

European Economic Community — Associated African and Malagasy States

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

WORKING DOCUMENTS

16 NOVEMBER 1966

ENGLISH EDITION *)

DOCUMENT 12

Report

drawn up on behalf of the

Joint Committee

on the

second annual report on the
activities of the Council of Association (Doc. 9)
to the Parliamentary Conference of the Association

Rapporteur: Mr. Alioune Sissoko

*) 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 Rome on 8 December 1965, 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 second annual report of the activities of the Association Council.

At this meeting, Mr. Alioune Sissoko was appointed rapporteur, in compliance with Article 15 of the Rules of Procedure.

This Report was unanimously approved by the Joint Committee at the meeting it held in Mogadiscio from 24 to 28 September 1966.

The following were present: Mr. Damas (Gabon), Chairman; Mr. Thorn, Vice-Chairman; Mr. Sissoko, Rapporteur; Mr. Achenbach, Mr. Aigner, Mr. Bersani, Mr. Briot, Mr. Ngo'o Mebe (Cameroon), Mr. Carboni, Mr. Carcassonne, Mr. Moyascko (Congo-Brazzaville), Mr. Mamboleo (Congo-Kinshasa), Mr. Ebagnitchie (Ivory Coast), Mr. Dupont, Mr. Van der Goes van Naters, Mr. Herr, Mr. Laudrin, Mr. Rakotozafimahery (Madagascar), Mr. Mauk, Mr. Mohamed Fall Babaha (Mauritania), Mr. Metzger, Mr. Moro, Mr. Perret, (Niger), Mr. Pedini, Mr. Richarts, Mr. Habamenschi (Rwanda), Mr. N'Gom (Senegal), Mr. Mohamed Ali Daar (Somalia), Mrs. Strobel, Mr. Bakoure (Chad), Mr. Komian Kouma (Togo) and Mr. Troclet.

Contents

I — Introduction	1	VII — The activities of Euratom and of the ECSC in their relations with the Associated States	18
II — Activities of the institutions	1	VIII — The Association's external relations	20
III — Trade	4	IX — Conclusions	21
IV — Financial co-operation	10	Annex: Details of EEC scholarships to nationals of the Associated States	23
V — Technical co-operation	16		
VI — Right of establishment and right to supply services	17		

REPORT

on the second annual report on the activities of the Council of Association (Document 9) to the Parliamentary Conference of the Association.

Rapporteur: Mr. Alioune Sissoko.

I — Introduction

1. This is the second time that the Parliamentary Conference has had the opportunity to express its opinion about the activity of the Association Council. This report, which the Joint Committee has the honour to submit, concerns the second annual activity report to be submitted by the Council in compliance with Article 50 of the Convention of Association between the EEC and the African and Malagasy States.

This report follows the pattern of the activity report itself and its various chapters deal with:

- (a) the activities of the institutions of the Association;
- (b) trade;
- (c) financial co-operation;
- (d) technical co-operation;
- (e) right of establishment and right to supply services;
- (f) the activities of the ECSC and Euratom in their relations with the Associated States;
- (g) the external relations of the Association.

All the members of the Joint Committee have contributed to this report; they have, moreover, concerned themselves, with all due diligence, with the preparations for the annual meeting of the Conference.

2. Before discussing the various problems in detail, your rapporteur would like to stress that the participation of the Associated States in

giving effect to the system of solidarity and co-operation of the Yaoundé Convention within the institutional framework of the Association is of particular value. One of the tasks incumbent upon Parliaments is to articulate all opinion trends so as to reconcile them in the general interest and to clarify the problems and the decisions taken by the executive bodies—in this case the Association Council—so as to enable the general public to become familiar with them. It is for the parliamentarians of the Association to inform the Council of the difficulties and the hopes of their peoples and of the reactions of the general public to the work it undertakes with a view to making the Association both live and effective. This interchange of ideas and experience creates a direct link between the peoples of the States which at Yaoundé 'manifested their mutual will to co-operate on a basis of complete equality' and declared that they were resolved to continue their joint efforts for the economic, social and cultural progress of their countries.

II — Activities of the institutions

3. Under the Yaoundé Convention the institutions represent the motive force of the Association. It is for this reason that the Joint Committee would like to begin by dealing with the institutional machinery within which co-operation between the Community and the Associated States becomes a reality.

During this second year, the institutions that were set up when the Convention came into force, continued their work in a satisfactory manner in spite of the magnitude of the crisis which the EEC went through between July 1965 and February 1966. During these difficult months, it was the parliamentarians who, within the framework of the Conference and of the

Joint Committee, ensured the continuity of institutional co-operation between the Association partners. The Joint Committee was able to resume its activity at its normal pace in March 1966. Thus the work both of the Council and of the Joint Committee has been very intensive, especially in the last few months.

4. Thanks to the effective preparations made by the ambassadors on the Committee, the Association Council was able to meet soon after the institutional crisis of the EEC was resolved. The relevant meeting of the Council, the third since the Convention came into force, was held in Tananarive on 18 May. (1)

A few days later, in The Hague on 25 May, the Joint Committee was gratified to hear from the President in Office of the Council a detailed report about the results of the ministerial deliberations. Hence the valuable dialogue initiated between parliamentarians and the Council in 1965 continued in a very effective way.

The Joint Committee very much appreciated the presence of the President in Office of the Council at the meeting in The Hague and the presence of his representative at the meeting in Mogadiscio. In view of the usefulness of such sound co-operation between parliamentarians and the Council, it is to be hoped that the President in Office of the Council will in future receive an official mandate at every Council meeting to give a report on the Council's discussions at meetings of the parliamentary bodies of the Association without prejudice, of course, to the submission of the annual report referred to in Article 50 of the Yaoundé Convention.

5. It is also worth pointing out, with reference to relations between the parliamentary bodies and Council, that in Tananarive the ministers did not pronounce on what action should be taken in pursuance of the provisions concerning written and oral questions to the Council which were embodied in the Rules of Procedure of the Parliamentary Conference in December 1965. It is to be hoped that this question, which is still being examined by the Association Committee, will shortly be resolved along the lines suggested by the parliamentarians, the effectiveness of whose work is conditional on the frequency of their contacts with the Council. This effectiveness should be the aim of all, and all should support any proposal to bring vitality and confidence to

this new form of international co-operation which we have created and which we hope will come to serve as an example. In international relations, there is certainly more virtue in talks than in money. How much assistance has 'dried up' when its form has been unable to justify generosity and deserve gratitude. The Yaoundé Convention, in initiating the dialogue through the institutions, sought to cast co-operation not in any merely mercantile mould but rather in that of a new economic order, for this order constitutes the hope of three-quarters of the human race and it is the most positive contribution we can make to world peace.

Opening the dialogue between the Parliamentary Conference and the Council and allowing parliamentarians to put written or oral questions will convince the general public that assistance is not some new form of colonialist trap. Article 25 of the Rules of Procedure of the Conference simply fills a gap, in the interests of the Association.

6. It is to be noted with satisfaction, on the other hand, that the Council has solved the problem of the long interval which used to elapse between the submission of the report on the management of Community assistance (referred to in Article 27 of the Convention) and the Conference's being informed about the decisions taken by the Council on the basis of this report. The report covers the period ending 31 May (the Convention's year); hence the Conference would not have been able to pronounce on the management of this assistance until eighteen months later. The Council's decision changes this. In future the report will be submitted on 31 December each year (1); the Council will deal with it at its spring session and the outcome of the ministerial discussions will be examined by the Conference at its autumn session. This decision is most gratifying because it will enable the institutions to follow the activities of the Association in a more regular way.

It may be expected that the Joint Committee will be able to continue meeting twice a year in the interval between the annual sessions of the Conference. The first of these two meetings will take place immediately after the spring session of the Council, so that it may deliberate on its outcome. The second meeting could come immediately prior to the annual session of the Parliamentary Conference and could be devoted principally to making preparations for the Conference.

(1) The Association Council held a further meeting in Brussels on 28 October 1966. The main point of discussion was the term 'goods originating in' with reference to some products that had still not been dealt with.

(1) To bring the second report on the management of assistance referred to in Article 27 into line with this new arrangement it will cover the period from 1 June 1965 to 31 December 1966. Subsequent reports, on the other hand, will follow the normal calendar year until 31 December 1968.

7. The Association Committee has also been very active both in preparing the ministerial deliberations and in solving other problems including some which the Council had empowered it to deal with. The Committee has held five meetings in recent months, viz: on 18 March, 22 April, 6 May, 25 July and 7 October 1966. The number of meetings alone shows how essential this Council body is and how desirable it is for it to function well. Hence the Parliamentary Conference should spare the Association Committee neither criticisms nor encouragement.

Although the practical achievements of the Committee deserve commendation, the Joint Committee notes that there was an unfortunate delay in the adoption and submission of the second report on the activities of the Council to the parliamentarians. As was the case in 1965, the Ministers empowered the Committee to adopt this report, which covers the period up to 31 May. This document was not sent to the parliamentarians, however, until the end of July.

It should also be noted that the Committee has experienced some difficulties in its work. Some of its members, for example, have on occasion not attended meetings.

Obviously the attendance of all the members at the meetings of the Association Committee would make their discussions more valuable and more effective.

8. Under Article 50 of the Convention, the Council's account of its activities constitutes the basis for the deliberations of the Parliamentary Conference. This account does not, however, enable parliamentarians to make any valid comment on the general orientation of financial and technical co-operation unless it is accompanied by the management report referred to in Article 27 of the Convention.

Hence the Joint Committee finds it regrettable that the first report on aid management, which the EEC Commission submitted to the Association Council in the autumn of 1965, has not been officially forwarded to the Conference. It trusts that this serious shortcoming will not recur, for this would not be in the interests either of the Association or of a really effective operation of its institutional machinery.

The Joint Committee noted the reservation made in this context by the representative of

the President of the Council at the meeting in Mogadiscio. It would stress, however, that although the Convention does not specifically require that the report on aid management should be sent to the Parliamentary Conference, there is, on the other hand, nothing to prohibit this. The Parliamentary Conference can obviously not comment on the deliberations of the Council with a full knowledge of the facts and with all the necessary effectiveness if it is not familiar with the document which has served as a basis for the Council's deliberations.

The Association Council has taken into consideration the resolution passed at the second session of the Parliamentary Conference; this is something the Joint Committee notes with satisfaction but feels that it would be desirable, in future, for the Council's report on its activities to state what action has been taken on the suggestions and concerns expressed in the resolutions of the Parliamentary Conference.

9. The Joint Committee expresses satisfaction at the work done by the Secretariat of the Association Council. The two co-secretaries of the Council have been dynamic and this has certainly been a positive contribution to the sound operation of the institutions of the Association. Yet the Secretariat can and must be made more efficient. It should, for example, be endowed with the means essential to its work, particularly as regards staff. Indeed the Secretariat should be able to rely on the valuable co-operation of experts in connexion with financial and technical co-operation, trade and the institutions.

