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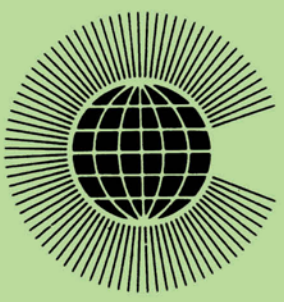
The Lomé Convention and the Common Agricultural Policy



Commonwealth Secretariat

THE RE-NEGOTIATION OF THE ACP-EEC CONVENTION OF LOMÉ, WITH SPECIAL REFERENCE TC AGRICULTURAL PRODUCTS.

A study prepared for the Commonwealth Secretariat by The Centre for European Agricultural Studies, Wye College, Ashford, Kent.

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PREFACE

The European Economic Community's Common Agricultural Policy acts as a severe constraint to the provision of freer access in the EEC market for agricultural exports from ACP countries. This constraint does not apply in the case of tropical agricultural products and greater progress has therefore been made in liberalising access for these products, both on a preferential basis under the Lomé Convention and other special arrangements and on a wider basis under the Generalised Scheme of Preferences. For CAP products, liberalisation poses special problems arising from the sensitive nature of the trade in most of these products and from the technical difficulties involved in accommodating preferential arrangements within the CAP framework.

However, the continuation of restricted access through for example, tariffs, import charges and non-tariff barriers, and the general commitment provided in the Convention for the granting of more favourable treatment to ACP countries than third countries in respect of these products, indicate scope for improvements in a renewed Convention. In the light of this possibility, the Commonwealth Secretariat felt that useful background information could be provided for the re-negotiation of the Lomé Convention by a study which from the standpoint of the operation of the CAP investigates measures which could facilitate the export of CAP products from ACP countries.

When commissioned the study was intended to cover all the major CAP products. However, since it has been agreed that the Sugar Protocol which has an indefinite duration would not be re-negotiated at this time, a draft chapter on Sugar has been excluded from this volume and is being considered for separate publication.

The study which was commissioned in early 1978 from Wye College, University of London, has benefited from the expertise and experience of its authors in the working of the CAP. Besides providing very useful background information on the working of the CAP in respect of the products covered, the study suggests measures which might be incorporated in a renewed Convention. However, the Commonwealth Secretariat would like to emphasise that the views expressed in the study are those of the authors and reflect neither the position of the Secretariat nor that of any of the parties involved in the re-negotiation.

B. Persaud
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CONTENTS

FOREWORD

The Commonwealth Secretariat commissioned the Centre for European Agricultural Studies to produce a background report of relevance to the re-negotiation of the Lomé Convention, concentrating upon the recent evolution of the CAP, trends in the production of certain agricultural commodities in the EEC, and the prospects for the liberalisation of policies affecting agricultural imports into the EEC from ACP States in a renewed Lomé Convention.

The prime purpose of this study is to provide information which will be helpful in the development of strategies for the Lome II negotiations. To this end the report has been divided into three main parts: Part I presents the general background to the Lome Convention and sets out the relevant aspects of both the Common Agricultural Policy and the External Policies currently being pursued by the European Community.

Part II of the report comprises a detailed and comprehensive survey of the agricultural commodities of most signifance to ACP exporting countries. The commodities covered are oilseeds, fruit and vegetables, beef and cereals, and each chapter describes the CAP regime for the commodity in question and attempts to highlight the implications of developments within the EEC for the export prospects of ACP States.

A draft chapter was also prepared on sugar. Sugar differs from the other agricultural commodities in that, although the trade concessions granted for sugar were included in the Lome Convention (Protocol 3) they originate in the Community's commitment to take account of the interests of countries previously party to the Commonwealth Sugar Agreement, and are explicitly "for an indefinite period". The sugar provisions do not, therefore, automatically come up for re-negotiation at the end of the 5 year duration of the first Lomé Convention. For this reason, the Commonwealth Secretariat felt that it would not be appropriate to include a chapter on sugar in a publication specifically directed towards the issue of the re-negotiation of the Lomé Convention.

If a study which is designed as a background document to the re-negotiation of the Lome Convention is to be useful, it must inevitably become involved in the detailed matters covered in Part II. But there is a danger with this kind of approach that the reader will lose sight of some of the broader issues which cut across commodity boundaries.

Thus the aim of Part III of this report is to focus attention on some of these issues. We deal first with questions which relate directly to the provisions of the Lome Convention itself - barriers to trade; industrial cooperation; the European Development Fund; and the STABEX system. Second we discuss some wider issues of relevance to the success of the Lome Convention - the enlargement of the Community; an increase in the number of ACP signatories to the Convention; food aid; and other international negotiations.

In Part III, as in the rest of the report, we have in the main, consciously restricted ourselves to being essentially informative, drawing together and elaborating on matters touched upon in the Commodity Chapters. However, on one or two occasions we have added some observations on what seem to us to be potential items for negotiation.

It will be seen that the chapters have been accredited to individual authors. This has been done, partly because the time factor prevented the production of a consensus on the many and varied aspects of the policies and commodities being studied, but mainly to give the members of the working group full opportunity to set down the product of their particular expertise and experience.

The working group comprised Chris Ritson of Reading University, who acted as general editor, and whose previous co-authorship of "Farmers and Foreigners" * proved valuable; Simon Harris, Economist and Adviser on EEC matters with S & W. Berisford Ltd., a major international food group, and author of two previous CEAS Occasional Papers **; Kevin Parris of University College of Wales, Aberystwyth (now with the Tropical Products Institute, London), a co-author with Ritson of a recent CEAS Occasional Paper ***; and Eric Tollens, recent Professor of Agricultural Economics at the National University of Zaire and now at the Centrum voor Landbouw Economisch Onderzoek, University of Louvain.

CENTRE FOR EUROPEAN AGRICULTURAL STUDIES
WYE COLLEGE.

Ian G. Reid
Director

July 1978.

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* Ellis, F., Marsh, J. and Ritson, C. (1973)

** Harris, S. (1975, 1977)

*** Parris, K., and Ritson, C. (1977)

PART I

BACKGROUND

1 THE LOME CONVENTION

BY KEVIN PARRIS

The Lomé Convention was signed on the 28th February 1975, at Lomé, capital of Togo. It is intended as an economic co-operation agreement between the European Economic Community (EEC) and 46 African, Caribbean and Pacific states, the "ACP countries". (There are now 53 states which are signatories to the Convention. See Appendix 1 for a list and map of countries involved).

The agreement was met with great euphoria in some quarters. Statements such as "a revolutionary agreement", "a turning point in history" and "one of the European Community's greatest achievements" revealed the hope that the Lomé Convention would in the longer term contribute towards the establishment of a 'new international economic order' between developed and low income countries (LICs)*. The purpose of this initial chapter is to outline the historical background to the Lomé Convention, to examine its main provisions, and to summarise some of the main themes in the current debate concerning the way it operates. The aim is to place the Convention in a general setting for the more detailed material on agricultural commodities covered in Part II.

A. Historical Perspective

The EEC's association policy was designed to compensate for the benefits lost by the former colonies of France, Italy, Belgium and the Netherlands (and eventually the UK) due to the removal of bilateral preferences when the Common Market was formed. This compensation was formally embodied under Part IV of the Treaty of Rome (see Appendix 4). It was renewed, after independence of mainly ex-French colonies in the early 1960s, under the Yaoundé Agreement (1963), and after this expired, under Yaoundé II which ran from 1969-1975. In addition, the concept of association itself was widened when three countries which were not ex-colonies of any of the six original Common Market countries - Kenya, Tanzania, and Uganda - signed the Arusha Convention (1969)**.

It is possible to detect a number of themes which underlie the Community's desire to develop links with low income countries***. Perhaps most important is what might be termed the historical role of some of the Nine Member States, in terms of their extensive colonial links over several hundred years. In a more immediate context, desire to formulate a 'common external relations policy', with the aim of greater Community unification has also been a strong influence. "Pangs of conscience", the moral issue of Third World poverty, although carrying different weight in diff-

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* See Appendix 6 for a glossary of abbreviations used in this study.

** Several authors have attempted to evaluate these agreements, for example, Matthews, J.D., 1977: Twitchett, K.J., 1976: Coffey, P., 1976 and Henig, S., 1971. Details of these agreements, with particular reference to products coming under the EEC's Common Agricultural Policy, will be found in Ellis, Marsh and Ritson (1973).

*** This paragraph is based largely on Morgan, R.P., 1973.

erent Member States, has nevertheless created a considerable influence in its own right. "Hopes of profit", quite evidently, the extension of assistance towards LICs has not been purely altruistic, for considerable investment in these countries may have brought, in some cases, greater Community security in raw materials supply, markets for its exports, and a flow of revenue from its investments. Some Member State governments have also thought it necessary for the EEC to evolve "spheres of influence" through trade concessions and agreements, to gain both the acceptability of the Community amongst LIC governments and to combat a perceived economic and political threat from potential competitors, such as the USA, Japan, the Soviet bloc and China. Finally, and a more recent phenomenon, has been a "fear of retribution". Although it would be incorrect to depict this as a powerful influence in the past, certainly following the experience of the OPEC cartel, it may now be a more significant force in determining the character of the EEC's relations with LICs.

Many of these general forces were fundamental to the eventual outcome of Lomé, and indeed will also be so in the case of Lomé II. But in addition other factors constrained the final content of the Convention. The negotiations commenced during the latter part of 1973, and with the recent accession of the UK to the European Communities, the first hurdle to overcome was how to compensate the Commonwealth LICs for eventual loss of Commonwealth Preferences, whilst at the same time ensuring that benefits extended to Yaoundé associates were not diminished in a wider agreement covering more countries.

The grouping of Anglophone and Francophone ACPs, and their seeming (and perhaps surprising) solidarity in negotiating with the EEC, is seen by some* as an important spillover effect in the form of greater co-operation between these LICs themselves. A similar issue may ensue in the forthcoming negotiations, although to a lesser degree, should the question of enlargement of the EEC to include Portugal reach the stage which requires that her ex-colonial territories, Angola and Mozambique, be considered for inclusion under the Lomé Convention. Angola has however recently stated that it does not wish to sign Lomé, although it would like to develop good bilateral links with the Community**.

The other major constraint on the form of the Lomé Convention was the problem of how the Community was in fact to offer meaningful preferential benefits to the ACPs. This difficulty seems to have arisen from two related factors, namely that a) it is presently thought that the AASM did not enjoy any real growth in their trade during the period of the concessions provided by Yaoundé I and II, and b) that by the time negotiations had commenced (1973), the margin of preference compared with the late 1950s had been greatly eroded.

Estimates of the trade impact of the EEC's association policy on the 19 AASM and 3 Arusha countries, although differing in detail, broadly confirm the view that, while there may have been some isolated sectoral trade gains as a result of forming a preferential trading arrangement,

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* For example Morton, K., and Tulloch, P., 1977, Chp. 8.

** Reported in the Financial Times, "World Commodity Report - Soft Commodities", No. 122, 17/5/1978.

the overall impact on LICs as a whole was probably neutral in strictly trade terms*.

With respect to the erosion of preferential treatment for the ACP countries, a culmination of tariff concessions through the Kennedy and Tokyo Rounds of GATT; Common External Tariff reductions via UNCTAD's Generalised System of Preferences - introduced by the Community in 1971 and extended to all LICs; and also the extension of the EEC's trading agreements, e.g. with Latin America and Asian LICs, meant there was little scope in the tariff sphere for the EEC to offer many substantial preferential benefits to the ACPs.

B. Main Provisions

The Lomé Convention consists of seven titles and seven protocols,** but can conveniently be summarised into four activities:-

i. trade co-operation;
ii. the stabilisation of export earnings;
iii. financial and technical aid;
iv. industrial co-operation.

This chapter concentrates on the first two, but some mention is made of iii. and iv.

i. Trade Co-operation. The trading arrangements for EEC/ACP trade contain five elements:-

(a) Tariff concessions. Approximately 99 per cent of total exports, and some 94 per cent of agricultural exports, from ACP countries are allowed entry into the EEC free of all duties and equivalent charges.

(b) Reverse preferences. The EEC abandoned the principle of reverse preferences, that is, the granting of reciprocal treatment for Community exports to the ACP states.

(c) Rules of origin. This is a long list of provisions which set out rules of originating status for ACP products exported to the EEC, and hence allowing free entry into the Community. However, the Nine did concede that products arising out of processing or manufacturing in several ACP countries would be allowed free entry, thus facilitating ACP inter-regional co-operation.

(d) Trade promotion. A minor trade accord allowed ACPs to make direct application to the European Development Fund (EDF) to guide funds for trade promotion activities.

(e) Trade arrangements for sugar, bananas and rum. This involved establishment of quotas and guaranteed minimum prices for ACP sugar sold to the EEC. In the case of rum, these arrangements include duty-free access on a quota basis for certain Caribbean ACPs and, for

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* For some of the more important estimates of the EEC's trade impact on the Associated countries see Aitken, N.D., and Obutelewicz, R.S., 1976; Balassa, B., 1974; Ouattara, M., 1973 and Young, C., 1972.

** See Courier, 1975, for a full text of Lomé.

bananas, that some of the ACPs would not be placed in a less favoured position than enjoyed before Lomé with respect to access to the Community's markets. (See Part II for a more detailed discussion of these special arrangements).

ii. The stabilisation of export earnings. This was the establishment of a fund - 375M ua over 5 years - to stabilise ACP export earnings, and now usually called the "STABEX" system. The scheme involves a transfer of funds from the EEC to ACP when specified declines in export earnings from certain commodities occur. Thus the system guarantees a minimum revenue from ACP exports of these commodities to the EEC. Originally twelve commodities and their products, making a total of 29 individual items, were covered by STABEX*.

iii. Financial and technical aid. The financial and technical aid offered to ACPs (the 4th European Development Fund (EDF)) is probably more significant in economic terms than the trade provisions, and amounts to about 3500M ua over the 5 years of the agreement. (More details of the allocation of this sum will be found in Chapter 8, Section D).

iv. Industrial co-operation. This does not involve operational provisions, but only outlines of desired objectives in this field. These include the recognition of the link between agriculture and industry and the need for co-operation in the industrialisation process. Since 1977 certain measures have been implemented through the Industrial Development Centre, mainly in the form of ensuring co-operation between the EEC/ACP industrialists to develop production opportunities.

C. Commentary

Comment on the Lomé Convention can be only tentative at present, as much of the trade data is yet to be published**. Writers have considered the scheme at two interconnected levels, appraisal of the actual provisions of Lomé and an assessment of Lomé's role in the context of international economic relations.

The STABEX scheme*** has probably provoked the greatest attention in the literature, and reactions to its introduction have been mixed. On the positive side, STABEX has been variously described as "unique and interesting", "revolutionary", "ground breaking" and a "potentially significant" agreement. In general the scheme has been recognised as the first serious attempt at stabilising export receipts of LICs and, unlike the IMF export compensatory credits (the only other compensatory finance scheme) where repayments have to be on schedule, under certain conditions STABEX allows non-repayable transfers. Indeed, in the first two years of the scheme, 1975/76, 63 per cent of transfers were non-repayable.

Despite the fact that the scheme does represent a significant innovation in the Community's development strategy, many writers believe it suffers from deficiencies.

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* For a full list of STABEX products see Appendix 2.

** Some preliminary statistical investigations are however to be found. For example, see Love, J., and Disney, R., 1976, who examine Lomé's impact on Ethiopia, and Parris, K., and Ritson, C., 1977, on Lomé's role in vegetable oilseed products trade.

*** For useful articles regarding STABEX see Hasse, R., 1975; and Wall, D., 1976, and Treydte, K.P., 1977.

Probably the most frequent criticism of STABEX is that the funds provided for the scheme are inadequate. To date payments for 1975 and 1976, amount to 72M ua and 36M ua respectively (see Appendix 2). This compares with a total value of exports covered by the scheme from the ACP to the EEC in 1973 of 1985M ua. Love and Disney, (1976) comment that, "as a least developed state, Ethiopia might anticipate favourable treatment in any rationing process but there is little doubt that the pressures on STABEX resources will not permit the EEC to fulfil its guarantee to stabilise earnings". In defence of the scheme, quite clearly in its first two years, STABEX has made a significant contribution for a few ACPs in improving foreign exchange earnings.

Other criticisms of STABEX include concern over the restrictive conditions needed before a transfer can be granted; technical problems concerning repayment and reference period difficulties: limited product coverage, in particular the exclusion of minerals, e.g. copper; the allegation that STABEX could encourage solidification of export structures in ACP economies; and the seemingly unfair distribution of transfers. Finally, and perhaps most important, there is criticism over the fact that the STABEX system does not allow any compensation for inflation of ACP import prices.

After being somewhat hesitant at the onset, many of the Lomé countries do now appear to take the view that the stabilisation of export earnings would represent a very real benefit - although changes in the existing arrangements are clearly felt necessary by some ACP governments.

Gruhn, (1976), summarises the STABEX by commenting: "in some senses a point of no return has been reached. While future LDC's demands will no doubt improve on STABEX, it is hard to imagine future industrial LDC economic negotiations in which a STABEX type scheme stabilising raw material prices will not be included".

The real impact of the trade co-operation provisions is very difficult to assess until adequate trade data have been published which will reveal the shares in Community imports of both preferred and non-preferred regions. Figures for 1972 to 1977 (see Table 1.1) do not yet indicate any significant trend, with Lome not being signed until 1975. In any case, the 1973/74 Commodity boom probably distorts the figures. Nevertheless, the European Commission claims that "imports from the ACP states are growing more rapidly than those from other developing countries".* The acceptance of the non-reciprocity principle by the EEC was a welcomed part of the trade co-operation provisions. Concern was again expressed, as it had been under the Yaoundé agreements, about the creation of 'regionalist' approach towards LICs by offering selective preferential arrangements. This has been ameliorated somewhat by widening the number of states involved in Lome, and by Community tariff erosion through the GSP, GATT, Mediterranean Association, etc. The rules of origin, which establish conditions of free entry into the EEC for ACP exports, are also considered restrictive. Finally, although about 99 per cent of total ACP exports are claimed to be able to enter the EEC free of all restrictions, liberalisation is far from complete in connection with CAP products and important non-tariff barriers remain.

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* Quoted from Press Conference given by Commissioner Cheysson, see EC(1978C).

Table 1.1

Trends in EEC-ACP Trade 1972/77

Region	Imports of the EEC (million European Units of Account (EUA))					
	1972	1973	1974	1975	1976	1977
Extra EC	65573	84306	130802	125451	159354	171230
Total ACP[1]	4814	6159	10491	8697	10474	12496
% of Extra EC imports	7.3	7.3	8.0	6.9	6.6	7.3
Other LICs	24451	31927	61379	54976	69865[2]	75137[2]
% of Extra EC imports	37.3	37.8	46.9	43.8	43.8	43.9

1 Excluding Djibouti

2 Cuba not included

Source: EC (Eurostat) "EC-ACP Trade in 1977" Statistical telegram - External Trade Statistics No. 2, 1978.

