AAMS exports to the Common Market. The following forms of aid should be envisaged:

- (i) *improving production,*
- (ii) *help designed to offset the effect of the deterioration in the prices of some products.*

These are products which bring the bulk of the export receipts of one or more of the AAMS and which are not covered by world agreements. If world prices should fall sharply below a certain level, the Community would intervene.

The Commission also proposes to maintain the system of repayable advances to the stabilization funds to contend with treasury difficulties in the event of any major cyclical fluctuation in price:

- (i) *assistance for bananas,*
- (ii) *help to promote marketing and sales.* The Commission suggests that there should be a new form of non-repayable help for fairs and exhibitions of a commercial nature and for technical assistance designed to improve the quality and the return on ancillary services (particularly transport), for training agents for the external trade services, for publicity campaigns, for market promotion studies, etc.

As regards the *financial techniques of aid*, the European Commission reviews the following points:

1. *Grants-in-aid*

These should form the bulk of the Community's assistance, bearing in mind the economic situation and indebtedness of most of the AAMS.

2. *Special loans*

The Yaoundé Convention provided for \$46m of special loans; difficulties arose in making use of them. The Associated States did not seem able to repay in currency the loans received for projects which were not going directly to produce currency. A broader interpretation enabled the bodies respons-

ible to devise a technique which was not explicitly laid down in the texts: the formula of the 'two-stage loan' distinguished between currency loans, to be repaid over a long term by the beneficiary State, and concomitant loans, which had to be repaid to the State in local currency more rapidly by whoever promoted the project. The beneficiary State thus obtained supplementary receipts in the short term, which had to be used in a productive manner under the control of the Community.

The European Commission considers that this formula should be explicitly included in the new Convention and that, in some cases, one should go even further and make it possible to grant special loans which are directly repayable in local currencies. The repayments and interest would be used locally by the EDF.

3. *Interest repayments*

The possibility open to the Associated States of alleviating the financial burdens resulting from a normal loan by a reduction of the rate of interest (borne by the EDF) has not yet been made use of. The Commission suggests that this option should, nevertheless, remain open.

4. *The utilization of assistance*

The European Commission considers that the key provisions now in force should be maintained. On three important points, however, it suggests changes or improvements, to wit:

(i) *Participation of enterprises in the execution of projects*

The general principle whereby all companies in all the member States may compete for the award of contracts and respond to invitations to tender can not, under any circumstance, be called into question: but the Commission considers that, in two specific cases, allowances should be made. The first concerns industrialization projects, where the intervention of the EDF is designed to facilitate investment by a private enterprise. This enterprise should be able to either meet its own needs for plant or machinery, etc., or to order whatever it thinks appropriate. The second case is work of negligible importance, which is of no interest except to local enterprises, such as urgent supplies which are of negligible value. The Commission feels that local calls for tenders should, exceptionally, be authorized.

(ii) *The general record of financial charges*

The Commission thinks it would be desirable to have a general record of the financial charges, which should be common to all the AAMS, to remedy the difficulties stemming from the variety and complexity of the present regulations. This single document should be applicable to all the markets for work or supply contracts financed by the EDF. Under the new Convention the AAMS should undertake to include this text in their national legislations.

(iii) *Tax concessions*

The new Convention should contain express provision for tax exemption on investments financed by the EDF. These should at least include exemption from the registration duty and the special temporary admission of materials for the work contract markets and the exemption from duty and other entry charges with respect to the supply contracts market.

5. *The amount of assistance*

Bearing in mind the needs of the Associated States and their ability to use the credits and grants received, the Commission considers that, from two points of view it would be desirable to start from the principle that the actual contribution of the Community should at least remain constant:

(a) the needs of the AAMS (the rise in local costs and the increase in population ought to be borne in mind);

(b) the effort made by the member States (the growth in the gross national product of the member States should be taken into account).

This reassessment would tend to increase the total volume of assistance given, as compared with the Second EDF. In addition, the new assistance for marketing products and promoting sales should be added to the sums earmarked for other types of action.

IV—*Other provisions of the Association*

(a) *Right of establishment and services*

The principle of equality between nationals and firms of the member States is firmly established. It is not a question of complete liberalization but of removing discrimination. The new Convention should only include provisions of a conservatory nature.

(b) *Payments, investments, capital movements*

The provisions of the present Convention could be retained intact, subject to one point. The undertaking not to discriminate should be coupled with a most-favoured-nation clause for the benefit of the EEC so that the concessions at present extended by an Associated country to other third countries should automatically be extended to nationals and firms of the member States.

(c) *Institutions*

The Commission has no major change to suggest as regards the operation of the Association's institution; provision might, however, be made for the Association Committee to meet at a lower level than that of the Ambassadors of the member States and of the Associated States in some cases.

(d) *Term of the new Association*

The European Commission is in favour of a five-year period, i.e. exactly the same period as that covered by the Yaoundé Convention.

Resolution on the renewal of the Yaoundé Convention adopted on 2 October 1968 by the European Parliament following the debate on the report by Mr. Thorn (Doc. 137/68)

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/);

1. Expresses its wish to see the EEC-AAMS Association continue, on the expiry of the Yaoundé Convention, on the same bases and in the same spirit as 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. Affirms that, despite its advantages, the Association cannot be regarded as the EEC's only answer to the problems of the developing countries because its development aims imply action on a much wider scale on behalf of all the third world countries, particularly the least favoured among them;

4. 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;

5. 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;

6. 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:

(i) 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;

(ii) prolong the present arrangement for duty-free imports of certain processed agricultural products and, if necessary, extend it to further products;

(iii) do its utmost to eliminate disparities as between member States in the treatment of products imported from the Associated States, as will be the case, for example, on the expiry on 31 December 1969 of the special treatment accorded in the Benelux countries to imports of unroasted coffee;

7. Considers that the new Association should not be an obstacle to the introduction of generalized preferences provided for by the New Delhi Conference for the finished and semi-finished products of all the developing countries;

8. 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;

9. 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;

10. 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 GNP of the member States—and be brought to an average of at least 200 million units of account a year;

11. 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;

12. 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;

13. 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;

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

15. 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.