The work done by the EEC Commission is also to be commended. It is responsible for managing financial and technical assistance and thus plays a part of fundamental importance within the Association. Despite the lack of staff, the EEC Commission has worked extremely effectively, thanks to the drive of Mr. Rochereau, one of the members of the Commission.

10. To conclude this review of the institutional problems of the Association, the Joint Committee notes with satisfaction the progress made over the past year by the Eighteen Associated African and Malagasy States in co-ordinating their relations with the European Community. A 'Co-ordination Council of the Associated States' has come into operation and this enabled the African and Malagasy Ministers to work out a common line

prior to the most recent meetings of the Association Council in Tananarive and in Brussels. For their part, the ambassadors of the Associated States have held periodic meetings in Brussels on the 'Co-ordination Committee', a body which has had the benefit of the experience and dynamism of the African Secretary of the Association Council.

Thus the difficult problem caused by a lack of cohesion between the Associated States vis-à-vis the unity of the European partners has been overcome.

11. The overall balance sheet of the activities of the institutions is therefore favourable. The Association did not suffer any repercussions from the crisis which affected the European Community. Many important decisions were taken by the Association Council and by the Association Committee. (The Council, for example, defined the general orientation of financial and technical co-operation in compliance with Article 27 of the Convention.) Hence the

continuity of co-operation between the European, African and Malagasy partners had been secured.

III — Trade

12. The purpose of the Association is to promote trade between the Associated States and the member States of the Community (Article 1 of the Convention).

The Joint Committee finds it very regrettable that this objective was not achieved in the year under review. In 1965 trade within the Association increased in all by only 1 per cent over 1964, totalling \$1,973m. as compared with \$1,971m. in 1964; the 1964 increase over 1963, on the other hand, was 15 per cent.

13. An even greater cause of concern is that exports from the Associated States to the EEC fell in 1965 by 0.3 per cent, i.e. a drop from \$1,150m. in 1964 to \$1,146 in 1965. The following table may make for an even clearer appreciation of the situation; it shows the trend in EEC imports from the developing countries (in million dollars):

	1964	1965	Difference
Associated States	1,150	1,146	— 4
The rest of Black Africa	909	887	— 22
Latin America	2,465	2,615	+ 150
Western Asia	2,307	2,522	+ 215

A comparison between the trend in trade between the EEC and the AAMS and that between the EEC and the other developing countries shows that there was a reversal in the relative positions of the two groups of countries in 1965. As compared with 1963 the 1964 rate of growth in trade between the EEC and the Associated States was 16 per cent for imports and 13 per cent for exports, as compared with 11 per cent for imports and 12 per cent for exports between the EEC and third countries. In 1965 the EEC's trade with third countries continued to expand (with an increase of 9 per cent in imports and one of 6.5 per cent in exports over 1964) whereas trade within the Association simply levelled off.

The European Community is the world's biggest importer of raw materials; its purchases

from the developing countries continued to increase (from \$9,831m. in 1964 to \$10,500m. in 1965) ⁽¹⁾, but its imports from the Associated States fell by \$4m. ⁽²⁾ This drop affected Community imports from 11 of the 18 Associated States: Mali, Upper-Volta, Chad, the Central African Republic, Madagascar, Niger, Congo-Brazzaville, The Ivory Coast, Cameroun and

⁽¹⁾ Between 1958 and 1963, total EEC imports from the AAMS rose from 914m. to 987m.—an increase of 7.9 per cent. During the same period EEC imports from non-associated developing countries increased by 37.6 per cent, in the case of Latin America, and 52.8 per cent in the case of the other African countries.

⁽²⁾ Quantitatively speaking, EEC imports from the AAMS increased in 1965 because there was a considerable increase in African exports of weighty, low cost-per-unit products (tropical woods and miscellaneous ores).

Congo-Kinshasa. It affected the first-mentioned of the countries considerably.

14. The following table shows the imports of each of the EEC member States:

EEC imports from the Associated States ⁽¹⁾

Country	Amounts (in million dollars)			Percentage variations	
	1963	1964	1965	1964/63	1965/64
Germany	113	158	161	+ 40	+ 2
Belgo-Luxembourg Economic Union	190	227	234	+ 19	+ 3
France	542	610	547	+ 13	- 12
Italy	98	99	150	+ 1	+ 52
Netherlands	46	56	53	+ 22	- 6
Total EEC	989	1,150	1,145	+ 16	- 0.3

⁽¹⁾ Source: EEC Commission.

The salient feature is the 12 per cent drop in French imports in 1965; France, a predominant trading partner in the Association, also exported 3 per cent less in 1965. The Belgo-Luxembourg Economic Union (BLEU), which is the second biggest customer of the AAMS in the EEC, increased its imports by a slimmer margin (3 per cent) in 1965 as compared with a 19 per cent increase in the previous year.

There was a remarkable increase—of 52 per cent—in Italy's imports from the AAMS from 1964 to 1965. On the other hand, Italy's imports increased by only 1 per cent from 1963 to 1964 when the other EEC countries were showing a distinctly greater rate of growth.

The Federal Republic of Germany continued to expand its trade. Its imports, however, increased by only 2 per cent from 1964 to 1965; this was substantially less than the 40 per cent increase from 1963 to 1964. Dutch imports from the AAMS fell by 6 per cent from 1964 to 1965 after increasing by 22 per cent from 1963 to 1964; this trend warrants close attention.

It emerges from an overall review of the situation in 1965 that the fall-off in French imports (a drop of \$63m.) was not completely offset by Italy's increased imports (a rise of \$51m.) and those of the BLEU (an increase of \$7m.).

15. Quantitatively speaking, the imports of the member States from the AAMS showed fairly substantial variations with regard to the main products between 1963 and 1965.

France increased its purchases of ground-nut oil by 24 per cent, of palm kernel oil by 365 per cent, of iron ore by 161 per cent, of manganese ore by 45 per cent, of crude oil by 42 per cent and of tropical woods by 15 per cent. There was, on the other hand, a substantial decrease in French imports of coffee (- 15 per cent), sugar (- 47 per cent), rubber (- 17 per cent) and cotton (- 21 per cent); copper imports fell from 30,343 to 4,113 tons.

Germany's imports from the AAMS increased particularly in the case coffee (from 3,193 tons in 1963 to 10,854 tons in 1965), iron ore (from 254,231 to 1,243,779 tons), cocoa (+ 65 per cent) and manganese ore (+ 46 per cent). Banana imports, on the other hand, were practically discontinued, falling from 6,299 to 9 tons; there was also a considerable drop in imports of oil cake (from 44,115 to 9,628 tons) and cotton (from 5,893 to 2,333 tons); there was a less pronounced decrease in imports of palm oil (- 19 per cent) and rubber (- 29 per cent).

There was a sharp rise in Italy's imports of a good many products. Banana imports increased by 61 per cent, coffee imports by 38 per cent, palm kernel oil imports by 47 per cent, cocoa imports by 27 per cent and copper imports by 29 per cent. Expressed in absolute terms, the greatest increases were those for shelled ground-nuts which went from 2,150 tons in 1963 to 15,374 tons in 1965, for iron ore, from 236,498 tons in 1963 to 1,074,862 tons in 1965, and for rubber from 1,031 tons in 1963 to 2,714 tons in 1965. There was a 33 per cent decrease in imports of palm oil, a 43 per cent decrease in imports of

manganese ore, a 14 per cent decrease in imports of tropical woods and a 55 per cent decrease in imports of cotton.

The imports of the *Netherlands* rose sharply in respect of the following products: iron ore from 0 to 301,726 tons; copper from 795 to 3,126 tons; cotton from 0 to 1,711 tons; palm kernel oil from 223 to 1,042 tons; palm oil from 616 to 8,880 tons; cocoa imports rose by 42 per cent and shelled groundnut imports by 87 per cent. There was, on the other hand, a decrease in oil cake imports (from 5,449 to 501 tons), of palm nuts and kernels (from 20,331 to 8,997 tons), bananas (from 247 tons to nil) and of rubber (from 870 to 616 tons).

Between 1963 and 1965, *Belgium* and *Luxembourg* (BLEU) increased their imports from the AAMS to a considerable extent in the case of shelled groundnuts (from 2 to 421 tons); palm kernel oil (from 211 to 761 tons), iron ore (from 30,704 to 623,161 tons), manganese ore (from 32,091 to 96,908 tons), palm nuts and kernels (by 63 per cent) and oil cake (by 23 per cent). There was, however, a decrease in BLEU imports of bananas (from 8,352 to 2,805 tons), palm oil (from 28,099 to 12,276 tons), coffee (— 49 per cent), rubber (— 45 per cent) and tin ore (— 35 per cent).

16. At first sight, it would appear that the decrease in value of AAMS exports to the EEC

was attributable, *inter alia*, to the drop in French imports of coffee and to the fall in price of certain tropical products which represent a large proportion of the value of AAMS exports.

As a result of the freeing of the coffee market in France the Associated States in the Franc Area lost a market of 30,000 tons in 1965; French imports from these States fell from 160,837 tons in 1964 to 130,170 tons in 1965. The Associated States recouped approximately one third of their losses on the French market on those of the other five member States.

In the first half of 1965 world cocoa prices fell from \$500 per ton to \$300 per ton, as opposed to 1964 when prices varied between \$520 and \$500 during the first half of the year. At the same time the average price of Robusta coffee fell by 30 per cent in comparison with the first six months of 1964. As for cotton, which is one of the major exports of some Associated States, the market has, most unfortunately, been disastrously slack for several years and prices have collapsed.

17. As regards EEC exports to the Associated States, the following table shows that there was a slight increase of 0.7 per cent in 1965; the EEC nonetheless continued to have an adverse balance of trade with the AAMS.

EEC exports to the Associated States ⁽¹⁾

Country	Amount (in millions of dollars)			Percentage variation	
	1963	1964	1965	1964/63	1965/64
Germany	63	78	81	+ 24	+ 4
Belgo-Luxembourg Economic Union	62	86	94	+ 39	+ 9
France	539	585	566	+ 8	— 3
Italy	36	40	51	+ 11	+ 27
Netherlands	27	33	36	+ 22	+ 9
Total EEC	727	822	828	+ 13	+ 0,7

⁽¹⁾ Source. EEC Commission.

Thus, with the exception of France, it was, on the whole, EEC exports to the AAMS which expanded more steadily in the period from 1963 to 1965. The table shows, in fact, that the increase in sales, which the five other member States achieved in 1964, was repeated in 1965.

18. It is, of course, neither possible nor desirable to record any final opinion on trade trends between the EEC and the AAMS on the basis of statistics for 1965. There are two factors which may have influenced commercial transactions: the level of stocks accumulated during

1964, on the one hand, and the increase in AAMS exports to third countries; on the other; the latter expanded favourably by virtue of bilateral agreements. It is, however, highly desirable that the trends evident in 1965 should be reversed by the statistics for 1966.