The other area where operational provisions of the Convention exist, financial and technical aid, was probably the major area of disappointment to the ACPs, for the amount allocated to the 4th EDF fell considerably short in per capita terms of the 3rd EDF. Disappointment was also felt in that control of the EDF still rests with the EEC instead of forming a joint management effort as the ACPs had proposed. It is this role of the EEC to manage exclusively the Funds' resources, by establishing a Community delegate in each ACP state, that Wall (1976) claims, "is redolent of that of a resident Governor sent by an imperial power to a self-governing colony".*

Assessment of Lomé in an international context,** appears to have polarised into two schools of thought. There are those who are firmly committed to the belief that Lomé is a new model in relations between developed and LIC economies and as such is consistent with the aspirations of the international community in moving towards a "new international economic order". At the other extreme, Lomé is taken as a continuation of the 'old order', based on the Community's "historical role" of neo-colonialism, encouraging and fostering the dominant-dependent relationship based on "hopes of profit" and creating "spheres of influence".

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* However, the Treaty of Rome does specify that control of Community funds must be administered by EEC approved officials. Details of some EDF projects affecting agricultural commodities are given in Part II.

** For example, see Galtung, J., 1976; Goodwin, G., 1977 and Green, R., 1976

A common and fundamental supposition to both these schools has been the Community's attitude in evolving a clearly 'regionalist', (even though it has been widened under Lomé), rather than a multilateral, development policy. The proponents of this approach argue that the Community, by concentrating its efforts regionally can provide a more positive impact for LICs than by spreading its resources more widely. Anyway, by providing an example to other developed countries, it is hoped they might play a similar role. This implies the US and Japan developing an analogous strategy with respect to Latin America and South East Asia.

The protagonists of the 'Centre - periphery' thesis contest this view by arguing that 'regionalist' agreements such as Lomé continue colonial tendencies. Through restrictive institutional arrangements, most of the important operational decisions of the Convention are made in Brussels. Also the majority of ACPs have ex-colonial links emphasising that the "Euro-African dream" has now come true, with nearly the whole of Africa affiliated with the EEC in some form. Lome also contains a divisive element as far as LICs are concerned, it has been argued, for UNCTAD has attempted to co-ordinate LICs activities through the Group of 77 (which cover most LICs in Latin America, Africa and Asia). The Group of 77 seek improvements collectively in their relations with developed countries on a multilateral basis, but are hindered when one region of LICs is treated more favourably by certain developed countries, such countries being reluctant to risk losing their own benefits through multilateral action.

Whether Lomé II can improve upon Lomé I as a model for creating a 'new international economic order' on the part of developed countries, or aim to satisfy the demands of LIC groups, such as the Group of 77, would appear dependent on two related questions. First, will the EEC view, either knowingly or subconsciously, the existing Lomé arrangements as a point of arrival and provide only marginal improvements in ensuing agreement? Second, for the ACPs, and indeed LICs outside Lomé, does the Convention spell increased dependence on the centre and division amongst their equals, or does it represent genuinely improved inter-regional LIC co-operation, greater self-reliance and clear improvements in standards of living?

2 THE COMMON AGRICULTURAL POLICY

BY CHRISTOPHER RITSON

The Treaty of Rome specifies a set of objectives for the Common Agricultural Policy (CAP) which are not dissimilar to those adopted by most of the developed countries. The policy seeks:-

- to increase agricultural productivity;
- to ensure a fair standard of living for those in farming;
- to stabilise markets;
- to ensure reasonable consumer prices:
- to guarantee regular supplies.

What is somewhat unusual about the CAP however, is the severity with which one objective - the desire to protect rural living standards - has come to dominate the way the policy has been implemented. In particular, support prices for the major farm commodities have been set at levels well in excess of those at which supplies could normally be bought or sold on world markets and, partly as a consequence of this, European farmers have been supplying a growing proportion of domestic requirements. Table 2.1 gives some estimates by the European Commission of the extent to which CAP support prices have exceeded those applying on world markets, and Table 2.2 indicates the way self-sufficiency in farm products has tended to increase over the past 15 years. The policy now covers all the major agricultural products produced within the EEC, with the exception of sheepmeat and potatoes, and policies directed towards these sectors are likely to be introduced soon.

One group who have suffered at the hands of the policy are producers in agricultural exporting countries who could reasonably have expected, in the absence of such a highly protected European agriculture, to have sold produce in Community markets. In contrast they sometimes find that they are having to compete with heavily subsidised exports from the EEC. The signatories to the Lomé Convention can, in a sense, count themselves as fortunate that so few of their agricultural exports compete with the bulk of Community produce. The two main excepticns are, of course, sugar and oilseed products, for which there are both temperate and tropical sources. However, many experts believe that there is a considerable potential in Lomé countries for exports to the Community of beef, some cereals, and some fruits and vegetables. Details of the specific policies adopted under the CAP for these commodity sectors (with the exception of sugar) will be found in Part II. In this chapter a broad outline of the way the policy attempts to control agricultural product markets is given.

Table 2.1

Prices of Certain Agricultural Products in the EEC as a Percentage of Prices on World Markets*

Product	Marketing Year				
	1968/69	1970/71	1972/73	1974/75	1976/77
Common Wheat	195	189	153	107	204
Rice	138	210	115	81	179
Maize	178	141	143	106	163
White Sugar	355	203	127	41	176
Beef and Veal	169	140	112	162	192
Pigmeat	134	134	147	109	125
Eggs	137	201	159	164	-
Butter	504	481	249	316	401
Skimmed Milk Powder	365	-	145	138	571
Olive Oil	173	155	125	113	207**
Oilseeds	203	131	131	80	127**

* Most of the figures in this table are calculated by deducting import levies and duties (paid on whatever quantity of produce is imported) from the minimum import price for the commodity in question. Thus the "World Price" is a rough estimate of the average price received throughout the year by exporters to the Community and this will not necessarily always be representative of the price at which the commodity is traded elsewhere in the world. For some products, the "World Price" has been estimated by deducting subsidies paid on EEC exports from the national support prices.

** 1975/76.

Source: EC Commission, Yearbooks of Agricultural Statistics.

Table 2.2

Degrees of Self-Sufficiency in Certain Agricultural Products

Product	Year			
	1956/60 Average EEC-6	1972		1976*
		EEC-6	EEC-9	EEC-9
Wheat	90	111	99	101
Maize	64	68	58	53
Rice	83	112	92	-
Sugar	104	122	100	105
Fresh Vegetables	104	100	94	95
Fresh Fruit	90	87	76	79
Citrus	47	52	34	43
Cheese	100	102	102	102
Butter	101	124	106	107
Eggs	90	99	99	100
Beef & Veal	92	81	84	99
Pigmeat	100	99	100	99
Poultry Meat	93	100	102	104
Vegetable Fats & Oils	19	31	-	26

* Some figures in this column relate to the 1975/76 marketing year.

Source: As Table 2.1

A. Policy Mechanisms

Figure 2.1 describes the essential features of a typical CAP* support system for a farm product (as applies, for example, to cereals or dairy products). Each year, the Council of Ministers sets a target price for the commodity in question. This price is intended as a guide to producers and a reference point for the operation of the policy. The main mechanism which ensures that internal market prices are kept near the target level is a levy on imports which varies in such a way that imported produce cannot undercut domestic supplies. This levy is calculated by setting a threshold price, a little below the target price to reflect the cost of transport from port to internal market centre, and then a tax is charged on importers equal to the difference between the threshold price and the world market price. 'World price' usually means, in this context, the lowest price at which a consignment of produce is being offered at a particular EEC port during some specified time period.

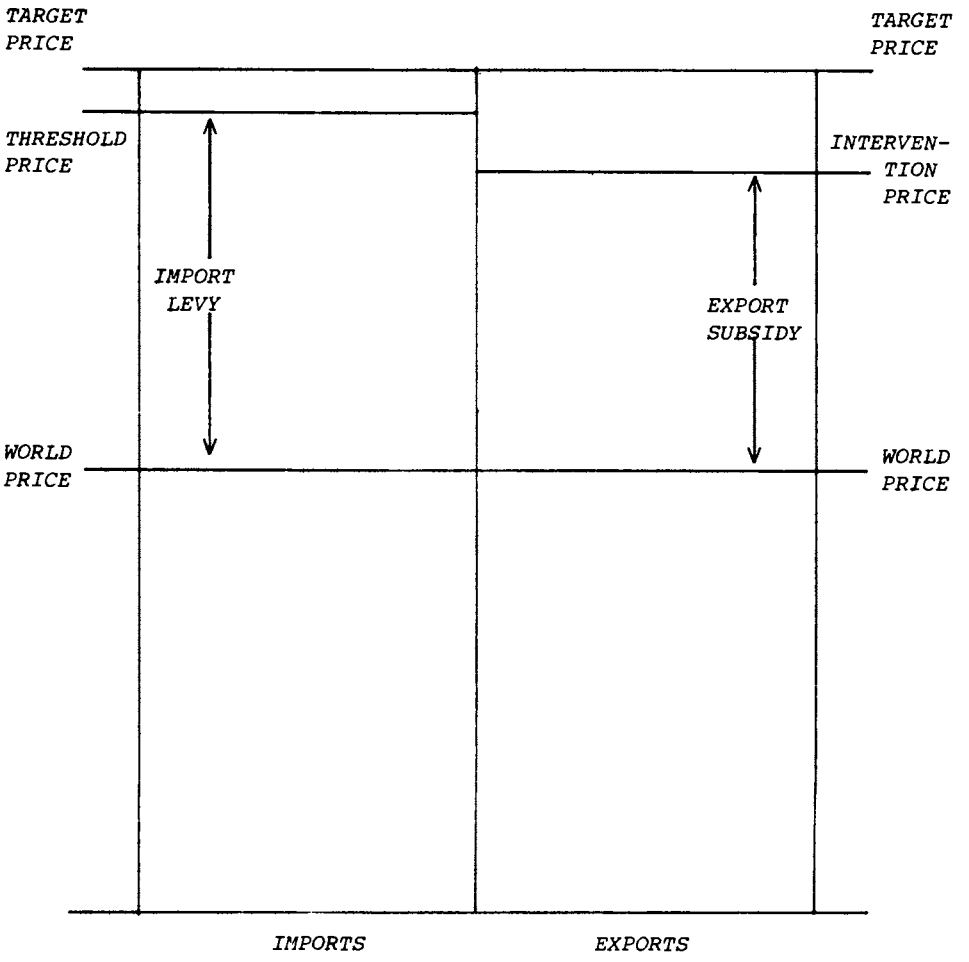
* For a general introduction to the CAP see Marsh and Ritson, 1971: Ritson, 1974; OECD, 1974; EC, 1977 H.

The import levy will, on its own, keep internal market prices near the target level as long as the country is less than self-sufficient in the commodity. If however, EEC farmers supply more of the commodity than can be sold on domestic markets at the target price, internal prices will begin to drop below target levels. For this eventuality, a second line of defence is required to prevent excess supplies (known as 'surpluses') from depressing producer prices. An intervention price is set, somewhat below the target price. If the internal market price should now fall to the intervention level, official intervention agencies will buy produce offered to them at the intervention price. The agency will then either store the produce or sell it to traders who export it with the aid of a subsidy (restitution) roughly equal to the difference between the intervention price and the world price. Similar subsidies are paid to private traders who export the product directly. For some commodities, other methods are used to dispose of surpluses. For example, both wheat and milk powder have been subsidised for use as animal feedingstuffs.

It is evident from Table 2.1 that for most agricultural commodities, for most of the time, CAP support prices have exceeded 'world' prices. However, during the 1973/74 commodity boom, some prices for food products on world markets did move above CAP support levels. For commodities in surplus, the EEC was able to restrain domestic price levels by imposing export taxes but, as a general rule, import subsidies were not introduced into the CAP system.

Figure 2.1

Model of Typical CAP Support System



B. Green Money

In principle, the market support system should operate uniformly throughout the EEC, with much the same import levy or export subsidy applying whichever Member State trades with third countries, and with internal market prices differing only on account of transport costs and because it often takes a considerable time before a movement of produce reconciles price differences (which can occur, for example, because of a bad harvest in one EEC Member State). This was indeed the case for a relatively brief period between 1967 and 1969. Since then, however, in a period of fluctuating exchange rates, the EEC Member States have found it increasingly difficult to reconcile their objectives towards domestic farm product prices with the ideal of a common EEC price level. Over the past few years, CAP support prices, when expressed in national currencies, have varied greatly between EEC Member States. Support prices in Germany have typically been ten per cent above those applying in the Benelux countries and Denmark: some twenty to thirty per cent above those in France and Italy; and as much as forty or fifty per cent above those applying in the United Kingdom. Corresponding differences apply to the levies charged in individual Member States on third country imports, and there is a complicated system of border taxes and subsidies (known as monetary compensatory amounts) on intra-EEC trade to bridge the price gaps*.

For the present, therefore, the exporter of farm products to the Community is not faced by the same import barriers throughout the Community, but by a level of protection which varies between what might (generously) be described as 'moderate' in the UK to 'extreme' in Denmark, the Benelux countries and Germany; and when a country like the UK devalues its "green rate of exchange" to cut the MCA applying to it, this puts up its national price level and raises, correspondingly, the tax on imports from third countries.

The importance of Europe's green money system from the point of view of potential exporters of agricultural commodities to the EEC is, first, that it is not the theoretical CAP "common" price level which is important, but the price levels which actually apply in the Member States. Harmonisation of prices in the EEC, if this involved the elimination of all existing MCAs, would raise the average level of protection against third country imports.

Second, it should be recognised that most increases in farm product prices now occur by changes in "Green" rates of exchange, which affect individual national price levels, rather than by agreed rises in "Common" prices. The unit of account used within the Common Agricultural Policy is, in effect, tied to the German Mark, which tends to appreciate against other countries. As it does, MCAs increase

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* The EEC's green money system is extremely complicated, but its effects are important and wide-ranging. Appendix 5 provides a brief explanation of why exchange rate movements should lead to both border taxes and subsidies on intra-EEC trade, and to variations in the barriers imposed by EEC Member States on third country imports of CAP products. A detailed discussion of the current operation of the CAP with emphasis on the green money system will be found in Heidhues et al, 1978. For an earlier interpretation, see Josling, T.E., and Harris, S., 1976. For a description of the operation of the green money mechanism, see Irving, R., and Fearn, H.A., 1975.

for some other Member States, who are put under pressure to devalue their green rates and put up their national price levels. This semi-automatic price inflation which is now built into the CAP allows the EEC to give a spurious impression of "moderation" in its approach to farm product prices. The recent 1978 farm product price package was heralded as a "responsible" one on account of the fact the prices in units of account were raised by only a little over 2 per cent. However, when green rate changes throughout the year are taken into account, the average price increase is about 8 per cent, ranging from 2 per cent in Germany to about 15 per cent in Italy.

C. Prospects for Exporters

When considering the prospects for further trade concessions on CAP products being granted to the ACP countries it is as well at the onset to be realistic. If the combined force of the desire to restrain consumer food prices in a period of rapid inflation and the often strident objections to the policies on the part of the USA* have failed to make any serious inroads into the highly protectionist nature of the CAP then, in truth, it seems unlikely that any major breakthrough will be made on this front in the course of the renegotiation of the Lomé Convention. In this connection it is worth noting that the EEC has specifically stated that it views Lomé II as an improved version of Lomé I and not as a radically new form of convention.

Nevertheless there will always be some room for flexibility; some areas where resistance will be less than in others. The Lomé countries will be better placed to exploit any such flexibility if they are informed concerning three aspects of the background to current developments in the Common Agricultural Policy. First, what are the real issues that lead the Community to find it necessary to guarantee such high prices to its farmers? Second, is the policy itself sometimes being justified on the basis of arguments that can in fact be contested? Third, are there objectives within the EEC which are consistent with improved access for ACP countries for CAP products?

It is against this background that the following observations are made concerning the CAP and its implications for ACP countries. Details of specific concessions on agricultural products will be found in the next chapter and in Part II of the report.

(a) Many of the Community's poorest people are small farmers. But some of its more prosperous inhabitants are now large commercial farmers and the policy of price support does more to help the latter than the former. Moreover, the CAP products of interest to LIC exporting countries tend not to be those of most significance to the incomes of small farmers. Over the past twenty years there has been a very rapid decline in the rural labour force - from about one in four of the working population to about one in twelve. Increasingly, the negotiations surrounding the level of support for farming in the EEC are tending to reflect, not so much a genuine desire, or indeed need, to raise the standard of living of the less well-off people in Europe, but a conflict between varying interest groups, of varying strength and varying prosperity.

(b) In the early years of the Community, the ability to forge a common policy in such a complex arena as agriculture was seen by many as the most significant evidence of a willingness, and ability, to move towards economic and political integration. As a result, Member States were

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* See, for example, Harris (1977).

sometimes prepared to seek agreement on CAP policies, almost (literally) at any price. In the 1970s, the CAP is no longer seen so much as the 'corner stone' of the EEC and there may, thus, be a greater willingness in some quarters to resist price increases, even at the risk of the survival of the policy itself.

(c) Experience suggests two guiding principles when it comes to the treatment of third country imports of farm products. First, there has been a willingness to grant concessions in association agreement which have the effect of either increasing one country's share of EEC imports at the expense of countries not granted preferences, or of increasing the proportion of consumer expenditure on a product which is allowed (via levy concessions) to pass through to the exporter (or both). In general, the Community has not been prepared to contemplate arrangements which would involve an increase in imports at the expense of domestic supplies. It has however negotiated arrangements which preserve existing trade flows - for example, in the case of Commonwealth sugar and New Zealand butter. 'What we have we hold' seems a fairly strong position in trade negotiations.

(d) The world food crisis/commodity boom has considerably impaired the prospects for liberalisation in the trade impact of the CAP. The high level of (high cost) output in Europe is now justified both as a means of ensuring supplies for European consumers in an uncertain world, and as a contribution to global food supplies in a hungry world (e.g. EC, 1974). It is for the ACP countries themselves to make it clear that they see it as in their interest (if indeed this is the case) to export CAP products to Europe, not to import them from Europe. In conjunction with this, it might be necessary for ways to be found to give assurances of supply security to the EEC, be this problem real or imagined, be the anxiety genuine or merely an excuse.

(e) The present nature of the EEC farm product price fixing system with its open-ended budget is inherently likely to lead to a protectionist agriculture. Each country seems often to have more stake in getting the price increase it wants rather than in preventing price increases it does not want. Until consumer interests - here perhaps strengthened in some cases by the desire to increase imports from Third World countries - can exercise as much strength on Governments to prevent the price rises they do not need, as to fight for the ones that they feel they do, then the CAP will not change its face.

Despite these observations, the overall impression remains that the major hurdle to overcome if the Common Agricultural Policy is to change in a way beneficial to LICs is the implied loss for Europe's farmers who, in some countries anyway, retain political strength which seems excessive relative to their numbers. The conclusion is that, if a change in the CAP involves, or even appears to involve, a loss to some European farmers, then it might simply be "not on", irrespective of how sensible the change may appear when looked at from other points of view.