The Joint Committee has expressed concern about this situation. It has asked Mr. Armengaud to draw up a report on the trade problems of the Association, with particular reference to solutions likely to promote the marketing of AAMS products at stable and profitable prices in the EEC. When the Conference comes to examine this report, it will be able to comment, with a full knowledge of the facts, on the problems arising in the field of trade, and on the longer-term solutions that could be applied. For the moment, it may be appropriate to restrict our attention to the action taken by the Association Council to resolve problems of immediate relevance.

19. The Yaoundé Convention gives no guarantee of markets for products originating in the AAMS, although it does facilitate trade through tariff concessions and quotas. Marketing AAMS products therefore raises a certain number of problems.

Following the requests made on several occasions by the Associated States since the spring of 1965, the Association Committee felt it necessary for the Association partners to make a joint study of the conditions under which more satisfactory marketing might be achieved, more particularly in view of the undertaking given by the EEC countries in Annex VIII of the Convention 'to consider means to promote increased consumption of products originating in the Associated States.'

A number of notes were exchanged between the Community and the Associated States in 1965. They gave rise to long and lively debates on the Association Committee. On 22 April 1966 the discussions culminated in an agreement to set up a joint group of experts to enquire into difficulties at present being encountered in marketing products of special interest to the Associated States and to indicate the solutions which could contribute towards attenuating these difficulties. This group should complete its work at the beginning of 1967.

For its part the EEC Commission has also looked into the problem of developing trade within the Association in compliance, notably, with wishes expressed by the European Parliament ⁽¹⁾ and by the Associated States. The Commission considers that a wider marketing

programme is needed to supplement the conventional tariff policy measures; it has initiated studies with a view to determining the obstacles that stand in the way of an expansion of AAMS sales on the EEC market and to define the means to be put into effect to resolve these difficulties.

20. It should be remembered that under Article 9 of Protocol No. 5, the Fund may finance general information and documentation to promote the development of trade between the AAMS and the EEC. By giving technical and financial assistance, the Community will therefore be able to make an effective contribution towards overcoming current psychological, technical and commercial difficulties. These concern the consumer as well as the trader. Publicity drives to interest the European consumer in the products of the AAMS will be necessary. On the Joint Committee, the suggestion has been put forward that an itinerant exhibition and fair should be organized in Europe.

For their part, the Associated States will have to make an effort to adjust if they wish to penetrate, hold their own and increase their sales, not only in the EEC States but also in third countries (complete reorganization of commercial and production sectors, organization of the control of product quality and product packaging, carefully calculated transport costs, the creation of sales offices or of offices for products of economic relevance). In short, they urgently need to make these changes. This question is important enough to warrant the attention of the Associated States. At the meeting of the Joint Committee in The Hague, these various aspects were indeed stressed by Mr. Rochereau in a straightforward, clear, precise and thorough analysis. It is high time that illusions of snug protectionism were abandoned and that advantage were taken of the time interval given by the Yaoundé Convention for the AAMS to prepare, with the help of the EEC countries, to tackle the world markets.

21. To make this period of preparation fruitful, the Joint Committee has devoted a substantial part of its work to examining these problems. It considers that an effort should also be made by the member States, in compliance with Annex VIII of the Convention. Among the immediate measures that could be taken, the member States could investigate a reduction in the various consumer taxes on tropical products on the European markets. ⁽¹⁾ They could if not entirely eliminate at least agree to reduce certain duty-free tariff quotas, in so far as these are unduly prejudicial to the present interests of the Associated States.

⁽¹⁾ See the report by Mr. Spenale drawn up for the Committee for Co-operation with Developing Countries on the expansion of trade between the EEC and the AAMS, Doc. 100/1965-66.

⁽¹⁾ Internal taxes on coffee amount to 108 per cent of the price of green coffee in Germany, 36 per cent in France and 148 per cent in Italy. Similarly, the tax on cocoa amounts to 148 per cent in Italy, 105 per cent in France and 40 per cent in Germany.

It would also be desirable to work out and set in motion the most effective system possible for ensuring that the products of the AAMS enjoy a similar protection to that planned under the common agricultural policy in favour of Community products.

The Joint Committee also stressed the value of solutions that would make it possible, at least within the framework of the Association, to settle the crucial issue of stabilizing raw material prices. (1) This is no illusion. The EEC is the world's greatest importer of tropical products and must, to a large extent, assume responsibility for the continuous deterioration in tropical product prices. It will not be possible to solve the problem of price stability, either through UNCTAD or elsewhere, until the EEC member States abandon their trade policy for tropical products. They have been asked to do so on several occasions, notably by the Parliamentary Conference at its first meeting in Dakar and by the European Parliament following the report on the stabilization of the world's raw material markets submitted by Mr. Kapteyn in June 1966. (2) It is anticipated, furthermore, that this question will be thoroughly examined in the report to be presented at a later date by Mr. Armengaud.

The Joint Committee considers that every possible means should be harnessed in an increased effort to ensure a satisfactory development of trade because any increase in the standard of living of the African and Malagasy peoples will be primarily contingent on an increase in the export returns of the AAMS. A solution to the problem of trade is therefore one of the conditions on which the success of the whole Association is dependent.

22. The Joint Committee has made a particular study of the problems raised in connexion with the marketing in the EEC of bananas from the AAMS.

Between 1957 and 1959 the EEC's consumption of bananas was 900,000 tons; the figure for 1965 was 1,460,000 tons. The consumption of AAMS bananas represented only 25 per cent (370,000 tons). Some EEC States obtained their entire supplies from Latin America: the Netherlands (whose imports from the AAMS have been reduced to nil), Germany (which only bought 9 tons of bananas from the Associated States, even though its per capita consumption is the highest in the world) and the BLEU (whose purchases from the Associated States amounted to 2,805 tons).

(1) It has been calculated that following the slump in prices, the loss in currency value in 1965, in comparison with 1955, is as follows for the main tropical products: cocoa 66.6 per cent, Robusta coffee 35.6 per cent, shelled groundnuts 27.4 per cent, cotton 25.8 per cent, palm oil 14.9 per cent, palm kernels 10.5 per cent, bananas 4.9 per cent (Source: 'Tropical and Mediterranean Markets' No. 1064 of 2 April 1966).

(2) European Parliament Doc. 76 of 27 June 1966.

France and Italy obtain all their supplies from the Associated States. French imports decreased by 9,600 tons in 1965. (1) Italy's banana imports increased very substantially by 61 per cent from 78,600 tons in 1964 to 208,200 tons in 1965. (2)

Germany, which is the world's biggest consumer of bananas, imported 575,000 tons in 1963, of which barely 6,300 tons came from the Associated States. Its purchases from the AAMS were then all but discontinued: 44 tons in 1964 and 9 tons in 1965.

This situation has been a source of concern to the Associated States. At the end of 1965 following an approach made by the AAMS, the German Government arranged a meeting between the Chamber of Commerce of Hamburg and representatives from the banana-producing Associated States; observers from the EEC Commission and from the Secretariat of the Association Council were present. Both sides endeavoured to make the meeting a practical one. The German importers outlined their requirements as follows: the quality had to be acceptable to the trade; supplies had to be regular; freight had to be worked out on the basis of the most economic utilization of special ships; the prices had to be competitive and there had to be the chance of a reasonable profit. The Associated States offered the following quantities for 1966: the Ivory Coast 20,000 tons, Cameroun 20,000 tons, Congo-Kinshasa 5,000 tons and Madagascar 2,000 tons.

The contacts between German importers and AAMS exporters brought out two serious difficulties — prices and packaging. The German importers asked that bananas should arrive ready-packed in the same way as those from Latin America. From this point of view, the Ivory Coast was by far the best equipped and yet it would probably not be until the end of 1966 that it would be able to complete re-organizing its export packaging. (3) The other Associated States were not in a position to export bananas ready-packed; it appeared that they would need two years to re-organize these exports. Deliveries of bananas 'on the stem' had no chance of acceptance by German importers.

Prices were also a serious problem because bananas from the Associated States enjoy no customs preference in Germany. (Each year the Federal Republic asks for a nil duty quota which

(1) In France the banana market is organized and will continue to be so until 1969.

(2) The Italian Government recently abolished the State banana monopoly but introduced a consumer tax of 90 lire per kilogram and an import quota (300,000 tons for the current year). The tax is reduced to 60 lire for bananas from Somalia, subject to a limit of 100,000 tons. It is anticipated that 70 per cent of the quota will be reserved for bananas originating in the Associated States and that the quota will gradually be enlarged until there is complete liberalization in 1970. The Associated States enjoy a 20 per cent customs protection.

(3) The cardboard factory at Abidjan began production in December 1965. It is anticipated that the Ivory Coast will be able to send out over half its exports ready-packed by 1967.

covers the bulk of its import needs.)⁽¹⁾ Some surpluses could be sent to Germany at very low prices. Surpluses only occur, however, at certain times of the year and the German importers ask—before placing orders—that the deliveries should be spaced out at regular intervals. At least part of the AAMS production should get the benefit of the 12 per cent (CET) tariff protection on the German market. It would appear nonetheless that there is a considerable difference — over 25 per cent at times — between the price of bananas from the AAMS and those from Latin American producers.

23. The problem of marketing bananas in the Federal Republic of Germany is one of those that were not resolved at the Tananarive meeting of the Association Council. The Council had a lengthy discussion on the conditions under which banana marketing might be made easier. The representative of the German Government made a detailed statement to the meeting on this subject and there were several statements made on behalf of the AAMS by representatives of the banana-exporting countries.

The representatives of the AAMS found the Yaoundé Convention consultation procedure ineffective and this was regrettable; it did not enable the Associates to submit a supply tender each year before Germany was authorized to enlarge its tariff quotas in favour of third countries. The Secretary of State for Foreign Affairs stressed that the German Government had little control over the commercial practices of German importers. He added, however, that Germany was ready to try to satisfy the Associated States. He suggested, in particular, that the European Development Fund might finance the operations needed to improve the transport and packaging of African bananas. The German Government also said it was ready to give favourable consideration to any request for bilateral assistance submitted by the African countries to solve this problem. The Association Council took no decision on this question but noted that there was, on both sides, a willingness to do everything necessary appropriately to deal with current difficulties and to find ways of eliminating them wherever possible.

24. The second question that was not solved by the Council at the Tananarive session was that of defining the term 'products originating in the Association.' This meant, in effect laying down qualifying standards for goods entitled to trade preference under the Association.