There remains the possibility, however, that a major shift in the <u>emphasis</u> of the CAP might bring about changes in trade patterns of importance to LICs without radically affecting farm incomes, at least in aggregate. It is just this kind of change which is proposed by David Jones (1976) in an attempt to tackle the problem of improving the impact of the CAP on LICs in a way which might, conceivably, appear realistic from the point of view of the EEC. He suggests, in effect, that the Community should increase

cereal production and reduce beef production. Some LICs could benefit from increased sales of grass-fed beef and others might benefit from subsidised EEC exports of cereals. Whether food importing LICs would really benefit in the longer term from a policy which would damage the world market for efficient cereal exporters; whether it truly is realistic to expect the EEC to compensate losses to beef producers by gains to cereal growers; and whether the benefit to beef exporters would offset the possible loss to LIC exporters of oilseeds and casava are all open to question.

Finally, it should be emphasised that what matters as far as exporting countries are concerned is that support given to EEC agriculture under the CAP induces a level of output in certain commodity sectors which is greater than would otherwise be the case, and is greater than can be justified when production costs are compared with those in the exporting countries. It is for this reason that this chapter has concentrated on the price level, rather than looking at more specific barriers to trade. In one sense, the measures themselves do not matter all that much since they all tend to lead to a re-location of production away from traditional agricultural exporting country towards domestic sources, whether the policy instruments apply at the frontier or internally. In the final analysis, the exporting country, be it ACP or developed, is only going to benefit if it can regain a part of a (perhaps expanding) market that has been diverted to domestic producers.

For example, even an agreed import quota of a CAP product from ACP countries is not going to be of much assistance if domestic support prices are not cut at the same time; for the result will merely be to displace either EEC or other third country supplies which will have to find a market somewhere outside the Community, perhaps thereby damaging other LIC export prospects. This is a point which emerges in several of the commodity chapters, but is perhaps most applicable in the case of sugar. However, before going on to consider the commodities in detail, it is necessary that the trade impact of the Common Agricultural Policy should be seen in the wider context of the Community's external policies, which is the subject matter of the next chapter.

3 THE COMMUNITY'S EXTERNAL POLICIES

BY SIMON HARRIS

For third countries, the Community's external face is more than merely the application of a common customs treatment to all imports. Although it is not yet possible to speak of a Community foreign policy* as such, the Community has moved to some extent along this road. Certainly the Community's external policy as it has developed, and because of its substantial political content, is very much more than the sum of the Common Commercial Policy and the Association of the Overseas Countries and Territories - the only specific external policies referred to in the Treaty of Rome (Appendix 4). Evidence of this may be seen in the Community's development of a wide-ranging series of institutional relations with third countries with varying degrees of political content, and its acting as a single entity - with the European Commission as spokesman - in international economic negotiations.

The core of the Community's institutional relations with third countries so far has, nevertheless, tended to be in the area of the charges the Community applies to imports and the possibility of negotiating reductions in these charges. The Community has developed what is often referred to as a "hierarchy" in its trade relations, with countries at the top of the hierarchy being the most favoured in terms of trade concessions. Thus the common customs tariff (CCT), which covers all such import charges, is of great importance, not only as the principal component of the Common Commercial Policy but also as a means of distinguishing the Community from the rest of the world and as a bargaining weapon in negotiations with other countries. In the Commission's words "the tariff instrument has been one of the main vehicles through which the Community has been able to express itself in its external relations." (EC, 1977, G).

The consequence is that much of the content of the Common Commercial Policy relates to the common customs tariff and to reductions in it for certain countries, as Community tariffs form the most obvious barriers to access to the Community market. Recent Community 'Trade' Agreements with third countries, however, have tended to include wider provisions than just those dealing with trade issues.

A. Common Customs Tariff

The Common Customs Tariff was originally created as a simple average of the Member States' separate national tariffs as at 1st January 1957. Its general level since then has been gradually lowered in the post-war move towards trade liberalisation through the traditional rounds of tariff-cutting in the GATT, where the Community has been a leading participant. The rates of duty in the CCT are 'most-favoured-nation' (mfn) rates which apply automatically to fellow GATT members, and which the Community mostly applies, on an autonomous basis, to the State Trading countries as well.

* The distinction between a full foreign policy, which would include defence and political relations, and the Community's present external policy is discussed in Henig, S., 1971.

The same approach has applied to quotas. Virtually all industrial products, apart from textiles and a few manufactures, have been completely liberalised and all quantitative restrictions (mainly quotas) removed. But in trade with State Trading countries, many more products are subject to import quotas.

The success of GATT members in cutting their average tariffs has meant generally reduced importance of tariffs as a barrier to trade (Table 3.1). It has also, however, reduced the significance of Community tariff concessions given to various developing countries, as preferential margins on Community markets have been eroded. The Community is currently engaged in the Tokyo Round of tariff negotiations which, if successful, will lead to a further reduction in the average level of the CCT.

Table 3.1

Comparison to Show the Drop in Average Tariffs on Manufactures Up To and Including the Kennedy Round of GATT

Year	(SITC Divisions 5-8)	
	USA	EEC-6
1958	20.2	14.3
1972	11.2	7.6

Source: Denton, G., (Ed.), 1969.

In general, the average level of tariff applied by the Community is lower than in either the USA or Japan (6 per cent against 7.1 per cent for the USA and 9.7 per cent for Japan). But this relatively liberal picture does not apply to that part of the CCT covering agricultural products. For those few agricultural products where ad valorem duties are applied, the duty rates are not only very much higher than the rest of the CCT (they also include the Community's highest individual duty rates), but very few rates are 'bound', by contrast with most of the CCT's industrial tariffs which are bound in GATT. Moreover, for the agricultural products of most importance to Community farmers, where the Community has "fully developed" commodity support regimes, variable import levies are applied on imports rather than ad valorem duties. Table 3.2 shows the operation of the CCT in the agricultural sector.

Table 3.2

The CCT as it Applies to Agricultural Products

Products	Type of Import Charge
1. Cereals, rice, dairy products, sugar, pigmeat poultrymeat, eggs and first-stage processed derivatives of these products.	Variable import levies - to bring world prices up to minimum import prices. In principle calculated as the difference between world prices and Community internal prices.
2. Beef, olive-oil.	Hybrid regime - subject to both ad valorem duties and variable import levies.
3. Wine, fresh fruit and vegetables, fish, preserved fruit and vegetables.	Ad valorem duties, but with regular provision for additional countervailing duties in cases where imports are less than a minimum import price or reference price.
4. Miscellaneous products covered by Annex II of the Treaty of Rome.	Ad valorem duties, but with provision made for the possible use of a safeguard clause.
5. Mutton and lamb, potatoes, cork, ethyl alcohol and vinegar.	Products not yet subject to a common organisation of the market (support regime). Member States may still apply national measures in addition to the CCT's ad valorem duties for these products.
6. Second-stage processed agricultural products, derived from the basic products (in 1 above), and not covered in the Treaty of Rome.	Fixed, rather than variable, import levies, based on monthly or quarterly averages of the import levies applied to the appropriate basic products.
7. Agricultural raw materials, such as wool, rubber and cotton.	Ad valorem duties. These products are not included in Annex II of the Treaty of Rome, and are treated as industrial products.

B. Agricultural Concessions

Despite the importance that has sometimes been placed by the Community on the successful continuance of international trade liberalisation, it has, as indicated in Chapter 2, been unprepared to negotiate any trade concessions which would threaten the integrity of the CAP. This attitude is illustrated by the Community Council of Ministers' negotiating mandate for the Commission at the start of the 'Tokyo Round' of GATT negotiations: "its

/the CAP's/ principles and mechanisms should not be called into question and therefore do not constitute a matter for negotiation".* Principles and mechanisms of the CAP include the use of variable import levies to prevent imports at world prices undercutting internal support levels, and a refusal to countenance any outside influence on levels of Community agricultural production. Consequently, despite intense pressures, by developed country agricultural exporters in particular, the Community's variable import levies remain unaltered both in concept and degree of support afforded. (For example, they are still calculated as the full difference between world and community prices).

Even for those agricultural products where ad valorem duties are applied to imports (Groups 3, 4, 5, and 7 in Table 3.2) the Community shows an unwillingness to grant further reductions in their levels in the context of GATT, apart from the 'tropical concessions' already implemented. The paucity of the Community's agricultural 'offer' in the Tokyo Round confirms this view. In part this is because any such reductions would have to be applied to all countries on a mfn basis. But of course the principal reason, as already emphasised in the previous chapter, is that reductions would adversely affect the interests of EEC farmers. Also, to some extent, is the fact that producers in countries which have Community Association Agreements, including tariff concessions, have an interest in maintaining their degree of preference in Community markets.

An illustration of these latter difficulties is that it has been very much easier for the Community to agree a list of duty concessions for the developing countries in the context of the Tokyo Round, because only tropical products were covered, than in the Community's Generalised Preference Scheme (GSP) where the potential product coverage is much wider. In particular, the duty reductions on agricultural products under the GSP seem designed to give the maximum impression of generosity (some 305 agricultural products have duty reductions in them) without making any concessions which will harm those with interests in the maintenance of the status quo. Thus Community GSP duty reductions tend either to be (a) for products which are insignificant in international trade (e.g. frogs legs), or (b) where the product is of rather more importance the level of duty reduction is extremely small (e.g. a reduction of two percentage points in the CCT rate of 27 per cent on honey), or (c) there are quotas to limit the extent of the duty concession (canned pineapple, soluble coffee and cocoa butter).

The Community's willingness to grant concessions on the treatment of agricultural imports** is a function of the degree of importance placed on the maintenance of the existing CCT rates and concessions. For agricultural products, where Community production is significant - predominantly, but not solely, those where variable levies are

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* The Community's negotiating position is discussed in detail, and compared with that of the USA, in Harris, S., 1977. For more discussion of agricultural issues in the Tokyo Round, see Josling, T.E., 1977.

** The classes of agricultural products on which the Community has granted concessions in its treatment of imports are discussed in Harris, S., 1975, and Ellis, F., et al., 1973. Full details of the EEC's import regimes for the agricultural products covered in this study, together with concessions, if any, are listed in Appendix 3.

used as an import control mechanism - the Community has granted no concessions on a generalised basis apart from those it was forced to introduce and 'bind' in GATT in 1961 as compensation for CCT creation, and in 1974 in compensation for the Community's enlargement. For other products, the Community has a commitment to consult countries with Association Agreements before granting any concessions which would adversely affect their interests. This commitment to consult is taken seriously by the Commission, which appears to go to great lengths to avoid upsetting Associates where they have an existing Community trade concession. Greece even has a formal veto included in its Association Agreement over Community changes in CCT rates for raisins, olives, tobacco and turpentine. The interest of a Community Associate in securing preferential access to the Community market is well illustrated by Henig's (1971) comment on Greece's negotiating tactics for tobacco where, although Greece "wanted extremely liberal treatment for her own product, she wished the Community to be protectionist towards the rest of the world".

C. The Association Agreements

Despite the Community's reluctance to grant duty concessions for agricultural products on any general basis, either as CCT reductions under GATT, or autonomous reductions through the GSP, it has been more willing to grant concessions where these are limited to individual countries or small groups of countries. Such concessions are contained in the relevant country Agreements. The degree of protection afforded Community producers, and the ease of granting concessions, varies from product to product depending, mainly, on the importance of the commodity to EEC agriculture. In a similar way there is a hierarchy in the Community's trade relationships - a country's place in the hierarchy dictating the extent of the trade concessions given. The differences in scope of these concessions by country are summarised in Table 3.3, while Appendix 3 compares, by commodity regime under the CAP for the products covered in this study - oilseeds, beef, fruit and vegetables, and cereals, the agricultural trade concessions granted by the Community for the Lomé Convention, the Global Mediterranean Policy and the GSP. Despite the monolithic appearance of "the galaxy of discriminatory trading arrangements" (Cairncross, A., et. al. 1974), which the Community has surrounded itself with, it is obvious that there are substantial differences in the scope of the trade concessions granted. While the removal of tariffs between the Member States of the Community was a legitimate part of its creation, the Community's subsequent creation of preferential trading arrangements is leading to friction with countries which were not included (both developed and developing) and between the various categories of Associated State. Connected with this is the debate over "regionalism" in the Community's relations with LICs, discussed in Chapter 1.

With the Lomé Convention, the ACP countries have gained a substantial degree of trade liberalisation in agricultural products. In so far as most of the products of interest to the ACPs were tropical in type, there was little difficulty in granting complete exemption from ad valorem duties on agricultural products, as few domestic production interests were involved. Where, however, concessions were wanted for temperate agricultural products - sugar, beef and cereals - adjustments to variable levy import regimes were needed. These were more difficult for the Community to grant, and continue to be a source of dispute for the Member States. There is the Community's general commitment under the Convention to grant, for agricultural products for which import measures other than ad valorem duties apply, "more favourable treatment than the general treatment applicable

to the same products originating in third countries to which the most-favoured-nation clause applies", (Article 2, para. 2(a)(ii)). As with all Community Agreements there is a safeguard clause (Article 10, para. 1) which allows Community action where trade concessions are threatening "a sector of the economy of the Community".

For the Global Mediterranean Policy Agreements, designed to unify and tidy-up the Community's relationships with the countries of the Mediterranean Basin,* the concessions on agricultural products are more limited. This may be in part because the Community does not feel that these countries are quite so far behind in the development process, but also it may be because many of the agricultural products of these countries compete directly with those of Community producers. Thus, although duty concessions are given on a range of Mediterranean-type products - fresh fruit and vegetables, wine, olive oil, processed fruit and vegetables - many of the concessions are limited by the use of devices such as seasonal calendars, reduced duties within specified quota limits and the setting of minimum import prices (mips) which trigger the imposition of countervailing duties if not observed. The use of mips can help exporters in so far as their total revenue is raised because of the higher prices they are compelled to quote, but the size of this benefit depends on the extent to which the demand for their exports in EEC markets is reduced as a consequence of having to sell at a higher price. Further agricultural tariff concessions in these Agreements seem unlikely, as it is the view of France and Italy that too generous concessions have already been granted. The Mediterranean associates themselves are now pressing for more than just tariff and levy concessions, for example, technical and financial aid programmes.

Three of the Mediterranean countries - Spain, Portugal, Greece - have applied to join the Community. It seems likely that this second Enlargement will bring significant changes for the CAP in the support methods it uses for Mediterranean-type products, because to continue the present regimes unaltered would mean a probably unacceptable increase in the Community Budget. The Commission's initial proposals (EC, 1977 J) for amendment to the CAP before Enlargement demonstrate both the risks and the possibilities. On the one hand the Commission's seemingly technical proposals for modifications to the market support regime for fresh fruit and vegetables would have meant a significant increase in the margin of preference given to Community producers.** On the other hand, the introduction of a production aid for Community processors is a welcome innovation as its presence may be used to block permanently the pressures from the industries processing domestically produced fruit, vegetables and fish for more protection through higher import barriers. Past examples of these pressures include Commission proposals for minimum import price regimes for canned sardines and tuna, although so far these proposals have been blocked in the Council. Nevertheless it should be remembered that though an aid to processors is better for third countries than an increase in import protection, as it does not reduce domestic consumption, it nevertheless will ensure that Community food processing is on a larger scale than if no aid was granted.

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* Prior to the Global Policy (1972) the Community had extremely varied agreements with individual Mediterranean countries but it "lacked a consistent policy" (Tovias, A., 1977).

** These proposals, however, were not adopted at the Council of Ministers' meeting on 8-12th May, 1978.

Once Enlargement has taken place, decisions in the Community's Council of Ministers will reflect the new balance of interests with more support, probably, being demanded for Mediterranean-type products. A danger is that because of the increase in Community self-sufficiency for many of these products that will arise on Enlargement, "the Community response will be to minimise the adjustment problems for its own farmers by adopting a more protectionist approach to imports". (House of Lords, 1978). The impact of Enlargement is obviously going to have a major effect on the Community's willingness to offer further trade concessions and (maybe) to maintain some existing ones. The Enlargement of the Community is therefore one of the issues included in Part III of this report.

D. The Community in International Negotiations

The Treaty of Rome specifically provides for the Community to act as a single entity in international economic negotiations (Appendix 4). Consequently, as has been indicated earlier, the Community's external relations have a very much wider coverage than just the Common Commercial Policy and the Association Agreements.

As increasingly international relations become an affair of economic issues, rather than the more traditional all-embracing issues of war and peace, the Community is forced to act more frequently as one unit with the Commission mandated to negotiate on its behalf. The strains this creates for the Community in its present state of development, where Member States are still used to acting as single national entities (and for many matters still do), are indicated by its difficulties in agreeing common negotiating positions. With Member States of such different economic traditions and relative wealth, it is not surprising that any negotiating mandate given to the Commission reflects an uneasy compromise; nor is it surprising that the Commission tends to stick to a mandate, once given, rigidly - such are the difficulties involved in changing it.

The effect is that, in international economic negotiations, frequently the Community appears rigid and unwilling to compromise. Often, for example, in negotiations with developing countries, the Council gives such little negotiating flexibility to the Commission in its mandate that the Community appears to be handing down a dictat on a 'take-it or leave-it' basis. This result can be seen with the Community's Generalised Preferences Scheme, although strictly this does not involve international negotiations. Introduced in 1971*, in response to an UNCTAD initiative to help developing countries create manufacturing industries by giving preferential access to all LICs in developed country markets, the Community has always regarded the concessions granted under its GSP as an autonomous political gesture. In theory, the Community could withdraw its concessions, as they are not 'bound' within GATT, although in practice, such action is extremely unlikely. Nevertheless, although the Community does ask LICs for views as to the concessions granted, it takes its own decisions and then announces any changes unilaterally and applies them without there being any further opportunity for LIC views to be taken into account.

In more truly international negotiations, the Community's unwieldiness is emphasised. Yet perhaps the important point is that the Community has managed to work as a single

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* The interplay of the various pressure groups involved in the creation and operation of the Community's GSP is analysed in Tulloch, P., 1975.

entity at all in the various international economic negotiations, even if this involves Community representatives in a tedious co-ordination "á neuf" after each day's formal conference session. Although normally the Member States do not speak individually, the Commission being the Community's spokesman, they jealously scrutinise the Commission's performance to ensure it has not departed from the agreed negotiating mandate. To get a change in mandate involves a decision from the Council of Ministers in Brussels which may occur quickly, slowly, or never, depending on the complexities of the Community's internal politics. Negotiations where the Community has been involved as a single entity include the 'North/South' dialogue in the Paris-based Conference for International Economic Co-operation (CIEC); the negotiations for a New International Economic Order under UNCTAD, together with the associated individual commodity agreement discussions; the Multilateral Trade Negotiations under GATT: the World Food Conference associated with FAO - to name some of the more important sets of economic negotiations held in the 1970s.* As always the perpetual conflict between the Community's interest in liberalising international trade and/or stabilising world commodity markets has conflicted with its desire to maintain the inviolability of the CAP.

On the one hand the Community is dependent on third countries for export markets (and as the world's largest single trading entity this is an important consideration) and for many raw material supplies. On the other hand, third countries are interested in gaining access to Community markets for their exports, particularly for their agricultural ones, given the relatively favourable treatment the Community grants already on imports of manufactures. The dilemma has been discussed earlier. Additionally, however, the Community has an interest in stabilising world commodity markets as a means of ensuring its raw material supplies, moderating inflationary pressures and reducing the budget costs involved in operating the CAP. Consequently the Community as a general principle supports the negotiation of international commodity agreements, even though its Commitment to the Common Fund as part of UNCTAD's Integrated Programme for Commodities (IPC) has been grudging and slow in coming. It is perhaps unfortunate (for the Community) that the first international commodity agreement to be negotiated as part of the IPC was that for sugar in 1977. Again the Community has been hampered by the CAP, so that despite its support of the IPC and of many of its aims, it has been unable to join the 1978 International Sugar Agreement because it has been unwilling to restrain its domestic beet sugar production.