Under Protocol No. 3 of the Convention, the term 'products originating' should have been

⁽¹⁾ This quota is granted under a special Protocol annexed to the Treaty of Rome and will amount to 580,000 tons in 1966. Consumption is expected to be approximately 598,000 tons after allowing for a 3 per cent rate of increase over 1965.

defined at the beginning of 1965; there had been a long delay which was to be regretted. When the Association Committee resumed work in March 1966, it noted that the Association Council had reached an agreement in principle with regard to the majority of products on 7 April 1965 and that it only remained to reach an agreement with regard to about 30 products concerning which there was still a divergence of views both within the Community and between the EEC and the AAMS. In view of the lack of agreement with regard to these products, the Association Council decided to deal with this question. For all the other products, the Association Committee adopted the decision defining the term 'products originating'; this decision came into force on 1 July 1966.⁽¹⁾

The main question at Tananarive was whether textiles from Asia, which were subsequently printed in the Netherlands, could be regarded by the Associated States as originating in the EEC and again whether the EEC could consider, as products originating in the Association, fish that had been processed in the Associated States regardless of the nationality of the fishing vessel that had brought them in.

No agreement was reached with regard to the few products still not dealt with; these raised rather complex and delicate problems. The Council therefore decided to hold an extraordinary session finally to resolve this question in Brussels in October 1966.

At its meeting in The Hague, the Joint Committee deplored this state of affairs because defining the origin of products was a matter of importance for many of the Associated States. It noted with concern that under the terms of Protocol No. 3, this definition should have been forthcoming at the beginning of 1965. This problem was finally solved at the Association Council's meeting of 28 October 1966, almost two years after the time-limit laid down in the Convention. The Council also decided that national certificates of origin should be replaced by certificates that would be valid throughout the Association.

25. The problems involved in implementing the EEC's common agricultural policy particularly for fats and sugar, had been followed with keen interest by the AAMS both on the Association Council and on the Association Committee.

With regard to the system to be laid down for EEC imports of oleaginous products originat-

⁽¹⁾ The Committee also adopted a decision on administrative co-operation in regard to eustoms; this came into force on 1 July 1966.

ing in the Association, the AAMS expressed concern at the delay in carrying into effect the EEC's common agricultural policy; this in turn was delaying the implementation of Annex III of the Convention (time-table for the marketing of some products at world prices). An interim solution was worked out for crop year 1965/66, France having extended for a further year the fats market organization obtaining in the Franc Area. The uncertainty surrounding the EEC's taking their interests into consideration, however, was such as to justify the fears of the Associated States.

The AAMS were therefore relieved to learn of the resolution passed by the EEC Council on 10 May 1966. In this the Community confirmed 'the need simultaneously to implement special measures applicable to vegetable fats originating in the Associated African States and Madagascar and the regulation giving effect to the common market organization for fats.'

Thus the fears of the Associated States were allayed. The fact remained that there was a considerable backlog in relation to the time-table laid down in the Convention. Consequently, the problems concerning fats originating in the Associated States had not been solved at a time when one of the world's biggest producers, Nigeria, obtained privileged access to the EEC market. (1)

The Community undertook, in a clause similar to that in Article 11 of the Yaoundé Convention, to take the interests of Nigeria into account in its common agricultural policy. In 1967 Nigeria will be able to export 33,900 tons of palm oil and 7,100 tons of groundnut oil to the EEC free of duty.

26. As regards sugar, it is very difficult to take the interests of the AAMS into consideration because the EEC has not at present any need to import sugar.

Indeed, a trade concession granted to the AAMS would serve no purpose unless the Community needed to import sugar, which is not the case at the moment. The EEC is currently looking

into the possibilities of a partial solution to this problem, with a view to applying Article 11 of the Convention at an early date.

The sugar-exporting Associated States in the Franc Area seem to have found the beginnings of a solution to their problems in the framework of the JAMO (Joint African and Malagasy Organization). Indeed an agreement creating a common market for sugar was initialled in Tananarive on 19 May by the Ministers of that organization.

27. There have been no significant new developments to report concerning customs and quota dismantlement within the Association. The provisions of the Convention have been correctly applied under the supervision of the Association Council and the Association Committee.

The Community went through the customs tariffs communicated to the Council by 14 of the 18 Associated States without making any comment. The provisions of Article 1 of Protocol No. 1 have been applied by all the Associated States, with the exception of Upper-Volta, Somalia, Mali and Congo-Brazzaville.

28. Several Associated States took advantage of the opportunities offered by Article 6,3 of the Convention with a view to protecting their growing industries.

The Ivory Coast placed a ban on imports of finished petroleum products; the Malagasy Republic entrusted to a French firm the installation and operation of a Malagasy television network, giving it the sole right to import television sets; and Senegal imposed restrictions on the importation of lorries of more than 3 tons.

The Community having expressed some reservations as to the legality of some of these measures, the matter is being investigated on the Association Committee.

IV — Financial co-operation

29. Before dealing with problems relating to the work of the European Development Fund set up under the Yaoundé Convention, the Joint Committee would like to refer to the first Development Fund which operated between 1958 and 1964. The following table will serve to throw light on the position of the first Fund, as at 30 September 1966:

(1) Nigeria exports roughly the same amount of fats as all the Associated States together. EEC imports in 1964 (in thousand tons) were:

<i>Groundnuts</i>		<i>Palm nuts and kernels</i>	
World	736	World	381
Nigeria	213	Nigeria	202
Associated States	320	Associated States	111
<i>Groundnut oil</i>		<i>Palm oil</i>	
World	81	World	295
Nigeria	8	Nigeria	36
Associated States	25	Associated States	156

(Source: Statistical Office of the European Communities.)

Breakdown between the beneficiary States of the appropriations and expenditure of the first European Development Fund as at 30 September 1966 ⁽¹⁾

(in 1 000 dollars)

Beneficiary States	Projects approved	Funds appropriated	Contracts concluded		Actual expenditure
			Number	Amount	
Burundi	11	4,920	24	3,074	3,118
Cameroun	27	52,797	72	39,875	32,647
Central African Republic	27	18,217	87	10,622	8,267
Congo-Brazzaville	18	24,622	58	19,285	18,031
Congo-Kinshasa	16	19,131	72	12,846	8,367
Ivory Coast	19	39,662	70	27,539	27,656
Dahomey	18	20,777	63	12,345	11,169
Gabon	15	17,780	84	14,061	12,132
Upper Volta	13	28,294	61	23,099	20,107
Madagascar	40	56,267	127	50,518	43,004
Mali	24	42,030	113	36,676	35,595
Mauritania	11	15,378	50	14,139	12,028
Niger	8	31,352	52	23,561	17,266
Rwanda	11	4,946	72	4,380	3,504
Senega	24	43,834	97	29,972	28,496
Somalia	6	9,936	89	7,744	7,423
Chad	19	27,925	70	24,733	22,224
Togo	18	15,935	62	12,337	9,160
Technical control	—	8,893	—	—	—
Total	325	482,696	1,323	366,806	320,194

⁽¹⁾ Source: EEC Commission.

When one considers the breakdown as between branches of industry of all the projects financed by the first Development Fund, it will be seen that 44.4 per cent of its resources were apportioned to transport and communications, 18 per cent to agriculture, 17 per cent to education, 9.9 per cent to hydraulic engineering and housing, 8.9 per cent to public health, 0.6 per cent to industrial production and energy and, lastly, 1.2 per cent to technical assistance and general surveys.

30. With regard to the table, the Joint Committee is greatly concerned by the time lag between appropriations and payments, especially since this does not assume the same proportions for each Associated State. In the case of the Democratic Republic of the Congo, for example, 8.3m. accounting units had actually been spent out of a total of 19.1m. accounting units originally appropriated. In the Central African Republic and Dahomey, actual expenditure was

8.2m. and 11.1m. accounting units respectively out of sums appropriated totalling 18.2m. and 20.7m. accounting units.

The Joint Committee hopes that the projects of the Fund may rapidly be carried into effect; it would, in particular, like to see a build-up of the services of the EEC Commission that are responsible for following through the technical and financial control of these projects. It gives no cause for satisfaction to note that since 1958 the first Fund has only spent 67 per cent of the sums appropriated. As for the second Fund it had only spent 33m. accounting units on 20 September 1966, out of a total appropriation of 287m. accounting units.

31. At the international level, however, it is worth stressing that the EDF's financial assistance is increasing in relation to the total of multilateral financial assistance. At the same time, EEC scholarships to AAMS nationals

(1,774 scholarships in 1965-66) exceeded the number granted by the United Nations. Sums actually paid by the EDF to the AAMS in 1964 represented 14 per cent of the total amount of public assistance accorded to the Associated States from all financial sources. ⁽¹⁾

Payments made in 1965 amounted to 105m. accounting units, including 84m. from the first Fund and 21m. from the second. Bearing in mind

the time lag between appropriations and payments, EEC aid to the development of the Associated States and Territories may be expected to exceed 100m. accounting units annually for the next 8 years at least.

32. Two years after the entry into force of the Yaoundé Convention, the appropriations of the second European Development Fund amounted to 311m. accounting units.

The position concerning sums appropriated as at 30 September 1966 is shown in the following table.

⁽¹⁾ See EEC Commission's reply to Written Question No. 38 by Mr. Pedini, *Official Gazette* No. 123 of 8 July 1966.

Breakdown of the appropriations of the second European Development Fund as between beneficiary States as at 30 September 1966 ⁽¹⁾

(in 1 000 a. u.)

Beneficiary States	Economic and Social Investments	Aid to diversification	Aid to production	Technical assistance linked to investments	General technical co-operation	Emergency assistance	Total	Advances to the price stabilization funds
Burundi	320	2,200	—	1,763	400	—	4,683	—
Cameroun	11,019	749	4,372	347	—	—	16,487	6,076
Central African Republic	9,491	—	3,668	1,138	150	—	14,447	—
Congo-Brazzaville	3,403	5,169	—	406	—	—	8,978	—
Congo-Kinshasa	35,174	—	—	449	2,267	—	37,890	—
Ivory Coast	2,245	34,814	—	37	8	—	37,104	—
Dahomey	5,700	—	1,965	526	2	—	8,193	—
Gabon	—	—	—	2,378	—	—	2,378	—
Upper Volta	5,661	—	—	1,134	30	—	6,825	—
Madagascar	32,979	284	8,552	795	66	—	43,676	—
Mali	9,985	41	2,847	1,002	—	—	13,875	—
Mauritania	10,092	1,357	—	35	—	—	11,484	—
Niger	6,272	—	2,030	350	—	—	8,652	—
Rwanda	900	4,448	—	1,466	435	—	7,249	—
Senegal	6,367	1,025	21,963	81	—	—	29,436	—
Somalia	6,419	—	—	710	1,068	1,850	10,047	—
Chad	18,228	—	2,985	969	68	—	22,250	—
Togo	2,066	—	991	633	—	—	3,690	—
Total Associated States	166,321	50,087	49,373	14,919	4,494	1,850	287,344	6,076
Sums not appropriated	—	—	—	4,311 ⁽²⁾	13,560 ⁽³⁾	—	—	—

⁽¹⁾ Source: EEC Commission.

⁽²⁾ The sums not appropriated represent the fraction of two aggregate amounts (5m. and 4m. a.u.) which had not yet been used to finance surveys and the direction of projects.

⁽³⁾ The sums not appropriated represent aggregate amounts for general study programmes involving scholarships, traineeships, colloquia and information that it has not been possible to break down as between the beneficiary States.

The first Fund was deployed mainly on modernizing the basic services and much less on developing production. By contrast, the figures for the second Fund show that it has been used mainly to further agricultural and industrial production. 50 per cent of the Fund's resources, as opposed to 19 per cent in the case of the first EDF, have been used for this purpose. This is, of course, leaving on one side the financial support of agricultural prices which is not strictly an investment operation. The money spent on modernizing the economic and social infrastructure, while not negligible, accounted for only 49 per cent of the total as opposed to 77 per cent of the resources available under the first European Development Fund.

33. The Joint Committee was gratified at the dynamic note struck by the second Fund in the rate of its appropriations. In two years these have exceeded by a wide margin the relevant two-fifths of the total available for apportionment. It wishes to congratulate the EEC Commission on the major work that is has done in this field over the last two years, despite the limited staff available to the Fund's administration.

Its staff is barely more than a hundred, including auxiliary agents and the relevant expenditure is 0.5 per cent of the total of the bills outstanding which compares with percentages of 1 to 1.5 in commercial banks and so constitutes a record in its way. There is no doubt that this staff is overloaded with work. Parliamentarians would like to see increased means made available to the EEC for the examination, preparation and realization of AAMS projects; this wish has been expressed both at sessions of the Parliamentary Conference and at meetings of the Joint Committee; it deserves reiterating here.

34. Aid for production has flowed at a satisfactorily steady rate. The total funds put into aid to production—as opposed to economic and social investment—were estimated, as at 30 September 1966, at 49m. accounting units. ⁽¹⁾ The products that will benefit from this assistance include groundnuts, coffee, cotton and rice. There are difficult problems in this field and the main reason has been the decline in the price of some products. The Joint Committee has been informed of the seriousness of the problem facing

cotton where the price has been steadily deteriorating; indeed the fall in price has more than outweighed the progress made in terms of productivity and trade promotion through financial assistance from the Development Fund. The average fob price of cotton was 200 francs CFA per kilogram in 1950; in 1957 it was 158 francs; in 1964 it was 138 francs and in 1965 it was 135 francs. The estimated price for the 1965/66 crop year is around 125 francs CFA per kilogram. The Associated State most affected by this deterioration in prices is Chad which has been obliged to devote nearly all the aid available to supporting cotton prices.

In this connexion it is to be noted with satisfaction that the EEC Commission is trying to solve the difficult problem of reconciling respect for the procedure laid down by the financial regulations of the Fund and the AAMS agricultural production schedules.

35. Article 27 of the Yaoundé Convention reads: 'the Council of Association shall define the general orientation of financial and technical co-operation within the scope of the Association and specifically in the light of an annual report to be submitted to it by the body responsible for the administration of the Community's financial and technical aid' (i.e. the EEC Commission).

The Joint Committee has already drawn attention to the capital importance of this provision which is, indeed, one of the most original features of the Association. All the parties involved have a say in the decision concerning the definition of aid policy: this is a political reality whose significance can never be too strongly emphasized.

At its session in Tananarive on 18 May 1966, the Association Council gave effect to Article 27 for the first time since the entry into force of the Convention. The report which it examined covered the period from 1 June 1964 to 31 May 1965. This report was sent to the EEC Commission on 8 October 1965. The Council was thus a long way behind the schedule laid down in the Convention in adopting a position concerning aid policy.

The Council's deliberations focused on the one or two issues not resolved by the Association Committee. They culminated in the passing of a resolution laying down the main guidelines for future action. We shall deal with this resolution in the following paragraphs.

36. The first chapter of the ministerial resolution deals with the aims of financial and technical co-operation, the emphasis being (a) on the importance of promoting investment in directly productive sectors while not neglecting the basic services (paragraph 1); and (b) on the general

⁽¹⁾ Of the eleven States mentioned in Article 26 of Protocol No. 5 annexed to the Convention, the Ivory Coast and Congo-Brazzaville decided to appropriate the total of their share (viz. 46.7m. and 6.4m. accounting units respectively) to the diversification of their economies. The nine other States (Cameroun, the Central African Republic, Dahomey, Madagascar, Mali, Niger, Senegal, Chad and Togo) had a total of approximately 130m. accounting units and they proposed to appropriate about two-thirds of this amount to aid production—the actual amount varying from one State to another from 50 to 75 per cent. Hence out of the total amount of 183m. accounting units set aside under the Convention, approximately 88m. accounting units or 48 per cent will go to assist production.

diversification of the economic structure of the AAMS, while being careful to avoid any lack of co-ordination which might lead to competition between the Associated States (paragraph 2).

This orientation has the full support of the Joint Committee. It would recall that the Parliamentary Conference took up a position along these lines at its session in Rome in December 1965.

37. The Council considered that it would be desirable to concentrate on constituting a few key sectors or geographical areas (paragraph 3) and to direct special attention to projects of regional interest in order to make the economies more complementary (paragraph 6). The Council also included, among the aims of assistance, the creation of self-generating means of production and operation and the stimulation of efforts on the part of producers (paragraph 5).

The Association Council then recalled that the initiative for submitting projects lay with the AAMS and that it was for them to decide on the order of priority as between various projects (paragraph 8). Lastly, it considered that in selecting projects, any recurrent charges that they might entail for the operating budget of the beneficiary state would have to be very carefully considered.

The Joint Committee fully endorses these considerations, especially as regards concentrating on creating 'development poles.' In The Hague, Mr. Pedini, former General Rapporteur of the Joint Committee, laid sufficient stress on the positive results that this approach had yielded in certain depressed areas in the Community. Credits granted by the Fund should, inter alia, help to create activities that would act as economic generators in certain regions where investment should be concentrated.

Improving economic structures should not be considered solely in terms of each Associated State seen in isolation but also in terms of developing the existing or potential complementary relations between the economies of various Associated States in the context of the Association as a whole. The development policies of the AAMS are, of course, coming increasingly to reflect a concern for the exigencies of African co-operation because it has been seen that the latter is a condition upon which the effectiveness of the national effort depends, especially as regards industrialization and the organization of the primary commodity markets. Hence the resources of the Fund should continue to be deployed on projects which establish a positive correlation between the national interests of the Associated States.

The Parliamentary Conference has, furthermore, shown interest in this policy ever since

the first session in Dakar and has not let this matter lie. The Joint Committee is therefore gratified to note that its views, which in this context are also those of the Parliamentary Conference, are shared by the Association Council.

38. In paragraph 7 of its resolution, the Council refers to a more difficult problem: the special measures to be taken by the Community to promote a balanced and harmonious development of the Associated States as a whole, bearing in mind those factors which hold the action of the Fund in check in the development of some countries.

In The Hague, the Joint Committee dealt at length with the disparity in the economic development of the AAMS; it did so at the instance of the Burundi delegate. Some African delegations expressed the hope that the EEC Commission would study EDF projects in relation to their economic relevance, while at the same time the least-favoured countries, especially the inadequacy of their basic services.

The Joint Committee considered that there should be a fair sharing of credits between all the AAMS so as to ensure a harmonious development of the economies of all these countries. It also noted that the geographical spread of EDF operations at this time could obviously not foreshadow the final distribution at the end of the five year period of the Convention. The Joint Committee finally came round to endorsing the decision taken by the Ministers because it felt that this text took due account of the concern expressed by all its members.

39. The second chapter of the resolution of the Association Council deals with the means and conditions of technical and financial co-operation.

In this connexion, the Council recommends a more balanced use of the financial and technical means placed at the disposal of the Associated States and, specifically, greater recourse to financial assistance in the form of repayable aid (paragraph 10). The Council then outlines the measures that the AAMS and the EEC should take, within the limits of their respective terms of reference, to use the financial means available under the best economic conditions (paragraph 11). The Council lists specifically what the AAMS can do themselves (notably in regard to planning and economic and financial policy) to obtain the greatest benefit from the aid given by the Community (paragraph 12). Lastly the Council was in favour of setting up 'delegate controllers' of the EDF (paragraph 13).

The Joint Committee was most interested to learn of these Council deliberations. It notes with satisfaction that a large part of this chapter embodies considerations put forward during debates held by the parliamentary bodies of the Association. The solutions envisaged approximate very closely to those advocated on several occasions by the Joint Committee and by the Parliamentary Conference.

40. The third part of the Association Council's resolution deals with assistance for production and diversification. The first part, on production aid, contains a series of technical recommendations concerning the adjustment of target prices, the drawing up of the next annual apportionments, advances to the stabilization fund (paragraph 14) and the measures to be taken to modernize the structure of agriculture in the AAMS — rural enclosures, teaching rational production methods and improving production by using nuclear techniques (paragraph 15).

The Joint Committee has never had the opportunity to make a detailed study of the questions raised in this chapter. Nonetheless, it feels that the Council's commendable effort to clarify and improve the conditions governing the use of production assistance is to be welcomed.

41. The second part of this chapter in the Council's resolution deals with aid towards diversification; the Council outlines the measures to be taken to diversify agriculture, including participation by the EEC and the AAMS in farming research and, in general, in diversifying agricultural production where this can bring about an improvement in the dietetic balance of the populations concerned and lead to currency savings (paragraph 16). As regards industrial diversification, the Council makes recommendations concerning consultation of the AAMS in industrialization surveys because it feels that if, initially, its main feature is the creation of units of production of consumer goods, the desirability of creating units to manufacture the means of production should not be neglected.

The Joint Committee is gratified that the Council has been able, in this way, to lay down the first principles of an industrialization policy for the AAMS under the Association. Ever since the Dakar Conference parliamentarians have been stressing the need for an increased drive towards industrialization because they have regarded this as the sine qua non for an effective diversification of the African economy. This will only be possible by transcending national frontiers; a solution along these lines is already beginning to emerge through the regional economic unions which some African countries are forming.

42. The Joint Committee notes with satisfaction that in March 1966 the European Investment Bank made a further loan, of 3.8m. accounting units, for an aluminium rolling plant in Cameroon which will have a capacity of 8,500 tons per year.

It would, however, stress the need to make the conditions, upon which the Bank intervenes in the Association context, more flexible. Indeed the balance sheet of what has been done by the Bank would appear to be relatively modest. It therefore seems that measures are indeed necessary to help the AAMS to obtain credits from the Bank. When Annex VI of the Convention is put into effect, this problem may become easier to solve. Under Annex VI, which provides for a review of financial aid in 1967, 'any decisions which may prove necessary in the light of experience gained over this year' shall be taken. If need be, the Bank will have to make the necessary adjustments, bearing in mind the special economic and financial structure of some Associated States.