E. Assessment

An overall interpretation of the Community's external relations in the first 20 years of its existence would be that the Community has matured in international terms so that it is accepted as a single entity fully able to negotiate international economic issues. Nevertheless, conflicts exist between its external economic policies (generally relatively liberal) and some of its internal policies (particularly the CAP). These conflicts mean that the Community cannot be consistent in its external relations and lay it open to charges of protectionism.

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* For a summary of the various sets of international negotiations see Morton, K. and Tulloch, P., 1977

Table 3.3

The Community's Institutional Arrangements for Trade with Third Countries Ranked According to the Scope of their Agricultural Provisions

Agreement	Agricultural Concessions Contained
1. The Lomé Convention (1975) Provides for complete exemption from CCT duties on industrial products (Ch. 25-99); for industrial, technical and financial co-operation; for aid. The same trade concessions also apply to the remaining countries and territories for which Community Member States are responsible.	- Complete exemption on CCT duties for agricultural products (Ch. 1-24) where such duties are the only import charge. - For products where the CCT import arrangements provide for measures other than customs duties (i.e. variable levies or other variable import taxes) more favourable import treatment to be applied than to the same products originating in non-ACP countries. Normally means a reduction in levies (for beef, cereals and rice). - STABEX arrangements for stabilising ACP export earnings. - Commitment to purchase at guaranteed prices 1.3 million tonnes of sugar.
2. The "Global" Mediterranean Policy Agreements These are Association and Co-operation Agreements designed to treat the Mediterranean countries consistently. Countries covered are Israel (1975 and 1977), Morocco, Tunisia and Algeria (1976), Egypt, Jordan, Lebanon, Syria (1977). Provides for complete exemption from CCT duties on industrial products (Ch. 25-99); for commercial, industrial, technical and financial co-operation. Social co-operation also included for Maghreb. The Association Agreement with Malta (1971) has yet to be amended, while that for Cyprus (1973) was amended in 1978.	- Reductions in CCT duties on some agricultural products - particularly processed (Ch. 15-24); also for fresh fruit and vegetables (on seasonal calendars) wines (within quotas and subject to mips) and fish. - Reductions on levies on olive oil.

Table 3.3 (contd.)

Agreement	Agricultural Concessions Contained
3. The Greek and Turkish Association Agreements The Association Agreements with Greece (1962) and Turkey (1964) envisage eventual full membership of the Community. They provide for the creation of customs unions over a transition period; exemption from CCT duties on industrial products.	- Progressive harmonisation of Greek and Community agricultural policies to accompany customs union. In the meantime exemption from most CCT duties on agricultural products (Ch. 1-24). For Turkey duty reductions on many agricultural items and levy reductions on olive oil and some cereals.
4. The Spanish and Portuguese Preferential Trade The Preferential Trade Agreements with Spain (1970) and Portugal (1973) both provide for the creation of a free trade area with the Community. That for Portugal amended (in 1976) to allow for industrial, technical and social co-operation in line with the Global Mediterranean Policy. The Spanish Agreement's equivalent amendment overtaken by the Spanish application to join the Community. CCT industrial duties being phased-out.	- Reductions in CCT duties on some agricultural products (mainly fruit and vegetables), levy reduction on olive oil, duty reduction on wine subject to observance of mips.
5. The European Free Trade Agreements These preferential trade agreements were designed to prevent the re-erection of trade barriers in Europe when the UK, Ireland and Denmark joined the EEC and left EFTA. Agreements with Austria (1972), Finland (1973), Iceland (1972), Norway (1973), Portugal (1972), Sweden (1972), Switzerland (1972).	- Provide exemptions from the fixed component of import charges on some processed agricultural products (Ch. 15-24). A reduced-levy quota for breeding cattle of mountain breeds.

Table 3.3 (Contd.)

Agreement	Agricultural Concessions Contained
6. The Generalised System of Preferences (GSP) Applies to 114 developing countries and 27 dependent or administered territories. Provides duty exemptions on all finished and semi-finished industrial products subject to quotas on sensitive products.	- 305 Agricultural products have duty reductions. They are mostly relatively unimportant in international trade. Quotas for the concessions on soluble coffee, cocoa butter, canned pineapple.
7. The Trade Agreements with American Countries These are non-preferential trade agreements with Argentina (1971), Brazil (1974), Uruguay (1974). Mexico (1975) - a non-preferential agreement on economic and commercial co-operation. Canada (1976) - a non-preferential framework agreement for economic and commercial co-operation.	- Provide a CCT levy reduction on frozen beef imports intended for processing.
8. The Trade Agreements with Asian Countries Non-preferential trade co-operation agreements with Bangladesh (1976), India (1974), Pakistan (1976), Sri Lanka (1975). An economic and commercial co-operation agreement is being negotiated with Iran. A non-preferential Trade Agreement has just been negotiated with China.	- No agricultural duty concessions as Community action to compensate these countries (and Hong Kong, Singapore and Malaysia) for the loss of their Commonwealth preferences in the UK was through an extension in the number of products covered in the GSP.

Note: (1) The limited trade agreements, dealing with single commodities, with Rumania, Colombia, South Korea, Hong Kong, Indonesia, Japan, Laos, Macao, Malaysia, Philippines, Singapore and Thailand are excluded.

(2) The reduced levy concessions on imports of butter and cheese from New Zealand are not listed in the table as they do not form part of any Trade Agreement, but are autonomous concessions by the Community to satisfy UK demands on entry into the Community.

PART II

COMMODITY ANALYSIS

4 VEGETABLE OILSEED PRODUCTS

BY KEVIN PARRIS

In this chapter an attempt is made to analyse the trading relationships between the EEC and the ACPs in the vegetable oilseed products sector. As background to the more detailed discussion of trading relationships, a number of important general characteristics of this sector are first outlined.

A. Characteristics of Vegetable Oilseed Products*

i. Vegetable oilseeds are cultivated in most cases primarily for oil yield. The other product of seed crushing is vegetable oilcake or oilmeal (referred to collectively in this study as oilcakes), and for most oilseeds this provides a suitable animal feed due to a protein content of between 30-70 per cent.

ii. At the crushing stage the potential yields of oils and oilcakes differ between each oilseed and on account of the method of crushing. As there has been a tendency for a long run oversupply of vegetable oils, in contrast to a rapid growth in the demand for high protein oilcakes, crushers have tended to become biased towards those oilseeds with a low oil content and a high oilcake/protein yield. Because of this, over the past two decades, there has been a substantial shift in both world production and trade in favour of soyabeans and away from, especially, tropical oilseed products.

iii. Due to advances at the crushing, processing and refining stages, most vegetable oilseeds can be regarded as technologically interchangeable.

iv. Substitution is not only extensive between oilseed products, but also between vegetable oils and animal and marine oils and fats (butter, lard, fish oil) and between oilcakes and other animal feeds (cereals, fish and animal meal). The existence of these substitution possibilities between different oilseeds, and between oilseeds and competing products, infers particularly complex market interactions.

v. The United States, through soya, accounts for 50-60 per cent of total world production and exports of vegetable oilseed products. Other production and export centres are reasonably well distributed throughout the world. However, in the case of major consuming and importing regions, there is more concentration with Western Europe and Japan accounting for 70-80 per cent of total world consumption and imports.

vi. Three firms, Unilever (Anglo-Dutch), Procter and Gamble (American) and Colgate-Palmolive (American), are estimated to control 75-80 per cent of consumer goods based on vegetable oils in North America and Western Europe. "Naturally these firms do not control 80 per cent of the world market, but their size and importance are such that their decisions cannot help influencing short term market trends and developments". (Rangarajan, L.N., 1978).

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* This material is covered in more detail in Parris and Ritson, 1977. See also Commonwealth Secretariat, 1973; Godin and Spensley, 1971. International Trade Centre, 1972; and USDA, 1971.

B. EEC Oilseed Products Sector

i. Production and consumption balance. Self-sufficiency ratios for all vegetable oilseed products are low in comparison with most other products that are covered by the CAP. Table 4.1 shows the levels of production and consumption over the period 1958-1975 and it illustrates that taking only domestically produced and crushed seed, oil and cake self-sufficiency is about 10 per cent. This represents only a small increase over the past two decades, and all of this increase is accounted for in the vegetable oil market, reflecting the changing pattern of demand mentioned in ii. (above). If production based on imported seed is included, self-sufficiency ratios increase to 77 per cent for oil and 55 per cent for cake - indicating the importance of imported supplies to the European crushing industry.

While seven different oilseeds are incorporated under the CAP (see below), and there are others which are cultivated commercially, two oilseeds - rapeseed and olives - dominate EEC production in both value and volume terms. Certain characteristics set olives somewhat apart from other oilseeds, and although the crop is important as far as the Community is concerned, olives are of no real consequence in the context of the present study. The consumer regards olive oil as a superior cooking and salad oil, prices being two to three times higher than of most other soft oils. Production and consumption are concentrated in the Mediterranean region, and the ACPs have no commercial interest in the commodity either in production or trading terms. Hence, although olive oil is strictly an oilseed product, only passing reference is made to it in this study, and the following remarks refer to the other Community oilseeds.

Although the total EEC hectarage of oilseeds has increased by some 5 per cent per annum since the inception of the CAP (1967 for oilseeds), the Community still only produces about 1 per cent of total world production, although EEC rapeseed does amount to about 14 per cent of total world output (Table 4.2).

The dominance of rapeseed is mainly because it is well suited to the cool temperate climate of North West Europe and this climatic factor also explains the relative lack of success of attempts in the Community to cultivate, particularly, sunflowerseed and soyabeans, as these crops prefer a warmer regime.

ii. Consumption. Oilseed products are much more important when viewed in terms of total supplies for consumption in the Community than is indicated by their relatively minor position in domestic agricultural production. Imports into the Nine in the 1975/76 marketing year of all vegetable oilseed products accounted for (in value terms) 10.6 per cent of total agricultural imports. This can be compared with figures of 8.6 per cent for cereals, 4.6 per cent for natural textile fibre, 4.5 per cent for coffee, 3.2 per cent for beef, 2.4 per cent for sugar, and 1.8 per cent for citrus fruits.

There has been, in general, a significant increase in the consumption of oilseed products, although this expansion has tended to fall off somewhat during the 1970s compared with the 1950s and 1960s. There has also been a more rapid growth in seed and cake consumption rates than for oil (see Table 4.1).

Table 4.1

Levels of Production, Consumption and EEC-9 Self-Sufficiency in Vegetable Oilseed Products 1955-1975 (1000 metric tons)

Year	1955	1960	1965	1970	1975
Vegetable Oilseeds					
Production	338	341	644	901	1122
% 5-yearly change in production	-	+1	+89	+40	+25
Consumption (excl. stock changes)	4169	5761	6512	8813	11195
% 5-yearly change in consumption	-	+38	+13	+35	+27
% self-sufficiency ratio	8	6	10	10	10
Vegetable Oils					
Production (from domestic and imported oilseeds)	1601	1838	2107	2267	2739
% 5-yearly change in production	-	+15	+15	+8	+21
Consumption (excl. stock changes)	2718	2935	3267	3682	3575
% 5-yearly change in consumption	-	+8	+11	+13	-3
% Self-sufficiency ratio (based on domestically produced oilseeds)	4	4	6	8	10
% Self-sufficiency ratio (based on domestic and imported oilseeds)	59	63	65	62	77
Vegetable Oilcake					
Production (from domestic and imported oilseeds)	2403	3504	4384	5873	7989
% 5-yearly change in production	-	+46	+25	+34	+36
Consumption (excl. stock changes)	4273	6528	9215	12157	14522
% 5-yearly change in consumption	-	+53	+41	+32	+19
% Self-sufficiency ratio (based on domestically produced oilseeds)	5	3	4	4	5
% Self-sufficiency ratio (based on domestic and imported oilseeds)	56	54	48	48	55

Table includes all vegetable oilseed products with exception of olives, olive oil and olive-cake. A more detailed balance sheet is available for 1975/76 in EC, 1977 C.

Source: FEDIOL - 'Statistiques' (various editions)

Table 4.2

EEC's Oilseed Production as a Percentage of World Production Levels: 1974-1976 (1000 mt)

	(1) EEC-9 Production Total	(2) (1) as a % of total EEC-9 Production of all oilseeds	(3) World Production Total	(4) (1) as a % of (3)
Rapeseed	1050	83	7729	14
Sunflower seed	129	10	10119	1
Linseed	51	4	2454	2
Mustard seed (1973-75)	25	2	321	8
Poppyseed (1973-75)	4	0.3	21	19
Hempseed	0.3	0.02	34	1
Others, i.e. Soyabeans Cottonseed Groundnuts Castorseed Sesameseed				All approximately 0.1 of world production
Total (Oilseeds listed above plus Safflower Copra and Palm Kernel)	1259	100	142882	1
Olive Oil	539	-	1698	32

Sources: Eurostat - Crop Production, No. 5, 1976, and No. 11, 1977.
FAO - Production Year Book, 1976, Vol. 30.

Table 4.3

Consumption Patterns of Vegetable Oilseeds, Oil and Cake, in the EEC-9: 1955 to 1975 (Excluding Olive Oil)

Year	1955			1965			1975		
Type of product	Seed	Oil	Cake	Seed	Oil	Cake	Seed	Oil	Cake
Total (1000 mt.)	4169	2718	4273	6512	3267	9215	11195	3575	14522
of which as a percentage:									
Soyabeans	23	6	n.a.	47	16	n.a.	73	31	66
Rapeseed	5	2	n.a.	10	7*	n.a.	9	5	4
Sunflowerseed	1	1	n.a.	2	4	n.a.	3	8	3
Linseed	10	13	n.a.	6	9	n.a.	2	2	3
Groundnuts	18	20	n.a.	12	16*	n.a.	4	10	5
Copra	15	16*	n.a.	10	14*	n.a.	6	13	6
Palm Kernel	18	12*	n.a.	9	8	n.a.	1	6	3
Cottonseed	6	5	n.a.	2	5	n.a.	1	1	5
Palm	-	16	-	-	12	-	-	18	-
Others	6	9*	n.a.	5	9	n.a.	2	6	5

* Estimate.
(Consumption statistics do not include variation in stocks).

Source: FEDIOL 'Statistiques', (various editions).

Table 4.4

EEC-9 Imports from Third Countries: 1964 to 1974 (1000 mt.)

	1964-66			1972-74		
	Seed	Oil	Cake	Seed	Oil	Cake
From all countries	6330	1366	5076	9766	1906	7272
From developed countries	3699	191	1810	6986	231	3490
% of total	58.4	14.0	35.7	71.5	12.1	48.0
From LICs	2339	1043	3169	2612	1426	3743
% of total	37.0	76.4	62.4	26.7	74.8	51.5
From Centrally Planned countries	292	132	97	168	249	39
% of total	4.6	9.6	1.9	1.8	13.1	0.5

Source: 1964-1973 OECD. "Trade by Commodities - Market Summaries: Imports", Series C. Vol. I., Jan.-Dec., 1974, Stats. Off. of the EEC (Eurostat) "Foreign Trade Analytical Tables. Vol. A, Chps. 1-24, 1974. (NIMEXE).

Another important trend has been the growing dominance of soyabean products in the EEC, at the expense (in both absolute and percentage terms) of oilseed products grown extensively in LICs, e.g. groundnuts, palm kernel, copra and also cottonseed, sesameseed and castorseed. However, there has been some recent revival in copra and palm oil consumption, two exclusively tropical oilseeds (see Table 4.3).

At the level of the individual consumer, consumption patterns and trends are difficult to analyse, due to the lack of disaggregated data. For vegetable oils and fats, while rates of per capita consumption within the Nine differ widely (e.g. 20kg/head in Italy against 7kg/head in Ireland (1974/75)) as does the composition of consumption (e.g. a bias towards olive oil in Italy) the growth in total oils and fats consumption amongst the Nine has been more or less uniformly due to increases in vegetable oil consumption. This is set against a more moderate growth in per capita slaughter fat intake and no growth at all for butter and marine oils.

For oilcakes, despite an increase of 6.2 per cent per annum in domestic oilcake production (1965-1975), import reliance is still in the range of 45 to 50 per cent of total requirements. Consumption of oilcake also differs greatly between various Member States and rough figures estimate that the UK's present intake is about 10-15kg per head of livestock, set against 25-35kg per head of livestock amongst the original 'Six'.

The increase in consumption of soya, compared with less favoured (mainly) LIC oilseeds, has also been associated with changes in the sources of imported supplies. Some 20 years ago, import supplies were fairly diverse, but now US suppliers are tending to dominate Community vegetable oilseed imports because of the switch to soya. However Table 4.4 shows that LICs still provide the major share of vegetable oil imports, and indeed Brazil has shown the initiative by competing for the European soya market with the USA, supplying at present about 25 per cent of EEC soya imports. Also, in volume terms, LICs provide nearly half of Community oilseed imports, but in terms of value, US oilseed exports to the EEC amount to more than the collective exports of LICs. Amongst the LICs exporting oilseed products to the EEC, there has also been a change in shares, with South America and South East Asia (Brazil, Argentina, Malaysia and Philippines) growing in importance, against a general decline in imports from more traditional suppliers, especially African states such as Nigeria.