43. Before closing our review of financial cooperation, we should like to stress another proposal made in Committee with reference to implementing Annex VI of the Convention. The Niger delegate suggested that it should be possible for the AAMS to obtain long-term loans to buy capital goods independently of the arrangements already obtaining under the EDF whose purpose it to finance economic and social investment geared to specific projects. Such credits would not therefore be tied to specific projects as has hitherto been the case.

This approach would liberate equivalent sums of money in the national capital budget making them available for other purposes, the aim here being to increase the financial means available for development. Financially speaking, this could take the form of loans under special conditions, as referred to in Article 16 of the Convention. In actual fact some Associated States are unable to assume the debts that would be involved if they had recourse to loans from the European Investment Bank, whose interest rates are those of the world capital market. This problem of long-term loans could be solved if the machinery for granting loans on special conditions were readjusted.

When the Joint Committee met in Mogadiscio, the EEC Commission's representative recalled that the EDF could not finance the purchase of capital goods which did not relate to specific projects.

The Joint Committee, nonetheless, showed great interest in the proposal made by the Niger delegate. This would not involve any form of subsidy to a national budget and the Committee trusts that this proposal may be taken into

consideration by the Community when Annex VI is implemented.

44. In conclusion, the Joint Committee welcomes the outcome of the Association Council's first deliberations on financial aid. (The basis here was Article 27 of the Convention.) The multiplicity of subjects dealt with and the clarity of the attitudes defined in many important sectors, such as aids for production and for diversification, show what a valuable meeting this was. It is worth stressing the importance and the effectiveness of the preparations for the ministerial deliberations made by the ambassadors on the Association Committee.

The Joint Committee finds the spirit of co-operation prevailing between the Association partners most gratifying for it confirms its positive verdict on the way in which the institutions of the Association are working.

V — Technical co-operation (1)

45. The fourth and last chapter of the resolution which the Association Council adopted in Tananarive dealt with technical co-operation and assistance.

The Council made clear, with reference to the technical assistance provided both in anticipation of and in conjunction with investments, that the Associated States must continue to have their say in the choice of consultants; the relevant criteria had to be experience, efficiency and independence (paragraph 18).

This field has assumed increasing importance. The Community has given its assistance to the Associated States in constituting or supplementing the relevant files on projects to be submitted to the Fund. In 1965, 100 contracts were signed by the AAMS Governments with consultant engineering firms; this came under the head of assistance 'in anticipation of investments' and involved a total amount of 7.9 m. a. u.

The Community is also able to intervene while work is in progress under the Fund under the head of 'assistance in conjunction with investments.' Although as a rule the governments of the beneficiary states remain responsible for the execution of projects, it is possible, when these governments so request, to make available teams of experts to strengthen the local technical services to ensure appropriate supervision of

work financed by the Fund. Expenditure under this head, since the EDF was founded, has exceeded 10m. a. u.

46. With reference to technical assistance, after investments have been made, the Council felt that the opportunities opened up by the Convention in this context should be given the attention they deserve (paragraph 19). The Joint Committee has already stressed the value of the provisions of Article 4 of Protocol No. 5 concerning the possibility of 'temporary assumption of financial responsibility for technicians and consumer goods necessary for the successful execution of the capital investment project.' If the experience gained in this sphere has not so far been satisfactory in every case, this is no cause for any relaxation of efforts, even though the form assumed needs to be reviewed and corrected.

47. The greater part of this fourth chapter of the Council resolution deals with the training of executive and supervisory staffs and occupational training (paragraph 20). The Council wished to stress the importance of making the most of the human potential in the economic and social development of the Associated States.

The EEC has done a considerable amount of work in training AAMS nationals.

The EEC's scholarship programme for the 1965/66 academic year comprised 1,774 scholarships (including renewals) financed to the extent of 1m. a. u. by the EEC Commission's budget and to the extent of 3,810,000 a. u. by the EDF.

The 1966-67 scholarship programme, which is expected to cost 4,800,000 a. u., will allow for 1,630 scholarships under the EDF, to which will be added the scholarships financed by the EEC Commission's ordinary budget.

More than half of those holding scholarships under the Fund are now receiving training over a period of more than one year so that of the 1,630 scholarships authorized for this year, approximately 1,000 are renewals and only 630 are new scholarships. The EEC Commission has decided to make even greater use of the training opportunities available, as it were, 'on the spot,' in the African universities.

With regard to the traineeships in the Community departments, the programme for 1966/67 (the cost of which is estimated at 54,000 a.u.) will make it possible to welcome 20 AAMS officials to Brussels for traineeships lasting five months.

(1) The European Parliament looked into the whole range of problems thrown up by cultural and technical co-operation in the Association in June 1966 on the basis of a detailed, factual report by Mr. Moro, Doc. 16/1966-67, 8 March 1966.

48. The breakdown of scholarships according to host country ⁽¹⁾ shows that there has been an increase in the number of scholars in AAMS establishments (19.3 per cent in 1965/66 as compared with 16 per cent in the previous year).

The Joint Committee welcomes this development which is moreover in accordance with the Council's deliberations in Tananarive. The Ministers considered that the training of middle grades and, as far as possible, of senior grades ought to be carried out in the AAMS and geared to the opportunities available and to the requests made by the States concerned. It would be desirable to widen the scope of efforts already undertaken to increase the opportunities for training in the AAMS and to promote the creation of specialized establishments whose programmes would complement each other so as to avoid any duplication of effort; these would be adapted to the special needs of the Associated States and would cover one or more of the AAMS.

There are, however, certain difficulties involved in awarding scholarships. The present procedure raises a certain number of problems, particularly concerning the time-limits for recruiting scholars and for awarding scholarships, the description of the training scholars are to receive and, lastly, the choice of host country. A correct analysis needs to be made of these problems and appropriate solutions must be found at an early date.

In this respect, the Joint Committee was glad to learn at its Mogadiscio meeting that the EEC Commission was aware of the need to improve the procedure for selecting scholars and that a study is being made of a new procedure which will be outlined at the Abidjan Conference.

The Joint Committee has also learned with satisfaction that the EEC Commission recently took measures under which the scholars are to give an undertaking to return to their country of origin once their studies are completed.

49. For the first time the EEC is engaged in a limited programme of scholarships for correspondence courses; this is an experiment and it should, in particular, make it possible to give training that will facilitate selection with regard to the future award of full-time scholarships. On 1 December 1965, 173 scholarships had been awarded, including many in the fields of ac-

counting, the fundamentals of economics and development and co-operation problems. The finalization of this procedure, which is by no means onerous, but which calls for careful preparation and control, was carried out with the collaboration of specialized bodies.

The EEC is also at present considering the conditions under which it might intervene in training the staff needed for managing and maintaining infrastructure projects financed by the Fund. This is in line with wishes expressed by the Joint Committee and also reflects the concern of the Association Council. In its resolution, the Council considered that greater efforts should be made to train personnel hand in hand with development projects financed by the Community so as to facilitate the replacement of European technical assistants and ensure a sound management of the investments made, particularly in agriculture. These initiatives should be carried out in close collaboration between the EEC Commission and the AAMS.

Technical co-operation was discussed by the European Parliament on the basis of a report submitted by Mr. Moro for the Committee for Co-operation with Developing Countries. ⁽¹⁾ This most commendable report covers every aspect of the subject. The Joint Committee is rightly proud of it and trusts that it will be widely circulated in the AAMS.

VI — Right of establishment and right to supply services

50. There are still difficulties—sometimes quite considerable—arising in the cases covered by Title III of the Convention (right of establishment, provision of services, payments and capital).

Under the Convention, Community nationals, companies and firms are to be put on an equal footing in the AAMS before 1 June 1967. This right, however, is subject to reciprocity in that if an EEC member State does not extend a similar right to nationals of the AAMS, then it cannot claim such a right for its own nationals. Article 34 of the Convention provides that the Council of Association shall take all necessary decisions to effect the implementation of the provisions relating to the right of establishment and the right to supply services. This means that gradually the necessary measures can be taken on the basis of mutual concessions.

51. With regard to establishment, preferential arrangements obtain for France in most of the AAMS. This makes it difficult to apply the prin-

⁽¹⁾ The breakdown of scholarships for 1965/66 was as follows. (a) in the EEC States: Belgium 18.1 per cent, Germany 17.2 per cent, France 20 per cent, Italy 13.8 per cent, Luxembourg 0.1 per cent, Netherlands 8.6 per cent or 77.8 per cent in all; (b) in the Associated States: Cameroun 5.6 per cent, Congo-Brazzaville 3.6 per cent, Congo-Kinshasa 0.1 per cent, Ivory Coast 4.9 per cent, Dahomey 0.7 per cent, Upper Volta 2.3 per cent, Madagascar 0.8 per cent, Mali 0.5 per cent, Niger 0.1 per cent, Senegal 0.7 per cent, or 19.3 per cent in all; (c) in Israel 2.9 per cent.

⁽¹⁾ Report on current cultural and technical co-operation problems in the Association, European Parliament, Doc. 16 of 8 March 1966.

principle of non-discrimination for, in certain cases, this would result in Europeans' having exactly the same status as AAMS nationals.

This problem is being studied and will be dealt with by the institutions of the Association. It would appear that a 'comprehensive' solution would provide a better guarantee of the application of the Convention; under this, each Associated State would, at one and the same time and not later than 31 May 1967, eliminate any discrimination still obtaining, so that all nationals, companies and firms of the EEC member States would be placed on an equal footing.

52. It is to be hoped that this problem may be satisfactorily solved, particularly through Council decisions under Article 34. The implementation of Title III is likely to promote private investment on the part of the EEC in the AAMS and should therefore be encouraged. Indeed, public assistance cannot solve every problem.

53. At the same time, any other measure which could foster private EEC investment in the AAMS should be encouraged.

The Organization for Economic Co-operation and Development has drawn up a draft multi-lateral guarantee for investments.⁽¹⁾ It informed the World Bank of its conclusions and the latter will also be submitting a draft to this effect at an early date. The World Bank has also been looking into the financial arrangements for investment guarantees. The value of the work both of the OECD and the World Bank should not be underestimated because the more parties there are to a system of guarantees, the greater is its chance of being applied.

The EEC Commission is also investigating this matter but within a more limited framework of the Association. It has initiated studies into certain economic and financial aspects of the guarantees that could be given to private investment in the Associated States. It has been found that private investment amounts to approximately \$50m. where reinvested profits are not included and to \$100m. where the reinvested profits are included.⁽²⁾ The cost of a guarantee system—assuming that all investments run a real risk—would be around \$3m. a year, for an annual investment figure of around \$100m.