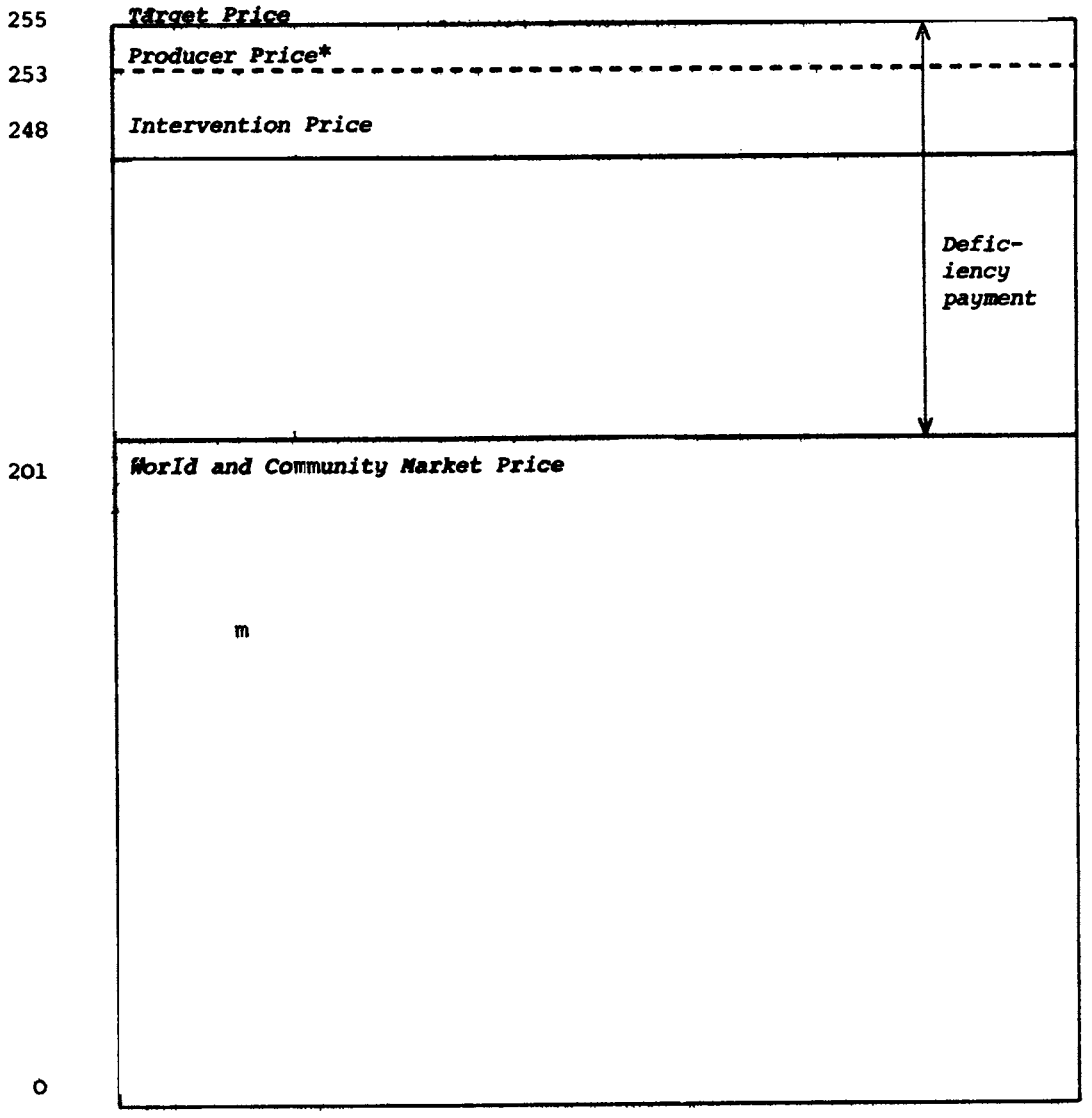
C. The Common Agricultural Policy and Trading Regime for EEC Oilseed Products

i. Internal Measures. The CAP for oilseed products, unlike that for most other CAP products (as described in Chapter 2), involves producers receiving price subsidies paid out of the Community budget. As a result, EEC and world market prices for oilseeds are reasonably similar. In the case of rapeseed, sunflowerseed, castorseed, soyabeans and linseed (for oil), a deficiency payment is granted. This varies to bridge the gap between producer target prices and EEC market prices. For the former two oilseeds, intervention purchasing arrangements are also in existence. For cottonseed, hempseed and linseed (for flax) the subsidy is a fixed amount per hectare. These market regulations are illustrated in Figures 4.1 and 4.2. (Olive oil has a variable import levy system, the CCT being waived, as well as an intervention and subsidy structure).

Figure 4.1

Rapeseed and Sunflowerseed:
1975-1976 Marketing Year

(Figures in this diagram are for Rapeseed: ua/mt)



* Estimate.

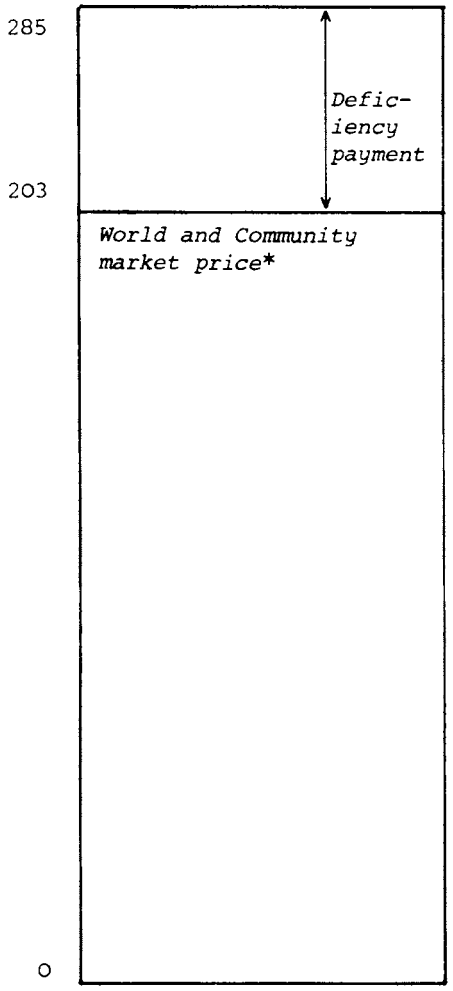
Source: See Figure 4.

These prices are the institutional prices fixed at the beginning of the marketing year, and do not take into account quality of seed on delivery, monthly increments or transport costs.

Figure 4.2

Castorseed, Linseed and Soyabeans: 1976 - 77 Marketing Year

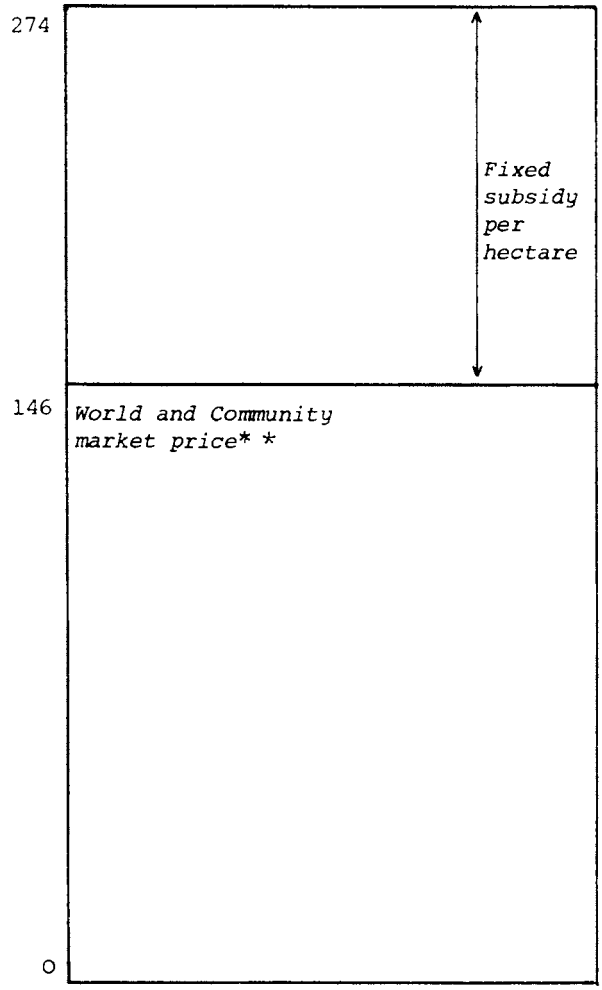
(Figures in this diagram are for Soyabeans: ua/mt)



* These prices are on the basis of a target yield of 1.95mt/ha.

Cottonseed and Hempseed 1975 - 1976 Marketing Year

(Figures in this diagram are for Cottonseed: ua/mt)



* Producer price determined on the basis that average yield of cotton-seed is about 0.35mt/ha.

** 7 months figures.

Sources: FAO - "Monthly Bulletin of Agricultural Economics and Statistics". (Various editions).
EEC - "Yearbook of Agricultural Statistics". (Various editions).
EEC - "Agricultural Markets - Vegetable Products - Prices". No.16/18.
AGRA EUROPE - No.739-E4/5, 1977. (For Soya prices).

ii. External measures. Ignoring the variable import levy system for olive oil, the principal instrument for regulating trade with third countries is the Common Customs Tariff (CCT) bound under GATT. This broadly involves:-

(a) Duty free access for vegetable oilseeds and oilcakes.

(b) A gradation of rates from 3 to 15 per cent for vegetable oils depending on their use, and degree of processing, as follows:-

5	per	cent	tariff	rate	for	crude	industrial oils
8	"	"	"	"	"	refined	" "
10	"	"	"	"	"	crude	edible "
15	"	"	"	"	"	refined	" "

(All rates are ad valorem).

The CCT for vegetable oilseed products has remained virtually unchanged since it was introduced in 1976, except during the GATT Kennedy Round, when a reduction from 9 to 6 per cent was agreed for crude edible palm oil. However, there are in operation three important types of adjustment to the CCT:-

(a) The ACPs and remaining colonial territories under Part IV of the Treaty of Rome, are allowed tariff free access on all vegetable oils. (This is merely an extension of the arrangement granted to the Yaoundé associates).

(b) Other LICs have since 1974 benefited from certain CCT reductions under the EEC's Generalised Scheme of Preferences (GSP). Tariff reductions are selective in coverage and tend to be on oils at the beginning of the manufacturing process.

(c) Through the regulations of the CAP for oilseeds, the EEC is allowed to impose a compensatory levy (tax) on third countries as an anti-dumping device should "unfair" competition ensue from exporting countries. This levy has only been invoked on two occasions - on Eastern European sunflower oil imports during 1967-69 and Brazilian castor oil in 1968-69.

Of growing concern among traders is the incidence of non-tariff barriers to imports of oilseed products into Community. We may identify a number of such barriers which have been used in the EEC, intentionally or otherwise, to restrict trade. For ACPs, the health regulations applying to animal feeds - in particular the question of the aflatoxin content of groundnut cake - is perhaps of most concern. There is now an EEC draft directive (EC, 1973 A) - not yet implemented as a regulation - on the maximum level of toxic elements, including aflatoxin, in animal feedingstuffs.*

Despite the fact that the Community has negotiated numerous bilateral preferential trading arrangements with third countries in the Mediterranean, Middle and Far East, Africa and Latin America, and though many countries in these regions are important oilseed exporters to the EEC, no concessions have been made on oilseed products.

iii. Outlook. Unless there is some break-through in plant breeding, it is unlikely that hectarage of oilseeds in the EEC will show any sizeable increase. While it might be expected that growth in consumption of all vegetable oil-

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* There have been some minor amendments to this directive and there are proposals for a new directive which is expected to be in force by the end of 1978.

seeds will continue, it will not be nearly as rapid as witnessed during the 1960s. Differential growth rates in consumption (i.e. faster for seed and cake and lower for oil) will still be evident. Community oilseed crushing capacity is not showing signs of large scale expansion. But if significant increases do occur, this could mean the EEC becoming a net exporter of vegetable oil, perhaps substantially for soyabean oil, in the longer term.

Imported supplies of oilseeds, and to a lesser extent of oilcakes, will clearly still be essential, but in view of the above, Community import demand for vegetable oils is likely to diminish. The US seems probable to retain its dominant position. For LIC exporters, the outlook is less promising (except for some of the existing prominent exporters like Brazil and Malaysia) mainly as a consequence of the LIC's large share of EEC vegetable oil imports and because of their concentration on 'tropical' oilseeds.

The CAP is unlikely to be extended to cover any further oilseeds, and it is not anticipated that any dramatic changes will occur here. Enlargement to twelve countries is really only of consequence to producers and traders of olive oil, though surplus stocks of olive oil could bring some pressure on the EEC to restrict imports of other oilseeds.

What of course is of greater potential impact on the EEC's vegetable oilseed industry is CAP policies pursued in other sectors, and in particular those affecting the dairy industry. With the introduction of the CAP for dairy products, milk production was encouraged through high Community support prices. Milk output was further stimulated through the oilseed CAP which allowed soyabeans and soyameal imports in duty-free. These provided a cheap protein feed which compared well in price with cereals, due to high CAP support prices for cereals. This contributed to a build-up in stocks of dairy products during the 1970s, and in 1976 culminated in 1.3 million mt. of skim-milk powder and 0.26 million mt. of butter, around 70 and 15 per cent respectively of existing EEC annual consumption. By May 1978, these stocks had fallen to 0.8 million mt. and 0.18 million mt. respectively.

However, to dispose of these intervention stocks posed a dilemma for the Community. Cheap soya imports provide a relatively low cost feed for the dairy sector but they also compete with skim-milk powder as an animal feed, and thus make disposal of these stocks difficult. At the same time the oilseed crushing industry has provided increasing supplies of vegetable oil (which is manufactured into margarine) and this in turn is a cheap substitute for butter.

This policy conflict between the vegetable oilseed and dairy sectors has led to policy initiatives to encourage consumption of dairy products. In addition, there has been an EEC lobby keen to restrict imports of vegetable oilseed products as a way of redressing the dairy market imbalance and also stimulating greater use of Community cereals production in animal feeds, rather than imported cereal substitutes, i.e. oilseeds and cassava. The anti-oilseed contingent has variously proposed a tax on imported vegetable oils; an agreement with the US to maintain high soya prices to dissuade EEC milk producers from its use; and the possibility of balancing the introduction of a tariff on soya against a reduction in levies for cereals, in GATT.

For Lomé countries, if the EEC adopted a more protectionist attitude towards its oilseed CAP, but still allowed CAP oilseed imports in duty-free, then improvement in their preferential margins might stimulate an expansion in trade with the EEC.

At present there is global acceptance of the need for action in the international commodity markets. This has manifested itself through the North-South dialogue, UNCTAD's integrated commodity fund, and in the Tokyo Round. Against this background, and in view of certain policy proposals which have been discussed within the Community (e.g. common raw materials policy) it is probable that in the future we might see more bilateral trading agreements in oilseed products based on annual or long-term supply contracts, especially as an international commodity agreement for oilseed products would seem unworkable; instead, a commodity-specific, country-specific resolution might appear more appropriate.

D. ACP's Oilseed Products Sector in the Context of Lomé

Taking the years 1975-1976 total vegetable oilseed product exports from the ACP to the EEC accounted for about 7 per cent of ACP's total export earnings, and 15 per cent of their total agricultural export earnings, to the EEC. Vegetable oilseed products are of commercial relevance to nearly all ACPs, while for some 17 countries (Table 4.5) oilseed products provide more than 6 per cent of their total export earnings, with 4 having over 50 per cent dependency (Gambia, Guinea-Bissau, Western Samoa and Tonga). There are also a number of countries not included in this list for which, although oilseeds do not form a large part of total export earnings, they are nevertheless important as a percentage of total agricultural export earnings (for example, Nigeria and Zaire).

Table 4.5

Vegetable Oilseed Products* Share in ACP Country Total Exports: 1974-1976 (Value Terms, Expressed as a Percentage of Total Exports

	%	
Guinea-Bissau	96	Groundnuts and Palm Products (1973-1975 figures)
Gambia	94	Groundnuts and Oil
Tonga	72	Copra
Western Samoa	53	Copra
Senegal	37	Groundnuts and Oil
Sudan	34	Various Oilseed products, i.e. cottonseed, groundnuts, castorseed, sesameseed
Seychelles	24	Copra
Benin	22	Palm products
Upper Volta	20	Groundnuts, sesameseed
Mali	16	Groundnuts and Oil
Sao Tome and Principe	13	Copra and Palm Products
Ethiopia	13	Various Oilseed products, i.e. sesameseed, groundnuts, cottonseed, castorseed
Sierra Leone	9	Palm products
Comores	8	Copra
Papua New Guinea	8	Copra products
Malawi	8	Groundnuts and Oil
Fiji	6	Copra

* Vegetable oilseed products comprise:-
Vegetable oilseeds, vegetable oil and vegetable oilcake.

Sources: FAO 'Trade Yearbook': 1976 - Aug. 1977, Rome.
Eurostat - 'ACP Yearbook of Foreign Trade' Statistics 1968-1976 - European Commission, Nov. 1977.

i. ACP market structure for vegetable oilseed products

Production of oilseed products in the ACPs comprises annual field crops, mainly groundnuts, but to a lesser extent sesameseed, castorseed and cottonseed, and tree plantation crops, including copra and palm products (palm kernels and palm oil).

In the case of groundnuts, West African ACP countries account for the major area sown to the crop, with Nigeria the main producer, but the Cameroons, Gambia, Mali, Sudan and Senegal are also important. Between 1961/65 to 1974/76, there has been zero growth in ACP output of groundnuts and, while cultivated area has increased by about 4 per cent, this has been offset by a yield decline, largely the result of climatic deterioration. For individual ACP states the picture is more varied with Nigeria showing a dramatic 75 per cent reduction in output over the past decade, a combination of poor weather and farmers switching to more lucrative food and cash crops. Against this, Sudan and the Cameroons have shown rapid increases in production, mainly met through expansion in cultivated area. Other annual cropping oilseeds have shown similar trends to groundnuts (cottonseed, sesameseed).

For the tree crops - copra and palm products - there has been an overall growth in production amongst ACPs. Copra plantations are largely located in the ACPs of the Pacific, i.e. Tonga, Western Samoa, Fiji, etc., where production has expanded by some 30 per cent over the past ten years. Palm products are growth almost exclusively in West African ACPs such as Zaire, Ivory Coast and the Cameroons, and although output of palm kernel products has declined by about 15 per cent (1961/65-1974/76), this has been matched by an equal increase in palm oil supply. Again, individual country differences occur, with Nigeria palm production declining compared with growth in the industries of the Ivory Coast and Cameroons.*

Figures for crushing capacity changes in ACPs over the past 20 years are extremely difficult to find but, if the ratio between exports of seed and oil is any indication, there has been growth in the ACP crushing, processing and refining industry; but its development has been extremely limited, when compared with the size of the EEC crushing industry.

Estimating consumption levels of oilseed products also poses statistical difficulties, but World Bank estimates indicate that in Africa consumption of oils and fats between 1960-1975 increased by 3.1 per cent per annum compared with a world average figure of 3.4 per cent. Trade data also suggesta growth in domestic demand for oilseeds and oils for, in a number of countries, e.g. Nigeria, exports of these products in relation to domestic production levels have shown a sharp decline. This is mainly in response to rising population and low initial levels of per capita consumption of oils and fats, resulting in the diversion of exports into growing domestic markets. This trend is not so evident for oilcakes, where due to the lack of intensive livestock methods and low overall per capita livestock product consumption, growth in exports of oilcakes has been vigorous.

However, these broad changes in ACP export movements for oilseed products mask certain more detailed developments.

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* These estimates of production changes are drawn from figures in FAO Production Yearbook 1976, Rome, 1977.

(a) Internal domestic demand has been a strong influence in constraining ACP exports, but other factors have also been important. There has been competition for land, particularly for some annual oilseeds such as groundnuts, from other crops. Another factor has been the problem of having to export oilseeds which have a high oil to cake ratio, when the main import markets favour the opposite. There have also been marketing difficulties in the EEC - for example, aflatoxin content in groundnuts.

(b) Through prudent investment during the 1960s, in many instances funded through foreign investors, plantations of copra and palm have provided in certain cases, e.g. Ivory Coast and some Pacific ACPs, a reasonable rate of return since the early 1970s. These products have in general become price competitive with soya products.

ii. STABEX

To date (May, 1978) there have been two yearly transfers of STABEX to ACPs (1975 and 1976) and the transfers of relevance to the vegetable oilseed sector (groundnuts, copra and palm products are covered by STABEX) are set out in Table 4.6. As the scheme has only been functioning for 2 years, it is difficult at this stage to make any genuine appraisal of STABEX. A number of preliminary points regarding STABEX can, however, be made, and these might have some bearing on future negotiations:-

(a) Only 6 of the 17 countries listed in Table 4.5 as having a high concentration of oilseed products in their total exports have so far received benefit under the scheme.