The value of this idea is obvious, especially if one bears in mind the uncertain outcome of the long negotiations in progress at world level. Then again, the solution of the private invest-

ment guarantee problem within the regional framework of the Association would stimulate economic relations between its partners and could also serve as an example to third countries.

VII — The activities of Euratom and of the ECSC in their relations with the Associated States

54. The Joint Committee learned with satisfaction of the work done by the High Authority and the Euratom Commission on aid to the developing countries and particularly to the Associated States which signed the Yaoundé Convention.

On 10 December 1964, the Parliamentary Conference, meeting in Dakar, passed a resolution calling in paragraph 34 for an effective participation by these two Communities in the Association. This resolution embodied the wishes expressed by Association parliamentarians in Strasbourg in 1961. The initiatives taken by these two Communities were the sequel to this.

55. The Euratom Commission has made studies into the utilization of nuclear techniques in the context of Community assistance to the Associated African and Malagasy States; these culminated in the finalization of four detailed projects; work is also being continued on other projects.⁽¹⁾

The Euratom Commission submitted the projects ripe for a decision to the EEC Commission and the latter has worked out the financial arrangements for these first four projects under the European Development Fund.

The use of nuclear techniques in helping the developing countries is advantageous and of interest mainly because these techniques can bring about a pronounced improvement in the living conditions in the countries in question at a relatively low cost and they can do so in the short term.⁽²⁾ These surveys were carried out under the responsibility of Mr. Margulies, a member of the Commission, who, in July 1965 and again in December of that year, submitted a first programme to the Joint Committee and to the Parliamentary Conference concerning the application to microbiology of isotope techniques in the fields of public health and agriculture.

56. Studies were made in depth and four projects were finalized on the basis of this programme.

⁽¹⁾ On 15 March 1966 the International Chamber of Commerce—with members from 75 countries—published a declaration advocating an international system of guarantees for private investment against non-commercial risks.

⁽²⁾ See reply given by the EEC Commission to Written Question No. 37 from Mr. Pedini. *Official Gazette* No. 115 of 28 June 1966.

⁽¹⁾ See report by Mr. Hulst on the work of Euratom in the sphere of aid to the developing countries, Doc. 74 of the European Parliament, 23 June 1966.

⁽²⁾ The value of using nuclear techniques in the development of Africa was also stressed in December 1963 by the Scientific Committee of the former African and Malagasy Council for Economic Co-operation.

The aim of the first of these projects is to increase the yield of millet seed. Millet is the staple diet in the arid parts of Africa and accounts for 80 per cent of all cultivated land; its seed yield is not, however, regarded as satisfactory. This is, at present, 500 kg. per hectare, the rest of the crop being leaves and stalks. 30 per cent of the crop, furthermore, is eaten by birds. Satisfactory results have been achieved by recourse to traditional techniques in developing the plant's thorn ring to protect it against birds. Other traditional techniques, however, such as fertilizers and irrigation, have yielded no positive result in terms of increasing the seed yield. The use of nuclear techniques should mean positive results in five years. The project provides for a first crop, then for two reproductive cultures in succession with fresh sowings and finally a cultivation experiment on a large scale. The Institute for Agricultural Research at Bambay in Senegal will be responsible for carrying this project through.

The second approved project concerns the improvement of stock-raising by destroying the tse-tse fly; this is the greatest obstacle to extending and improving stock-raising in the tropical areas of Africa. Work on finding cures for the diseases that the fly brings with it and on raising cattle breeds immune to the fly seem unlikely to yield any early or lasting results. The only effective method, therefore, is to destroy the tse-tse fly. This is done chemically, but must be followed by biological extermination, failing which a new breed of tse-tse fly, immune to the chemicals concerned, would develop rapidly. It is at this point that nuclear techniques come into action: the project will involve breeding tse-tse flies and then sterilizing them by irradiation. The sterile flies will then be released in the breeding areas where they will mate with female flies without reproducing. The work will be carried out by the Stock-Raising and Tropical Veterinary Medicine Institute at Bourar (Central African Republic).

The third project envisaged concerns the preservation of fresh fish which is, of course, an important source of protein for the African population. Preserving fish by refrigeration necessitates large-scale plant and leads to an increase in price. The nuclear technique, on the other hand, would be much simpler and cheaper; the fish can be very slightly irradiated at a lower temperature and this keeps it fresh for several days without the taste being affected and without any loss in weight. The irradiation plant envisaged will be built in the Ivory Coast where a fishing port has been constructed with the help of the European Development Fund.

The irradiation technique could also help solve the problem of preserving fresh meat; this is of special interest in those Associated

States where cattle-raising is a major activity. A very slight irradiation of beef and zebu meat would kill the tapeworm larvae and increase meat production by 30 per cent. An experimental station could be built at Fort-Lamy in Chad. Studies are at present focused on the ideal combination of refrigeration and irradiation to preserve and transport meat at the lowest cost. Studies have shown that the irradiation of meat to make it transportable over long distances also kills larvae contained in it without either affecting its taste or reducing its food-value.

57. The seriousness of the development problems facing the Associated States warrants recourse to every expedient whose effectiveness has been established. The encouraging results achieved by Euratom's initiative are, therefore, to be welcomed for these will mean an appreciable improvement in the living conditions of the countries concerned within a relatively short time and at a relatively low cost. The Joint Committee would like to pay tribute to the drive of the Euratom Commission in this field, largely prompted by Mr. Margulies, a member of the Commission.

58. In compliance with the wishes expressed by the Parliamentary Conference in Dakar, the ECSC High Authority has kept the Joint Committee informed of ECSC initiatives. At its meeting in Rome, the Conference also heard a statement by the President of the High Authority on what policy the ECSC should pursue *vis-à-vis* the AAMS.

It would appear that if development policies are co-ordinated on a regional basis, the conditions exist for the creation of a steel industry in some Associated States. The ECSC could give these States the benefit of its experience and endeavour to get the European steel industry to take greater account of African interests and to press for a common policy to be defined and implemented in the matter of ECSC supplies of iron ore and manganese. (1)

59. The European Parliament recently drew up a report on these questions. (2) When this debate was held, there was discussion of an ECSC plan for co-ordinated international action to increase steel utilization in the developing countries. The main purpose of the proposed initiative would be to give the developing countries the opportunity to progress more rapidly towards industrialization; for steel is not only the basis of the industrialization process but of any development of natural resources. This plan

(1) Community imports of iron ores and manganese from the AAMS have increased considerably in recent years.

(2) Report by Mr. Carcassonne on relations between the ECSC and the AAMS, Doc. 75, 27 June 1966.

would mean that all the world's major steel producers would have to agree to grant credits to the inadequately developed countries to enable them to purchase steel.

This plan is worth considering with some attention: it would be a stimulus to steel consumption in the developing countries and have a 'snow-ball' effect on their industrial development. It is to be hoped that the creation of a steel industry in the developing countries, on an economically sound basis, will not encounter any further obstacles.

VIII — The Association's external relations

60. The importance of the Association, as a form of regional co-operation to help development, was stressed by the Parliamentary Conference at its Rome session. Parliamentarians emphasized the need to develop the Association in a wider international context, bearing in mind the new prospects that are emerging in the world for solving under-development problems.

Mr. Pedini, former General Rapporteur of the Joint Committee, had laid stress on the international importance of the Association between the EEC and the AAMS. He had aptly referred to the responsibilities incumbent upon the Association partners in view of the undertakings given in Protocol No. 4 annexed to the Convention.

61. Your rapporteur would now like to endorse his predecessor's views on this subject.

The next World Trade and Development Conference will be in 1967. The Trade and Development Council (UNCTAD) has been making preparations for this for a long time. Were the EEC member States aware of what was at stake and of the Community's responsibility as the world's largest importer of primary products? Were they ready to take concerted action with the Associated States in compliance with the spirit and the letter of the Convention? Will the partners of the Yaoundé Association be able to forestall the difficulties that arose at the Geneva Conference in 1964 because of a lack of effective co-ordination between the Six and the Eighteen?

It is the duty of the Joint Committee to warn the Association partners of the consequences that a lack of co-ordination between the Associated States in the UNCTAD and World Conference contexts could have in the near future. The time has come to face up to the real problems, instead of ignoring them. 'The developing countries—as the EEC Commission rightly points out ⁽¹⁾—expect the Community and its member States to act more resolutely, in a way

commensurate with the EEC's rôle and responsibility in the world.'

In a resolution passed on 19 October 1966, the European Parliament endorsed this stand taken by the EEC Commission. The resolution was appended to the report by Mrs. Strobel on the Ninth General Report of the EEC.

62. It is heart-breaking to record, for example, that whereas in 1960 a ton of exported cocoa enabled Cameroun to import 2,700 metres of unbleached cloth or 1,200 kilograms of cement, the counterpart to this in 1965 was only 800 metres of cloth or 450 kilograms of cement.

This state of affairs must be remedied. The joint resolve of the Association partners could be a decisive contribution to solving the serious problem brought about by the state of anarchy on the primary product markets. It is therefore to be hoped that the EEC and the AAMS will be able to co-operate closely and effectively as far as UNCTAD and the 1967 World Conference are concerned. The Joint Committee therefore welcomes the agreement between the Association partners as regards discussing and finalizing a world agreement on cocoa. ⁽¹⁾

63. As regards the Kennedy Round, the AAMS had the opportunity in Tananarive to inform the EEC, in compliance with Article 12 of the Convention, of their opinion of the concessions that the Community intends to offer in Geneva. The Community therefore knows the position of the AAMS and will be able to take the interests of its partners into account in the tariff negotiations now in progress in the GATT context.

It would appear, however, that following a decision taken by the EEC Council on 14 June, the Community will offer to consolidate the provisional suspensions now applied for coffee and cocoa and to make similar reductions on products derived from coffee and cocoa. This means that the Community has really taken very little account of the comments made by the Associated States. The latter, moreover, stressed the need to couple any tariff reductions for tropical products with the problem of a rational organization of the primary commodity markets.

64. At the Tananarive session on 18 May 1966, the Associated States were formally consulted, in compliance with Article 58 of the Convention, on the Association Agreement then being negotiated between the EEC and Nigeria. This Agreement was signed in Lagos on 16 July.

⁽¹⁾ Ninth General Report on the activities of the EEC Commission to the European Parliament, paragraph 314.

⁽¹⁾ At the Association Council meeting in Brussels on 28 October 1966, the Associated States reported on the negotiations in progress on a world cocoa agreement and submitted a memorandum on this subject.

Its entry into force is subject to ratification by the Signatory States in accordance with their constitutional requirements.