(b) If the transfers to each country are taken as a percentage of total merchandise export trade of that country over the previous four years, then only in four cases can STABEX be said to have made a significant contribution to annual export receipts, i.e. Niger, Western Samoa, Tonga and Guinea-Bissau.

(c) The stabilisation of export earnings on groundnuts, if effective, could encourage many ACPs to expand production of this crop, and this could in the medium term possibly be harmful, as groundnuts compete for land with food crops. Similarly, for plantation oilseeds under STABEX (copra and palm products) production inducement here could perpetuate certain 'export enclaves', (which some writers argue provide only static benefits to LICs, especially when foreign owned).

(d) In view of the importance of oilseed products exports in the economies of certain ACPs (e.g. Sudan and Ethiopia) and the nature of their exports (e.g. sesameseed and castorseed) it could be beneficial to widen the coverage of STABEX to include these products.

iii. Trade Concessions

The preferential arrangements for ACPs have been eroded by offering concessions to other LICs under the Community GSP scheme. This affects coconut oil and palm products, where limited concessions have been made. To date (1978 scheme) no GSP concessions have been made on groundnut oil, and this seems to be to safeguard the ACP's vital interests here. The potential beneficiaries here are Argentina, Brazil, India and Thailand, among others.

Table 4.6

Vegetable Oilseed Product Transfers from STABEX: 1975 and 1976 (European Units of Account)

Recipient States	Product	Transfer Total (EUA)	% of Total STABEX Transfer (Yearly)	STABEX Transfers as a % of total exports of commodity (4 yr. average) - '1975' - 1971-1974: '1976' - 1972-1975
Group A				
Western Samoa	1976 - Copra	1,331,544	3.67	19.5
Tonga	1976 - Copra	831,721	2.29	19.1
Guinea-Bissau	1976 - Groundnuts	4,442,347	12.24)	22.0
	- Palmnuts and Kernels	626,966	1.73)	
Group B				
Upper Volta	1975 - Groundnuts	685,239	0.95	3.5
Benin	1975 - Groundnuts	464,330	0.64)	5.1
	- Oilcake	1,191,079	1.65)	
	1976 - Palm Oil	765,576	2.11	2.1
Niger	1975 - Groundnuts	5,441,294	7.54	13.0
	1976 - Groundnut Oil	6,755,991	18.62)	11.9
	- Oilcakes	153,269	0.42)	
Fiji	1975 - Copra Oil	615,140	0.85	0.8
	1976 - Copra Oil	1,499,834	4.13	1.5
Group C				
No STABEX Transfers recorded				

Total Transfer for vegetable oilseed products as a % of total STABEX transfers:-
1975 - 11.63 per cent
1976 - 45.21 per cent

(1) For further details explaining these 'Groups' and STABEX Transfers, see Appendix 2.

(2) Using the following exchange rates:- 1 EUA = 1.24077 US$ - 1975
1 EUA = 1.11805 US$ - 1976

E. Lomé II Negotiations with respect to Vegetable Oilseed Products

Within the context of the forthcoming Lome II negotiations, the following would appear to be main areas of interest:-

i. Trade concessions. On the tariff front there is clearly nothing more the Community can offer, and it is in any case questionable as to what positive impact preferential trading arrangements have really provided for the recipients. For the former Yaoundé countries, exports of tariff free vegetable oils to the EEC showed the lowest rate of growth when compared with all other non-preferred sources (see Table 4.7)

Table 4.7

Pattern and Changes in Trade Flows of Total Vegetable Oil Imports into the EEC-6: 1958-1973 (Value Terms)

Vegetable oil supplies from:	1958/60	1964/66	1971/73	1958/60-1964/66	1964/66-1971/73
	% share of total imports			% per annum growth rates (compound)	
Yaoundé	28.4	27.9	14.0	+ 1.6	+ 2.1
Other LICs	29.9	38.7	32.9	+ 5.2	+ 8.2
Intra-EEC Trade	7.1	10.0	29.5	+ 6.4	+24.4
Other sources	34.6	23.4	23.6	-29.4	+10.3
TOTAL	100.0	100.0	100.0	+ 1.9	+10.3

Source: Stats. Office of the EEC - "Foreign Trade Analytical Tables", 1958 to 1973.

Two areas of contention, however, arise in the trade area:-

First, there is the possibility of the removal of non-tariff restrictions on oilseed products. The main interest of ACPs in this field will concern the Community's health regulations (see p. 36 on aflatoxin in groundnuts). The EEC has recently responded to this problem by granting, through the European Development Fund (EDF), 3 million ua to the African Groundnut Council to examine aflatoxin in groundnut cake.* (In addition under the 4th EDF which commenced in April 1976, a number of schemes to aid oilseed production in ACPs have been instigated. These are listed in Table 4.8, and amount at present (May 1978) to around US$50 million). However, further Community assistance to improve ACP's groundnut cake marketing standards would be useful, especially as it is most unlikely these health restrictions could be waived on a concessionary basis.

Second, the GSP seems an area where ACPs will seek assurances to retain their present preferential advantage, especially for groundnut oil. But this is a weak negotiating point for the Lomé countries, as the EEC seems committed to eventual reduction of all tariffs on vegetable oils under the UNCTAD scheme, and anyway it is doubtful whether removal of all tariffs under the GSP would be of real consequence to existing trade patterns and shares of oilseed products.

* See Courier, 1978, for details of this aid.

Table 4.8

4th European Development Fund:
Vegetable Oilseed Projects
(4th EDF commenced April, 1976)

Country	Project Type and Comments	Units of Account (million)
Senegal	Groundnut scheme export orientated	4.2
Zaire	Extensions of selected palm plantations to help domestic supplies	12.98
Togo	Palm Oil mill and storage installations, intended to promote exports	5.40 European Investment Bank - Loan on special terms
Ivory Coast	Palm and coconut mills to assist export trade	7.50 European Investment Bank - Loan on special terms
Liberia	Oil palm plantations aimed to diversify export earnings	9.10
Ghana	Oil palm plantations, aimed to assist domestic market supplies	6.80 Loan on special terms

Source: 'The Courier' published by European Commission (various editions).

ii. STABEX. Again, if the ACP's oilseed traders are looking towards STABEX for potential improvements, the outlook is not promising. In terms of the resources available to STABEX, in view of transfers that have already been enacted (see Table 4.6), the impact would still be small in relation to the value of their total export merchandise trade. The extension to other oilseed products (e.g. cottonseed, sesameseed) could for some countries be significant (Ethiopia and Sudan). But overall there is little scope for extending STABEX coverage in the oilseed sector.

iii. Industrial Co-operation. There has been little operational activity or indeed encouragement, of oilseed crushing/processing and refining in ACPs. This could be stimulated through the Industrial Development Centre, and would in a number of cases involve the need for technical and financial assistance. Expansion of oilseed crushing/manufacturing capacity is not only important for ACPs - to secure a greater part of the value added through processing their exports - but also to provide for a growing domestic market for oilseed products.

The major African states not yet signatories to Lomé, Mozambique and Angola, may at some stage join the ranks of the ACPs. In terms of oilseed products supply, these two countries are major African producers and exporters, particularly in copra and palm products, but also for groundnuts, cottonseed, and sunflowerseed.

Certain research projects could be promoted, involving close co-operation between ACP/EEC and, although probably not of immediate short-term benefit to the ACP's oilseed sector, could prove of more long term value. One possible suggestion is a study of the activities of multinational companies in the field of oilseed trading, marketing, production, etc. (especially the European based companies, e.g. Unilever, Lesieur, but also 'foreign' owned concerns, e.g. Procter and Gamble, Colgate-Palmolive). Indeed UNCTAD in a recent report* proposed action both by developed and developing countries to monitor the operational, marketing and distributional activities of multinationals, in an effort, as UNCTAD view it, to limit "restrictive barrier practices by multi-national companies aimed at controlling marketing and distribution channels". Another possibility is research to assess the potential of cultivating soyabeans in Africa.

During the course of Lomé II negotiations, for individual commodity sectors, there may be a tendency when haggling over the minutia of ACP/EEC specific demands, proposals, etc., to overlook a number of fundamental issues relevant to the sector placed in a wider context. In the case of oilseeds, two points come to mind:-

(a) Where incentives are provided for export orientated cash crops, such as groundnuts, it should be remembered that such crops may compete for resources with other crops in ACPs. If food shortages are a serious problem in some ACPs, then the fact that there may be a choice between export cash crops and food crops should be appreciated.

(b) Where encouragement for exports is given to plantation-type oilseeds, e.g. copra and palm products, the trade impact on ACP economies must also be considered, for some experts argue that alternative land uses, or different forms of investment, might provide more dynamic developmental opportunities.**

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* See The Financial Times, 5th and 11th May 1978.

** Examples of (a) and (b), together with a relevant Bibliography, will be found in Lapre and Collins, 1977, pp. 101-104, 185.

5 FRUIT AND VEGETABLES

BY ERIC TOLLENS

A. The Place of Fruit and Vegetables in the EEC

Trade in fruit and vegetables between the Community and third countries is a complex affair. It involves more than fifty different products, some of which, like apples and pears, are typically grown in temperate regions, while others, like bananas and pineapples, are more suited to a tropical environment. These products are generally perishable, although preservation and processing have extended their economic life. Vegetables are typically annual or seasonal crops and supply can usually easily be adjusted from one year to the next. Most fruit crops are perennial, and supply adjustments are usually more difficult requiring an extended time period.

i. Production*

The production of fresh fruit and vegetables in the Community constitutes around 12 per cent of the value of agricultural production. In the medium term production is fairly stable. The largest variations occur for apples, peaches, tomatoes and cauliflowers.

Fruit production increased rapidly in the early 1960s and, by 1967, the Community had moved into surplus. Production has then been stabilised through programmes of subsidised grubbing of orchards. Fruit production is concentrated in Italy (57 per cent of total production) followed by France (18 per cent) and West Germany (18 per cent). Other Member States are relatively unimportant fruit producers and enlargement from the EEC(6) to the EEC(9) has exerted negligible influence on total fruit production.

Apples, pears and peaches are the most important fruits. Apples are in surplus and production is about equally split between Italy, France and West Germany. Production on new irrigated orchards, and with new American varieties, is on the increase to the detriment of pears and peaches.

The production of vegetables has been relatively stable in the EEC-6 since 1968 and enlargement to the EEC-9 has increased production by about 17 per cent. Due to the annual and seasonal character of the production of vegetables, supply is more easily brought into line with demand than is the case for fruit. This apparent Community-wide stability does however hide an evolution towards, on the one hand, more vegetables produced on larger sized, open fields, often with mechanical harvesting and for the purpose of canning or freezing and, on the other hand, increased production under glass, particularly lettuce, cucumbers and tomatoes - notwithstanding increased fuel costs for heating since 1974.

The three main vegetable producers are Italy (46 per cent), France (19 per cent) and the UK, followed by the Netherlands

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* This and the next section are primarily based on Ministère de l'Agriculture, Commission des Communautés Européennes (1977) and the annual reports of the European Communities published as: "The Agricultural Situation in the Community". The figures in this section relate to 1975, but they do not vary much from year to year.

and West Germany. About thirty different types of vegetables are produced. The most important are: tomatoes; lettuce; small green peas; onions; cauliflowers; carrots; and artichokes.

ii. Consumption

Consumption increased rapidly during the 1960s following steady increases in standards of living. However, in the 1970s, consumption stabilised in the EEC-6 and even decreased between 1973/74 and 1974/5 as a result of price rises and the general economic recession. Small increases in the per caput consumption of the three new Member States are to be expected given their lower levels of present consumption (see Table 5.1). Thus, in aggregate, small increases in the per caput consumption for the EEC-9 are likely.

Diversification of consumption is taking place. While imports of oranges and bananas are tapering off, the demand for new types of tropical or subtropical fruit is picking up - for example grapefruit, pineapples and avocados. The share of citrus fruit in total fruit consumption is increasing steadily. Something similar holds for vegetables such as cabbages, carrots and turnips, which are losing ground to the more delicate products such as small green peas, green beans and asparagus.

iii. Degrees of Self-sufficiency for Fruit and Vegetables

With enlargement to the EEC of nine states, slowly increasing demand but a fairly stable supply have resulted in degrees of self-sufficiency for fruit and vegetables taking a slightly downward course since 1971-72. Self-sufficiency is still higher for vegetables (96 per cent in 1976 compared with 99 per cent earlier) than for fruit (79 per cent in 1975, 88 per cent earlier). For citrus fruit, the degree of self-sufficiency is only 43 per cent, leaving ample room for large imports from the Mediterranean, and from ACP States.

Table 5.1

Per Capita Human Consumption of Fruit and Vegetables in the EEC (Kg.)

	EEC-6		EEC-9	
	1973/74	1974/75	1973/74	1974/75
Fresh Fruit*	74	65	64	56
of which:				
citrus fruit	26	26	23	23
vegetables**	108	107	99	98

* including preserved fruit and fruit juices.
** including preserved vegetables.

Source: Ministère de l'Agriculture, Commission des Communautés Européennes (1977).

iv. Trade

Intra-Community trade represents only a small fraction of all commercial transactions, 13 per cent for fruit and 8 per cent for vegetables. For fruit, the main flow of trade concerns exports from Italy to West Germany and to the UK. Enlargement to the EEC-9 has favoured French exports to the new Member States. The Netherlands is the main exporter of vegetables which go primarily to the West German market. Intra-Community trade in fresh fruit and vegetables is on the increase, particularly for apples, citrus fruit, table grapes, strawberries, onions and tomatoes.

Trade with third countries is less important for vegetables than it is for fruit. For vegetables, the EEC-9 exported 336,000 mt in 1975 and imported 976,000 mt - net imports of 640,000 mt (half of which went to West Germany). In the same year, the EEC imported 3,794,000 mt of fruit, of which more than two million mt were oranges. Imports of fresh fruit from third countries have been increasing over the last five years. Production and export of fruit and vegetables in ACP countries is covered in detail in the Appendix to this chapter.

v. Prices

It is difficult to establish useful estimates of market prices for fresh fruit and vegetables. There are great differences in prices between markets and between Member States because of the diversity and the perishability of the products.

Average producer prices have however increased considerably since 1968. For fruit, prices have gone up by about 50 per cent. The price of table grapes has more than doubled. For vegetables, the prices of cauliflowers and tomatoes increased by 100 per cent over the same period.

Intervention prices* increased from 1967/68 till 1975/76 by 85 per cent for lemons, 81 per cent for peaches, 76 per cent for tomatoes and mandarins, 60 per cent for table grapes, 50 per cent for cauliflower, 48 per cent for oranges, 41 per cent for pears and 37 per cent for apples.

Consumer prices for fruit and vegetables increased from 1970 to 1976 by between 35 per cent and 150 per cent; between 35 to 85 per cent for the EEC-6 and Denmark, and about 150 per cent for the UK and Ireland.

B. The CAP for Fruit and Vegetables

The Common Market organisation for fruit and vegetables (1035/72 of 18th May 1972, and 2454/72 of 21st November 1972), excluding potatoes and tropical fruits, differs considerably from those of other agricultural products. This is mainly due to the unique features of the production and marketing of fruit and vegetables associated with the perishability of these products.

The policy on fresh fruit and vegetables involves a system of common quality standards (quality, size, presentation, packaging) for 28 products (11 for fruit, 17 for vegetables) in three classes (Extra, I and II); provisions for market intervention; an import system based on common quality standards and customs duties supplemented by a schedule of reference prices, seasonal calendars; and provisions for export subsidies (refunds). In certain conditions, a countervailing tax is provided for in addition to customs duties for citrus fruit, grapes and stone fruit.

Intra-Community trade has been completely free** since 1st July 1968, for all products meeting the quality standards. Class III, a lower quality grade can be created if inadequate market supplies justify trade in poorer quality produce in the interest of consumers. Producers in the EEC are encouraged to set up associations to handle the marketing of fruit and vegetables, to take responsibility for price regulations at the producer level, and to organise market intervention. Member producers are required to market their entire output of the relevant produce through their association. These organisations are authorised in periods of market surpluses to intervene in the market and

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* The intervention arrangements for fruit and vegetables are described in the next section.

** There are no MCAs on fruit and vegetables.

buy-in at certain fixed maximum prices. For this purpose, they can set up a stabilisation fund with contributions from the members. They can receive financial compensation or special loans for this purpose from the Member States, depending on the product withdrawn from the market.

The Community policy on fruit and vegetables also provides for market intervention by the Member States or by the producer associations for nine important products: cauliflowers; tomatoes; apples; pears; peaches; sweet oranges; mandarins; lemons; and table grapes. Each year, two prices are determined by the Council of Ministers, a base price and a buying-in price (for Class II products, exceptionally for Class III) which is a certain fixed percentage - between 40 and 70 per cent - of the base price. The base price is determined on the basis of average prices reported over the last three years on the representative markets of the Community, taking into account the "returns to producers, the need to stabilise markets, the interests of consumers and the avoidance of structural surpluses".

If the producer prices for a particular product on a representative market remain for three consecutive market days below the buying-in price, a "serious crisis situation" is considered to exist. The Member State may then request financial compensation for the value of the products withdrawn by the producer association from the market or purchased through national intervention agencies. The products withdrawn from the market are to be used in ways which do not disturb regular marketing channels, for instance, distribution to under-privileged persons, animal feeding, distillation, etc. Simple destruction is avoided if possible.

Significant withdrawals from the market for fruit and vegetables occurred in 1967/68 for cauliflowers: in 1971/72 and 1975/76 for tomatoes; in 1967/68, 1969/70 to 1971/72 and again in 1975/76 for apples (about 800,000 mt or 10.6 per cent of production); in 1974/75 and 1975/76 for pears (about 176,000 mt or 7.3 per cent of production): in 1974/75 and 1975/76 for peaches; in 1974/75 (about 188,000 mt or 10.6 per cent of production) and 1975/76 for oranges; and in 1974/75 and 1975/76 for mandarins, (47,000 mt or 12.8 per cent of production). Expenditures from the guarantee section of FEOGA for fruit and vegetables however amounted only to between 2 and 3 per cent of total expenditures.

Structural measures have been necessary to reduce overproduction of apples, pears and peaches. Subsidies for the voluntary grubbing of orchards have been granted between 1970 and 1973 and again in 1976/77 for certain varieties of apples and pears. For citrus fruit, special measures have been taken to stimulate the conversion to new varieties of oranges and mandarins.

Trade with non-member states of the Community is governed by customs duties under the Common External Tariff, a system of reference prices supplemented by countervailing levies, quality standards and export subsidies. The safeguard clause on entry into the EEC or for export from the EEC also applies when serious market disturbances occur, as is the case for all products traded by the Community. Quantitative restrictions (import quotas) on third country products have, in principle, been removed.

Duties of from 4 to 18 per cent for vegetables and from zero to 25 per cent for fruit apply to imports from third countries. Potentially more significant are the reference prices which serve as minimum import prices. A supplement-

ary variable counvervailing levy may be applied on imports if they are offered at entry prices below the reference price, in order to equalise the difference between the two prices. The reference price which is actually fixed for eleven products (tomatoes, cucumbers, oranges, mandarins,lemons, apples, pears, cherries, peaches, plums, grapes),and for certain periods of the year, is partly based on market prices in recent years and includes an element to take account of the level of base- and buying-in prices.