65. There is no need to refer again to the content of the Agreement between the EEC and Nigeria to which the Council refers in Chapter XI of its second activity report. Suffice it to recall that its aim is to promote an increase in trade between its signatories ⁽¹⁾ who have declared themselves 'desirous of contributing to the development of inter-African co-operation and trade.' The broad outlines of the arrangements made are, to a large extent, based on the Yaoundé Convention; the agreement does not however include any provision for financial or technical co-operation. Then again, whereas all Community products enjoy preference on the AAMS markets, only some Community exports will enjoy tariff preference on the Nigerian market.

66. It is important to note that the agreement will expire on 31 May 1969, at the same time as the Yaoundé Convention. The intention was clearly not to exclude the future possibility of a comprehensive solution both for Nigeria and for the AAMS.

This should encourage the AAMS to begin thinking as of now of the problems that may arise when the Convention is renewed. The question will arise as to whether the new association shall have a common basis, with the same rights and obligations for all associates, or whether it will be an 'outline' convention from which agreements of special application may spring. The future Convention will come into effect in a world context which will be different from that of 1962, especially as regards international trade.

IX — Conclusions

67. At a time when the less-developed countries are again raising world-wide criticism about the economic policy of the industrialized nations and expressing increasing concern about the results that may flow from international action in the sphere of development assistance ⁽²⁾,

⁽¹⁾ In 1965, the EEC imports from Nigeria increased in value by 22 per cent whereas the EEC's purchases from the AAMS fell by 0.3 per cent. EEC exports to Nigeria increased by 24 per cent and those to the AAMS by 0.7 per cent.

⁽²⁾ At the second meeting of the Trade and Development Council, which was held in Geneva on 31 August 1966, Mr. Prebisch, Secretary General, reported in disturbing terms on the international economic situation. Financial assistance towards the developing countries was a long way from the ideal target figure of 1 per cent of the gross national product of the developed countries. In 1961 financial assistance amounted to 0.82 per cent of the GNP of the developed countries but in 1965 only to 0.69 per cent. Indeed, the amount of assistance given in recent years has remained virtually unchanged even though the income of the industrialized countries has increased considerably over the same period. During the first half of the United Nations Development Decade (1960/70) the rate of economic growth of the less-developed countries was only 4 per cent, although the most conservative estimates spoke of a minimum rate of growth of 5 per cent (see 'Le Monde' of 2 September 1966).

it is encouraging to be able to return a positive verdict on the second year of co-operation between the partners of the Yaoundé Convention.

Indeed, it may be said that the Association has developed and grown stronger despite the slackening off of institutional activity caused by the long months of crisis in the European Community. Within the regional framework outlined by the Yaoundé Convention, international co-operation in the sphere of development assistance has produced encouraging results.

68. With regard to technical and financial assistance, implementation of the Convention has been carried out in a satisfactory way.

Particularly worthy of commendation is the body responsible for managing this aid so effectively and it is also a cause for satisfaction that the flow of appropriations from the new European Development Fund has kept up such a good tempo. It is, on the other hand, a source of concern that there has been an considerable gap between appropriations and actual realizations in connexion with EDF projects. At the same time, the Joint Committee feels bound to stress with satisfaction the importance of the decisions taken by the Association Council at its Tananarive session, in pursuance of Article 27 of the Convention.

It is also to be regretted that the EEC Commission's report to the Association Council, submitted in pursuance of Article 27 of the Convention, was not brought to the attention of the parliamentarians. This makes it impossible for the Parliamentary Conference to pronounce on the Council deliberations either with a full knowledge of the facts or with all the necessary effectiveness.

Lastly, it is desirable to draw attention to the significance of the provisions of Annex VI of the Convention which are scheduled to be implemented before 31 May 1967. Under these, the Governments of the EEC member States 'agree to proceed, at the expiry of the three years subsequent to the entry into force of this Convention, to re-examination of the financial aid, such re-examination being designed to bring to light any imperfections therein, and to lead to the taking of any decisions which may prove necessary in the light of experience gained over this period.'

The Association partners should be aware of the importance of what is at stake. Suggestions concerning the application of Annex VI should be finalized without delay with all the necessary effectiveness in order to enable the Association to profit from the experience of the first years of its activity.

69. Among the aims of financial co-operation, it is worth stressing the growing importance to be given to investments in directly productive sectors. The action of the Fund and of the Bank should be orientated to a greater extent towards action that may contribute—particularly by industrialization projects—to the diversification of the economic structures of the Associated States. The decisions taken along these lines by the Association Council are therefore to be welcomed.

At the same time methods of intervention should be worked out and, in particular, by combining the various forms of action provided for in the Convention in the sphere of financial and technical co-operation. Aid policy should have recourse to a greater extent to the different alternatives provided for in the matter of loans. As for the European Investment Bank, its contribution should be rendered more flexible and better adjusted to the needs of the Associated States.

In conjunction with this aid, initiatives need to be taken to facilitate and encourage private Community investment in the Associated States and, in particular, by introducing a system of guarantees for these investments. The efforts being made in this direction by the World Bank should be supported by the Association. If, however, a solution is not possible at world level, the Association partners should think in terms of a guarantee system which would be proper to the Association within the regional framework defined by the Yaoundé Convention.

The markets of the Associated States are usually fairly small. Hence stress also needs to be laid on the value of projects of a regional character with a view to achieving a greater number of complementary relationships between the economies of the African countries. The Associated States cannot but welcome any initiative along these lines that is consonant with the objectives of African unity. In this connexion the services of the Association should be induced to intensify their links of co-operation with the international bodies that are concerned with the development problems of the African countries.

The work of the ECSC High Authority and the Euratom Commission, whose purpose is to make a greater contribution to the economic and social development of the Associated States, is to be welcomed. The co-operation initiated in this context between Euratom and the EDF services can be regarded as most gratifying.

70. In the sphere of technical co-operation, the greater volume of assistance provided for carrying out EDF projects should be recorded. Progressive development in this sector should be accompanied by an intensification of efforts concerning occupational training in the Associated States, particularly as regards managerial and supervisory staffs. New initiatives in the sphere of education should also be envisaged. Then again, occupational training and other forms of assistance should be more closely linked up. The programmes for training managerial and supervisory staffs should be drawn up in relation to the new needs resulting, in particular, from the carrying out of EDF projects.

71. There is, however, a darker side to the picture of the implementation of the Yaoundé Convention. Indeed, not enough progress has been made in the sphere of trade. The stagnation of AAMS sales on the EEC market cannot but cause serious concern.

This phenomenon prompts us, furthermore, to raise the question of the unfavourable development of raw material prices and of the terms of trade of primary products in relation to manufactured products⁽¹⁾ and to stress the need for close collaboration between the Association partners at the international level in compliance with the provisions of Protocol No. 4 annexed to the Convention. A co-ordinated position on the part of our States at the forthcoming World Trade and Development Conference is essential because the lack of effective co-operation could have untoward consequences.

72. In conclusion, it may be said that after reviewing the life of the Association as a whole, the balance-sheet of collaboration between the EEC and the African and Malagasy States is a sound one.

Yet we must still go forward because the Association partners still have a long way to go together. Each one of us is animated by goodwill and a desire to succeed and to make the Association a model of international economic co-operation. The peoples of Europe and Africa, brought closer together by so many relationships, are aware of the value of this collaboration and of the need to pursue this joint work of peace and international solidarity.

⁽¹⁾ The trade index was 100 in 1958 and, by 1965, had fallen to 92 for the whole of Black Africa; the average in 1964 was 95. The index for the EEC countries, on the other hand, was 105 in 1965.

Details of EEC scholarships to nationals of the Associated States ⁽¹⁾

(a) *Breakdown of scholarship holders into country of origin (1961-1966)*

Country	1961-1962	1962-1963	1963-1964	1964-1965	1965-1966
Burundi	9	19	33	68	103
Cameroun	9	41	56	112	203
Central African Republic	2	2	17	36	47
Congo-Brazzaville	19	22	27	128	124
Congo-Kinshasa	57	69	87	166	316
Ivory-Coast	23	44	58	76	109
Dahomey	12	20	27	65	83
Gabon	38	36	41	41	21
Upper Volta	3	16	36	58	68
Madagascar	47	39	47	80	112
Mali	0	24	33	46	31
Mauritania	4	11	19	26	36
Niger	15	21	31	39	50
Rwanda	8	10	31	65	76
Senegal	13	19	37	37	29
Somalia	30	35	47	99	90
Chad	5	30	28	34	55
Togo	11	7	30	65	79
Total Associated States⁽²⁾	305	465	685	1,241	1,632

⁽¹⁾ Source: EEC Commission.

See also the report by Mr. Moro on current problems of technical and cultural co-operation within the framework of the Association between the EEC and the AAMS; Doc. 16 of the European Parliament of 8 March 1966.

⁽²⁾ The EEC also grants scholarships to nationals of non-independent Overseas States and Territories associated with the Community. The number of scholarships during the five years in question was 6, 10, 71, 100 and 142 which brings the total number of scholarships granted by the EEC up to the amounts shown in tables b, c, d and e below (1961 — 311; 1962 — 475; 1963 — 756; 1964 — 1,341; 1965 — 1,774).

(b) Breakdown into host countries (1961—1966)

Country where training was given	1961-1962		1962-1963		1963-1964		1964-1965		1965-1966	
	Number	%	Number	%	Number	%	Number	%	Number	%
Belgium and Luxembourg	80	25	143	30	175	23	246	18	316	18
France	110	36	151	32	211	28	350	26	353	20
Germany (Fed. Rep.)	48	15	67	14	123	15	250	18	302	17
Italy	55	17	68	14	108	14	200	15	232	13
Netherlands	18	6	15	3	60	8	115	8	147	8
Africa	—	—	31	7	69	9	180	14	371	21
Israel	—	—	—	—	10	3	8	1	53	3
General Total	311	100	475	100	756	100	1,349	100	1,774	100

(c) Breakdown into branch of study (as a percentage) (1961—1966)

Year	Economics	Agriculture	Technology	Women's professions
1961-1962	33	21	46	—
1962-1963	38	14	35	13
1963-1964	30	18	36	16
1964-1965	26	17	43	14
1965-1966	24	20	56 ⁽¹⁾	—

⁽¹⁾ This figure also includes women's professions.

(d) Breakdown into levels of training (as a percentage) (1961-1965)

	1961-1962	1962-1963	1963-1964	1964-1965
Lower level (elementary school and apprentices)	33	17	15	24
Intermediate level (secondary, technical or occupational schools)	31	38	49	49
Higher level (university training)	36	45	36	37

(e) Results obtained by scholars, broken down into branch of study (1961-1964)

Year	Economics		Agriculture		Teehnology		Women's professions		Percentage of total	
	Pass	Fail	Pass	Fail	Pass	Fail	Pass	Fail	Pass	Fail
1961/1962	81	24	51	14	121	25	—	—	85	15
1962/1963	129	50	52	16	141	27	45	16	82	18
1963/1964	167	51	101	25	247	41	86	16	82	18