For apricots, table grapes, melons, tomatoes, green beans, lettuce and artichokes, the Member States are individually still allowed to take special protective measures to curb imports from third countries during certain periods.

Article 22 of the regulation provides for special measures during the following periods for imports from outside the EEC:-

lettuce	: November 15	- June 30
green beans	: June 1	- September 30
melons	: July 1	- October 15
table grapes	: July 1	- January 31
tomatoes	: May 15	- December 31
artichokes	: March 15	- June 30
apricots	: June 5	- July 31

The measures in effect are, according to Agri-Méditerranée, (1977):-

France: borders closed for all seven products with some exceptions for the Maghreb, Spain, Israel, Turkey, Romania and Bulgaria. These exceptions are specified in bilateral agreements and take the following form:-

- imports possible during a short period;
- minimum import price;
- quotas.

Belgium: borders closed for tomatoes and grapes.

Ireland: import of tomatoes subject to import licences according to needs.

Denmark: borders closed for tomatoes from 1st June to 31st October.

UK: restrictions for imports of tomatoes (15th May - 31st October), green beans (1st June - 30th September) and lettuce (15th November - 15th June) from countries with state trading.

These special measures should have been abolished by 1st January, 1973, but the Council of Ministers has not yet acted on this matter. It is expected that these measures will remain in effect as long as a new market organisation for fruit and vegetables is not worked out. This will probably happen when Spain, Greece and Portugal effectively become members of the EEC.

The Community also grants a penetration subsidy to Italy and Corsica (France) for oranges, mandarins, clementines and lemons exported to member countries. The penetration subsidy is fixed annually by the Council of Ministers in ua per 100kg. of produce exported to other Member States. It enables Italian citrus producers to gain a foothold in the citrus markets of the Community outside Italy.

Export subsidies (refunds) are authorised for a number of products (about twelve), depending on the season. In principle, the subsidy is not to exceed the incidence of the Common External Tariff duties plus the countervailing import levies, in so far as they are applied.

Processed fruit and vegetables are covered by separate regulations, as they are easily stored from one year to another. Duties apply as specified in the Common External Tariff to imports from third countries. In addition, a levy based on the added sugar, glucose and glucose syrup content is assessed on imports and an equivalent subsidy is granted on exports. Rules regarding preservatives, colouring and other additives and pesticide residues also affect trade in fruit and vegetables.

Sensitive products in the market organisation for preserved or processed fruit and vegetables are: peeled tomatoes, tomato juice, preserved peaches, preserved mushrooms, dried plums, preserved peas, preserved beans, preserved raspberries and preserved pears. Quantitative control of expected imports from third countries exists with import certificates. Since August 1974, an EC-safeguard clause measure has been in effect for mushroom preserves which limits the importation of this product to a certain percentage of previous imports over a certain period.

Tomato puree (paste) is called a "supersensitive" product. Minimum prices are to be respected for import from third countries and quantitative control of expected imports occurs via import certificates. Subsidies are given to EC-tomato processing plants (peeled tomatoes, tomato concentrate, tomato juice) as a compensation for tariff concessions given to Mediterranean ccuntries and ACP-states. This is particularly important for Italy and France (DOM - Guadeloupe and Martinique) and will be important for Portugal and Greece once they join the EEC.

Citrus fruit processors also receive a subsidy in order to stimulate processing of oranges and lemons and to remain competitive with liberalised imports from third countries. A similar arrangement exists for the processing of pineapples in the French overseas department of Martinique. In addition, imports of citrus fruit juices (except grapefruit juice) from third countries are prohibited in Italy.

Apart from tomato products, a subsidy for the processing of peaches and plums will also be granted in so far as processors pay minimum producer prices to growers in Italy and France, as is the case for tomatces.

Finally, imports of processed fruit and vegetables in the Community from countries with state trading are subject to supervision "before and after", with import documents delivered by Member States before imports occur and "a posteriori" control on the basis of the statistics made up by the customs.

Discussions are now taking place concerning a more developed "Mediterranean policy" for the Community, and this involves, to a considerable extent, the CAP for fruit and vegetables. Italy, and Mediterranean farmers in France, complain about the unequal treatment between northern products (such as dairy products, grain and sugar) and southern products - mainly fruit and vegetables. For northern products, a stronger income guarantee (via target prices, guide prices, threshold prices) exists than for southern products and this is clearly reflected in the annual expenditures of FEOGA. Italy is now pressing for intervention prices for fruit and vegetables to form an income guarantee for their Mediterranean growers. Surpluses need to be processed, preserved, canned and they argue that the processing industry should receive subsidies for that purpose. Intervention for processed fruit and vegetables should also be set up. In other words, the Italians want a full price support system for fruit and vegetables. Presently, the main role

of the intervention system is to clear the market in periods of surpluses and to prevent prices from dropping below a minimum buy-in price which, however, is not high enough to stimulate production itself.

The French propose a system of reference prices (minimum price levels) for trade between Member States, and compensating import levies. This system, they affirm, would also prevent disruptive imports from Spain and Greece after entry. But clearly, it would mean the end of a common market for fruit and vegetables.

The farmers' organisation (COPA) are bargaining for an extension of the reference price system to all fruit and vegetables imported and for an increase of the reference price in relation to increased production costs in the EEC. They want the safeguard clause to apply automatically when certain minimum quantities are bought in to intervention, and not only as a rescue operation when the damage has already been incurred. However, new quantitative restraints have little chance of being accepted by political leaders in the EEC. For processed fruit and vegetables common quality standards for fruit and vegetables to be processed and for the processed products are being recommended. They also argue for intervention for processed products and believe that there is insufficient protection against imports of processed fruit and vegetables in the EEC.

C. Effect of the EEC-Enlargement on the CAP for Fruit and Vegetables

The enlargement of the Community to include Greece, Portugal and Spain calls into question some of the essential elements of the CAP for fruit and vegetables, particularly the reference price system and intervention, and the regulation of trade with ACP states and third countries.

Portugal's external trade in fruit and vegetables is negligible, except for tomato concentrate, but Greece, and particularly Spain, have a well developed export oriented fruit and vegetable sector and the possibilities for production expansion are considerable. With irrigation, they can grow almost anything they want.

This section discusses short term changes in market supply and external trade balances caused by enlargement for most products under the intervention and reference price system. The discussion is based on Hormann (1977) (see Table 5.2). It should be emphasised that these considerations do not yet take into account possible shifts in seasonal production patterns as well as an overall expansion of (low cost) production in these potential new Member States.

In the case of tomatoes, there will be a considerable reduction in the import needs from November to April (the out-of-season production) because of deliveries from Spain (Canary Islands). The estimated monthly degree of self-sufficiency, which varies at this time from between 18 and 72 per cent, will rise to 85-90 per cent. A total or near total reduction of the import requirements for cucumbers in the months of November to March is to be expected because of deliveries from Greece and the Canaries. With regard to cauliflower, the degrees of self-sufficiency are not affected very much by enlargement.

For apples, there is no change - at least in the short term. With pears, the membership of Spain will lead to a certain reduction in the import requirements in July, and to a considerable extension of the export surplus in August.

Table 5.2

Estimates of Seasonal Degrees of Self-Sufficiency Before and After the Proposed EEC-Enlargement with Greece, Spain and Portugal* (Average of 1973/74 and 1974/75)

Products	Month												Year
	J	A	S	O	N	D	J	F	M	A	M	J	
Tomatoes													
EUR 9	100	100	101	93	70	18	24	37	50	72	84	94	88
EUR 12**	100	100	101	99	91	85	88	89	88	91	90	97	97
Cauliflower													
EUR 9	100	100	100	100	101	101	102	103	104	104	104	101	102
EUR 12	100	100	100	100	100	101	102	102	103	104	103	101	102
Peaches													
EUR 9	98	98	100	-	-	0	0	0	0	0	92	95	98
EUR 12	104	105	103	-	-	0	0	0	0	0	100	102	104
Grapes													
EUR 9	82	99	101	95	72	67	39	-	0	0	0	8	91
EUR 12	95	100	102	107	110	110	99	-	0	0	0	37	103

* Gross values of sales by professional producers incl. market losses, excl. industrial uses, processing and animal feed.

** Without domestic market supply in Greece and Portugal.

Source: Hürmann, 1977

The import needs of the EEC-9 in peaches during the whole of the European season will develop into far greater export surpluses. For the extended Community, values of between 100 and 105 per cent of the degree of self-sufficiency are estimated for the whole season, mainly because of the high domestic consumption in the countries of production.

During the European harvest period, a considerable reduction is to be expected in the import needs of oranges. For November, the trade balance is epected to be equal but will develop to a clear export surplus in December. After enlargement, a diversion of Greek oranges into the EEC market is likely. Previously, these were to a great extent delivered to Comecon countries.

As far as mandarins, tangerines, etc. are concerned, there will probably be almost an equalisation of the monthly balance of external trade. For third countries, there would only be limited sales opportunities for these products. As regards the EEC-9's supplies of grapes, enlargement would have the effect of producing considerable export surpluses, instead of import opportunities, in the months of November and December. While the estimated degree of self-sufficiency does not alter in August and September, it increases from 95 per cent to 107 per cent in October and from 72 per cent to 110 per cent in November. With cherries a certain reduction of imports would result in July. For

plums, there are only changes at the beginning of the season. The high import needs in July will become a certain export surplus.

Spain and Greece have a favourable climate, a well developed irrigation network, cheap labour, chronically overvalued exchange rates but also small, fragmented farms and a poorly developed organisation of production and commercialisation, except for citrus. But a considerable expansion in production is expected with enlargement. The present reference price system and the intervention system will then undoubtedly come under great strain. Price stabilisation with intervention in the market may easily develop into a policy of price supports as is already the case for Italian citrus production. In 1975, 44.6 million ua were paid out by the FEOGA for intervention in fruit and vegetables; in 1976, this sum amounted to 127.9 million ua and in 1977, to 90.5 million ua. These amounts are likely to rise considerably with enlargement, principally because of Spain. With the actual production potential of fruit cultivation in Spain, large quantities presently not picked in case of a market glut could be offered for intervention. Production for intervention* may occur if the present level of intervention prices is not drastically reduced.

With enlargement, Southern Europe could gain a much stronger voice in EEC policy making. Thus, strong requests for more protectionist measures in relation to supply from ACP and third countries, particularly other Mediterranean countries: Israel, Morocco and also South Africa, are to be expected. Moreover, enlargement may lead to domestic market fluctuations becoming more frequent and more pronounced and thus may have a detrimental effect on the established external trade flows between the EEC, ACP states and third countries. It is clear that enlargement will call for a revision, or rather a rethinking, of the common market organisation for fruit and vegetables.

D. Trade Concessions and Other Provisions Relevant to ACP Exports of Fruit and Vegetables**

i. Trade Concessions

The preferential arrangement for ACPs has to a large extent been eroded by concessions offered through the 'global Mediterranean policy' of the Community and by association and preferential trade agreements with Mediterannean countries, particularly Spain, Israel and the Mahgreb. (See Appendix 3). These concessions are in the form of tariff reductions (CCT duties) for various products, particularly for processed fruit and vegetables but also for vegetables and oranges, subject to seasonal calendars to ensure that imports occur during the "out-of-season" period for European growers. Bilateral agreements have been concluded between the Community and several Mediterranean countries to limit the import of fruit salad preserves to certain quotas which are fixed annually. For preserved tomatoes, auto-limitation has been negotiated and agreed upon. Duty reductions exist for some products under the

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* That is, producers regarding it as profitable to plan to supply at the intervention price, rather than intervention merely providing a floor to the market in times of serious over-supply.

** The Appendix to this Chapter gives details of Production and Export of Fruit and Vegetables by ACP countries.

Community's GSP. Details of concessions granted to ACP countries are given in Table 5.3. All these concessions were subject to the safeguard clause, either nationally or on a Community basis. This clause allows the EEC to take restrictive action when trade concessions are threatening the market for a product in the Community. With the clause, the Community guards itself against any imports which may seriously disturb the market. It empowers the Community to suspend imports or exports, or to impose extra (countervailing) duties or quotas. It is also an indication of the pragmatic way and of the "wait and see" attitude in EEC policy making for fruit and vegetables. For instance, under EEC regulations, the safeguard clause can be invoked at any time intervention on "large" quantities of cauliflower, tomatoes, table grapes, peaches, apples or pears is necessary, although the Community has yet to apply the clause in such a situation. But the mechanism for "exporting" market disequilibria to third countries, once market surpluses occur, is there.

At present the value of exports of ACP fruit and vegetables to the EEC is small in comparison with Mediterranean exports (except for bananas and canned pineapples) and thus, no serious problems arise. But, if production and export of fruit and vegetables in ACP states should develop, then the present concessions would come under strain and new arrangements would probably have to be worked out. An example is fresh or refrigerated tomatoes (07.01 B) where Senegal, potentially a large producer, received only a reduction of 60 per cent of the CCT for a quota of 1,000 mt of fresh or refrigerated tomatoes for the period November 15th - April 15th.* The minimum tariff of two EUA per 100 kg. still applies. If ACP exports develop considerably, non-tariff barriers on trade - such as disease and plant health restrictions (particularly virus infections) and quality standards - could become serious obstacles, as has already been the case for certain flowers and ornamental plants.

ii. Arrangements for Bananas

According to Protocol no.6(on bananas) of the Lomé Convention, a joint endeavour will be undertaken by the ACP States and the Community to enable ACP States, particularly Somalia, to increase their banana exports to their traditional Community markets and to gain a foothold in new Community markets.

In 1976, the EEC imported 1,850,770 mt of fresh bananas of which only 321,566 mt (17.4 per cent) came from ACP States, less than any previous year since 1973, as illustrated in Table 5.4. The most important ACP exporters to the Community are Ivory Coast, Cameroun, Jamaica, Somalia and Surinam. Only Cameroun, Belize and Martinique increased their exports to the Community steadily over the last four years. From Table 5.5 we can see that some ACP countries also export considerable tonnages of bananas to third countries. This is particularly true for Somalia's export to the Middle East. The West Indies (PTOM) and the French overseas departments of Martinique and Guadeloupe are also quite important suppliers of bananas to the EEC. (The production of bananas in different countries is covered in the Appendix).

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* In principle, the CCT duty of 18 per cent applies to imports of tomatoes from ACP or third countries. However, certain duty reductions have been granted to various countries for imports during a specific time period. In this respect, the ACP Council of Ministers at their meeting in Lusaka in December, 1977, noted that import taxes for fresh or refrigerated tomatoes, during this period, were 11 per cent for Senegal (ACP state), 4 per cent for the Mahgreb, 5 per cent for Greece and 6 per cent for Spain, with a minimum duty of two EUA per 100kg. (The Courier, No. 47).

Table 5.3

Concessions Offered to ACP Countries

Vegetables (Chapter 7 of the CCT)

- exemption of customs duties of the CCT for:

  leguminous plants (peas and haricots), "Mooli", ground sweet peppers, frozen vegetables (except olives), vegetables preserved in water (onions, cucumbers, gherkins... except olives). No seasonal calendar.

- exemption of customs duties of the CCT and a levy reduced by 0.15ua per 100 kg for "arrow-root".

Fruit (Chapter 8 of the CCT)

- total exemption of customs duties of the CCT: grapefruit, pawpaw, passion fruit (passiflores).

- reduction by 80 per cent of the customs duties of the CCT for oranges, mandarins, (08.02 A and 08.02 B of the CCT) together with observance of reference price. No seasonal calendar is in effect.

Products processed from fruit and vegetables (Chapter 20 of the CCT)

- general rule: exemption of customs duties of CCT except for jams and grape juice.

- suppression of levy for tinned pineapples, grapefruit, mixtures of pineapples, granadillas, pineapple juice, mixtures of pineapple, pawpaw and granadillas juice.

- abolition of the additional duty on sugar (ads) in preserves and juices of pineapple and of mixtures of pineapple, pawpaw and pomegranate.

The main exporters of bananas to the EEC are third countries of Central and South America and their banana trade is in the hands of powerful multinational companies which have a strong grip on the Community banana market. ACP countries are traditionally considered the preferential suppliers to three member states: France, the UK, and Italy. In the other countries, the powerful multinational banana trading firms dominate the market. It is difficult for others to compete with the efficiency and organisational capacity of the multinationals to box, ship, ripen and market bananas in the shortest possible time. Due to lower labour costs, Latin American bananas are cheaper than ACP bananas and, because of stricter quality controls, the Latin American bananas are often of better quality and more attractive to consumers.

Table 5.4

Imports of Fresh Bananas in the EEC

Q (Quantity) = M.tons: V (Value) = 1000 EUA; - = nil or negligible.

Country of origin	1973		1974		1975		1976	
	Q	V	Q	V	Q	V	Q	V
ACP								
Cameroun	62,253	11,775	70,680	16,185	74,674	22,842	79,246	25,358
Ivory Coast	106,619	19,888	125,915	28,789	124,132	39,410	87,676	30,149
Jamaica	111,614	19,917	68,021	15,538	68,839	18,134	74,394	18,943
Kenya	1,428	215	-	-	-	-	-	-
Madagascar	5,739	1,147	6,382	1,448	3,481	1,012	5,986	1,736
Somalia	63,523	5,435	40,452	6,405	34,214	6,171	39,149	9,801
Surinam	27,408	4,032	34,090	6,180	37,620	7,892	35,114	9,062
PTOM								
Belize	643	82	1,294	237	1,422	234	5,249	915
West Indies	96,120	19,680	110,487	29,075	92,105	28,252	102,766	30,242
DOM								
Guadeloupe	119,492	25,903	122,121	31,163	111,425	37,261	108,121	37,794
Martinique	147,894	32,430	185,851	46,680	167,728	55,315	202,409	71,146
Total ACP	378,584	62,409	345,530	74,545	342,960	95,461	321,566	95,049
ACP/Extra EEC %	18.3%	18.7%	17.6%	18.5%	17.9%	19.7%	17.4%	19.0%
Total Extra EEC	2,069,896	333,455	1,968,279	402,806	1,912,026	483,970	1,850,770	498,962
Total World	2,107,881	339,808	1,979,028	405,206	1,917,520	485,330	1,855,792	500,299

Total Extra EEC: corresponds to the total exchanges of the EEC-9 with the rest of the world, i.e. net imports of the Community.

Total World: corresponds to the total exchanges of each of the nine countries of the EEC with all other countries of the world, including the Member States of the EEC.

Source: As Table 5A.1

Table 5.5

Exports of Bananas to all Destinations: 1974-1976

Q (Quantity) = 1000 mt; V (Value) = 1000 US$

Country of origin	1974		1975		1976	
	Q	V	Q	V	Q	V
AFRICA	459	54,836	353	56,996	325	58,739
ACP						
- Cameroun	75	13,174	74	20,371	75	20,000
- Ethiopia	10	1,400	11	1,936	12	2,474
- Ivory Coast	175	15,240	136	13,967	99	13,365
- Somalia	107	10,304	82	10,922	73	10,500
Non-ACP						
- Angola	66	11,439	35	7,500	45	9,500
- Mozambique	7	818	4	448	5	550
N.C. AMERICA	3,331	356,756	3,000	447,639	3,460	502,183
ACP						
- Grenada	8	1,596	13	3,183	13	3,200
- Jamaica	73	12,571	68	16,141	84	14,885
- Surinam	35	2,700	38	3,400	36	3,500
DOM						
- Guadeloupe	124	26,957	109	30,999	105	29,500
- Martinique	173	31,807	168	45,816	200	52,000
SOUTH AMERICA	1,890	164,896	2,015	216,586	1,797	199,708
ASIA	878	71,346	1,007	102,432	962	103,068
EUROPE	27	7,171	35	11,449	25	7,207
OCEANIA	7	919	9	1,329	9	1,352
WORLD	6,592	655,924	6,418	836,431	6,578	872,257

Source: FAO Trade Yearbook, vol. 30, 1976, table 48.

The Commission ruled in December 1975 that United Brands, an American-controlled multinational, had abused its dominant position on the Benelux, German, Danish and Irish banana markets. The European Court of Justice upheld three of the four infringements cited by the Commission and fined the company 850,000 EUA.

ACP bananas enter duty-free in all EEC markets. There is an imposition of a 20 per cent duty on third country imports, with the exception of Germany, which is allowed to import a quota of bananas originating in Latin American countries duty free, and quantitative restrictions in France, the UK and Italy.

The FAO estimates that with regard to the medium term there is considerable excess supply which will continue to result in downward pressure on banana prices. UNCTAD included bananas on the list of the Integrated Programme on

Commodities in Nairobi in 1976. The first step towards the conclusion of an international agreement on bananas has been taken. ACP (and DOM) - countries would not be subject to quotas but they would have to agree on a figure, based on past performance, for their total exports with the Latin American producers.

Commission experts feel that EDF funds should be spent on ways of improving the quality of ACP bananas and on aid for research rather than on large increases in productive capacity.

On the ACP side, a common organisation of ACP banana exporting countries will be set up in order to defend their interests. An EEC-ACP permanent joint group called the "Permanent Mixed Group on Bananas" has been created with the mission of examining the progress achieved in the field of banana exports by the ACP states to the EEC and formulating recommendations which it judges appropriate. Discussion in this group has shown that there are differences of view between the ACPs and the EEC on the interpretations of the Protocol.

In conclusion, the protocol on bananas of the Lóme Convention has had no tangible effect on the promotion of ACP banana exports to the Community. A rewriting of the protocol is needed and a new approach for promoting ACP banana exports to the EEC will have to be worked out if this situation is to be improved upon.

iii. STABEX

For fruit and vegetables, only fresh bananas are included in the list of commodities covered by the STABEX scheme. The following ACP countries meet the dependence threshold with respect to bananas for the period 1974-1976:-

Somalia, Jamaica, Guinea, Grenada and Tonga.

Somalia received ',296,907 EUA (non-repayable) in 1975 to cover its decrease in export earnings for bananas due to the drought. This transfer constitutes 1.80% of the total transfer payments of STABEX in 1975 and 21.0% of the export receipts for bananas of Somalia in 1974, the previous year.

Tonga received 72,7'9 EUA in 1977 for bananas after the Council had decided to guarantee its export earnings whatever their destination.

At present, STABEX for fruit and vegetables is only of importance for stabilising export earnings for Somalia where bananas made up about 14% of total export proceeds for the period 1974-1976. The STABEX scheme is discussed in more detail in Part III.

iv. European Development Fund

A number of projects aimed at developing fruit and vegetable production in ACP countries have been financed by the EDF. These are listed in Table 5.6. It is expected that the 5th EDF will put more emphasis on small-scale projects for the production and marketing of fruit and vegetables.

v. COLEACP

There exists in the European Community a professional organisation of producers and traders of tropical and out-of-season fruit and vegetables of ACP-origin, called COLEACP from its French initials (Liaison Committee for ACP Fruit and Vegetables). its aim is to exchange information and to increase consumption of such fruit and vegetables in the EEC through promotional campaigns in the markets of the Community and to try and ensure that the ACP countries produce sufficient and regular quantities. For this purpose, the production and marketing possibilities in ACP countries need to be known in detail (quantities, regularity of supply, freight rate structure). COLEACP is now undertaking such a study, in the ACP states, which is supported in part by the

European Commission. It is expected that this study will be followed up by a sales promotion campaign in the Community, after the study has ended.**

Table 5. 6.

European Development Fund Fruit And

Vegetable Projects in ACP Countries *

Country	Project Type and Comments	E.D.F.	Units of Account
SENEGAL	Vegetables (1,000 ha. of market gardening BUD-SENEGAL)	2nd and 3rd fund	4,321,000
SENEGAL	Fruits (mangos,avocados citrus, bananas. pineapples)	4th fund (special loan)	4,563,000
UPPER VOLTA	Vegetables (market gardening)	4th fund	346,000
IVORY COAST	Vegetables (360 ha.of market gardening)	3rd and 4th fund	1,168,000
SOMALIA	Fruit (1,300 ha. grapefruit)	3rd and 4th fund	4,143,000
JAMAICA	Bananas (2000 acres)	4th fund (special loan)	3,067,000
GABON	Vegetables (20 ha.of market gardening)	3rd fund	-

* This list is not necessarily exhaustive.

Source: The Courier published by European Commission (various editions).

E. Lomé II Negotiations with respect to Fruit and Vegetables

The current value of exports of fruit and vegetables from ACP countries to the Community is very low in comparison to total Community imports, with the exception of a few products such as bananas and fresh and canned pineapples.It is very difficult, if not impossible, to detect a pronounced positive trade creation effect in fruit and vegetables from ACP states as a result of Lomé I. Imports of preserved pineapples are slowly on the increase but this is mainly the result of Kenya increasing its share in the EEC-market.

Imports of cut flowers, ornamental plants and other non-edible horticultural products in the EEC from ACP countries are steadily increasing, mainly from Kenya and the Ivory Coast. However, they are beyond the scope of this study.

i. Trade Concessions

Much has already been given to Lomé I in the area of trade concessions for fruit and vegetables, including processed products, such as abolition of seasonal calendars and a reduction or exemption of CCT duties for some products. But the fact that some fruit and vegetables are still subject to customs duties indicates that some of these products are "sensitive" in the Community. This applies to tomatoes,tomato concentrate,other fresh or refrigerated

** See Courier, No. 43 (p XVI).

vegetables, certain citrus and other fruits,and thus, further concessions for these"exceptions" to the general scheme will be difficult to negotiate. Furthermore, it is expected that, pending enlargement of the EEC-9 to the EEC-12, no major new trade concessions will be made. It is the view of France and Italy that too generous concessions have already been granted to Mediterranean and ACP countries.

ACP countries could negotiate that any duty or other concessions granted to non-ACP states such as the Maghreb, Spain, Greece, etc. for a particular product (and usually subject to a seasonal calendar)automatically apply to them on an equal basis.

A more precise definition of when ACP imports may become subject to the safeguard clause and how this clause will be applied could help in building up stable trade flows in fruit and vegetables between the EEC and ACP countries.

ii. EEC Enlargement

The accession of Spain,Greece and Portugal to the EEC would have a profound effect on the Common organisation for fruit and vegetables. It would reduce the import needs and ever lead to some export business surpluses for almost all European and Mediterranean type fruit and vegetables. The seasonal character of imports of fruit and vegetables into the EEC would be narrowed down considerably and market fluctuations might become more frequent and more pronounced. As Southern Europe will gain a stronger voice in EEC policy making, an appeal for more protectionist measures and for price policy as an instrument of income support will be made. A new CAP for fruit and vegetables will emerge and this could have a detrimental effect on established imports from ACP and third countries. Because of the possible implications of enlargement, measures to safeguard existing ACP trade flows need to be considered. However, with respect to the two main ACP exports to the Community, bananas and pineapples, enlargement would have a minimal effect.

iii. Bananas

Protocol no.6 (on bananas) of the Lome Convention has not fulfilled its objectives. Moreover, there are different interpretations over the terms of the protocol. In fact, what is lacking in the protocol is a clear description of the measures that need to be taken in order to increase ACP exports of bananas to the Community. ACP banana exporting countries need to improve the quality and also the marketing of their product.

EDF funds for this purpose could be solicited. In so far as multinational companies are monopolising trade in non-ACP bananas in some countries of the EEC, particularly West Germany, Benelux, Denmark and Ireland, quantitative restrictions on their imports of Latin American non-ACP bananas could be considered.

iv. STABEX

Although an extension of the list of commodities covered by STABEX to other fruit and vegetables than bananas could be desirable, it is difficult to find a single product which would meet the dependence threshold specified in the scheme. Fruit and vegetables, with the exception of bananas, do not constitute a sizeable element in export earnings for any particular ACP country although they are nevertheless a welcome source of export revenue. Thus, only vegetables, fresh or preserved, or fruit, fresh or preserved, in aggregate, are possible candidates for coverage by STABEX. This could be important particularly for Kenya, Senegal and Ethiopia.

v. Promotion of the Processing of Fruit and Vegetables

There are no import duties imposed on proposed fruit and vegetables from ACP countries. Canned fruit and vegetables enter the Community duty free, against tariffs of 20% for canned fruit juices and 22% for canned pineapple or grapefruit from third countries. In this area, ACP states gained real preference but they have not yet fully exploited these opportunities as Table 5A.9 illustrates. Kenya and the Ivory Coast are an exception here. A particular effort for the setting-up of processing facilities for fruit and vegetables in ACP countries should be made and aid from EDF and from the Industrial Development Centre could be solicited in this respect.

There is a trend towards collaboration between multinational companies and aid-giving agencies, including the EDF, for the setting-up of small grower schemes in export horticulture, e.g. BUD-Senegal. This relocation of horticultural production, at times through direct industrial control of production, but generally through the institution of contracting, has only begun and it is likely to increase in the future, especially for processing. Such developments may need a critical examination. According to Maureen Mackintosh (Food Policy, November 1977), if large multinationals are permitted to dominate large numbers of small horticultural farms in LICs, there is a danger that contracting and small-farmer systems may turn out in years to come to have been just as detrimental in their effects on rural areas as the much criticised plantations.

vi. Mechanism for Consultation and Exchange of Information

Regular consultations between representatives of ACP states and the Commission to assist in the promotion of trade in fruit and vegetables may foster trade creation. Such a permanent joint group has been set up with respect to bananas and, although effective results are still to be gained, discussion has helped to highlight some ways to promoting trade and some of the differences of view that exist in this respect. This initiative, spelled out in Protocol no.6, could be generalised to a broader category of commodities and to some key countries, as was the case with Somalia for bananas. Consultations with respect to quality standards as they apply to imports from ACP countries could prove helpful in the future as they may become a crucial non-tariff barrier on trade when imports from ACP countries increase.

APPENDIX TO 5 PRODUCTION AND EXPORT OF FRUIT AND VEGETABLES IN ACP COUNTRIES

Production and Export of Fruit and Vegetables in ACP countries

In general, the ACP countries are relatively unimportant producers of the following products which are traded in the EEC-9: artichokes; cauliflower; cucumbers (except for Jamaica, Martinique and Trinidad); dry onions; garlic; carrots (except for Madagascar, Guadeloupe,Martinique and Jamaica); watermelons (except for Sudan); grapes (except for Madagascar); apples; pears; peaches and nectarines (except for Madagascar); plums (except for Madagascar); apricots; strawberries; raspberries and currants; hazelnuts;pistachios; almonds; chestnuts and walnuts. What is produced of these products is mainly for national consumption. For these fruit and vegetables, the Maghreb, Machrak and other Mediterranean countries are far more important producers.

Imports of fresh or refrigerated vegetables into the EEC (Table 5A.1) from ACP countries are about 3% of total imports of such vegetables in quantity terms, but about 7% in value - on the whole, therefore, rather unimportant. However, the discrepancy between quantity and value shares does indicate that ACP exports are of high per unit value as is the case for out-of-season produce,air freighted to Europe.

Kenya and Senegal are the principal ACP exporters of fresh or refrigerated vegetables to the EEC, followed by Guadeloupe and Martinique. Senegal's exports increased rapidly over the last four years. Kenya primarily exports green beans, melons and green peppers to the Community. Senegal's exports are made up of green beans, green peppers, melons, fresh tomatoes and eggplant (aubergines). Guadeloupe and Martinique produce a variety of European type out-of-season vegetables;green beans, carrots,green peas, etc.

Dried pulses: The Community imported about 13.1% of its beans and peas from ACP countries in 1976. These beans are mainly for the market in baked beans. Ethiopia is by far the most important ACP exporter of pulses to the EEC with about 56% of total ACP exports in 1976. Next are Tanzania,Kenya and Madagascar. The last two countries lost in importance over 1973-1976 while Tanzania almost doubled its exports over the same period (Table 5A.2).

Tomatoes: ACP states are relatively unimportant exporters of fresh tomatoes compared to Mediterranean countries and Eastern Europe state trading countries (Table 5A.3). The principal ACP exporter is Senegal with about 750mt per year. A processing plant for tomatoes (capacity 30,000mt per year) has been established in North-West Senegal but resulted in failure probably because of inadequate prices to farmers. In the EEC, the Netherlands is the main exporter of fresh tomatoes (produced under glass), over 300,000mt per year.

The major ACP producer of tomatoes is Nigeria followed by Sudan. The production of these countries is almost entirely for national consumption. Egypt is by far the largest tomato producer in Africa, ahead of Morocco, Tunisia and South Africa. Turkey is the largest producer in the Middle East. In Europe, Italy, Spain and Greece are the main producing and processing countries and are also large consumers (Table 5A.4).

Green Peppers: No data on ACP exports of green peppers

are available. Nigeria produces over half the crop in Africa (570,000mt out of 843,000mt in 1976). Other important African ACP producers are Ivory Coast with 18,000mt and Sudan with 4,000mt. Important non-ACP African producers are Egypt (129,000mt) and Tunisia (118,000mt). Turkey is by far the most important producer of the Middle East 378,000mt. In Europe, Italy (495,000mt), Spain (462,000mt), Yugoslavia (315,000mt), Bulgaria (274,000mt), Hungary (179,000mt), Romania (150,000mt), Czechoslovakia (50,000mt) and Greece (42,000mt) are important producers.

Eggplant (aubergines): No data on ACP exports of eggplant are available. Egypt (230,000mt in 1976)produces about two-thirds of the African production. Sudan is the most important ACP producer (76,000mt) followed by Ghana (29,000mt) and Ivory Coast (17,000mt). In the Middle East, Turkey is by far the most important producer with 496,000mt in 1976; the other important producing countries are Syria (122,000mt), Iraq (88,000mt) and Jordan(40,000mt). In Europe, Italy leads with 334,000 mt,then comes Spain (90,000mt), Greece (62,000mt) and France (29,000mt).

Oranges: ACP states are unimportant exporters of oranges to the EEC. Ghana leads production among the ACP states followed by Zaire, Madagascar, Sudan and Jamaica (Table 5A.5). Most, if not all of the production is for national consumption. The major producers and exporters for the EEC market are Italy,Spain, Israel,Greece,Morocco and South Africa. Egypt and Turkey are also important producers in the Middle East. North and Central America lead world production with the USA as the principal producer (Florida and California).

Tangerines, Mandarins,Clementines and Satsumas: Japan leads world production with 3,873,000mt in 1976 followed by the USA (666,000mt) and the Mediterranean countries of Europe, Asia and Africa; Spain (656,000mt), Italy(547,000mt), Turkey(115,000mt), Morocco (158,000mt), Algeria(150,000mt), Egypt(103,000mt) and Tunisia(31,000mt). In South America, Brazil(320,000mt) and Argentina (212,000mt) are by far the most important producers. The most important ACP producers are Ethiopia with 7,000mt and Jamaica with 6,000mt. Exports of tangerines etc.to the EEC are relatively unimportant compared to exports from Mediterranean countries.

Jamaica exported 2,000mt of oranges, tangerines and clementines, and 2,000mt of other citrus fruits in 1976. Trinidad exported 600mt and 310mt respectively. Mozambique is also an important exporter of oranges,tangerines and clementines, about 16,000mt in 1976. Statistics are not available to determine what share of these exports went to the EEC.

Lemons and Limes: Italy leads production with 817,000mt in 1976 followed by the USA (653,000mt), Mexico (600,000mt), India (453,000mt),Turkey(280,000mt), Spain (233,000mt), Argentina (224,000mt), Greece (180,000mt), Peru (92,000mt), Lebanon (81,000mt), etc. The most important ACP producers are Sudan (36,000mt), Ghana (32,000mt) and Jamaica (20,000mt). ACP exports to the EEC are insignificant.

Grapefruit and Pomelo: the USA count for more than half of the world production (2,585,000mt out of a world total of 4,000,000mt in 1976). The second major producer is Israel with 460,000mt. The most important ACP producers are Sudan (53,000mt), Jamaica (30,000mt) and Trinidad (11,000mt). No data are available on ACP exports to the EEC.

TABLE 5A.1 IMPORTS OF FRESH OR REFRIGERATED VEGETABLES IN THE EEC

Q (Quantity)=M. tons ; V (Value) = 1,000EUA; . information not available; - zero or negligible.

	1973		1974		1975		1976	
	Q	V	Q	V	Q	V	Q	V
ACP								
Cameroun	-	-	-	-	-	-	206	114
Ivory Coast	601	325	799	410	11,597	390	152	113
Ethiopia	8,530	4,539	5,827	3,294	3,203	1,536	1,583	988
Upper Volta	331	254	452	300	650	580	826	964
Jamaica	438	129	521	197	833	291	442	183
Kenya	5,551	3,616	6,182	4,869	6,858	5,818	7,892	7,456
Mali	189	110	394	252	540	488	689	549
Niger	209	152	209	157	162	178	292	349
Rwanda	89	63	488	333	344	267	462	389
Senegal	2,753	1,878	3,117	2,181	4,030	3,684	6,298	5,518
Surinam	236	223	255	261	402	402	349	468
Trinidad and Tobago	19	22	62	58	211	180	-	-
DOM								
Guadeloupe	.	.	.	.	4,135	2,520	3,645	2,793
Martinique	.	.	.	.	3,242	2,099	2,175	1,914
PTOM								
West Indies	.	.	.	.	949	451	1,110	557
Total ACP	18,946	11,311	18,306	12,312	17,830	13,814	19,191	17,091
ACP/Extra EEC%	3.1%	7.4%	2.9%	7.6%	3.0%	8.1%	2.7%	6.7%
Total Extra EEC	613,586	153,088	626,351	162,805	601,184	170,756	702,796	253,656
Total World	.	.	.	.	2,353,005	644,677	2,516,802	889,710

Total Extra EEC: corresponds to the total exchanges of the EEC-9 with the rest of the world, i.e. net imports of the Community.

Total World: corresponds to the total exchanges of each of the nine countries of the EEC with all other countries of the world, including the Member States of the EEC.

Source: Evolution des échanges commerciaux entre la Communauté et les Etats ACP,première partie: classement par produits, Brussels,Commission des Communautés Européennes,VIII-A-3,VIII/373/78-F, 3 avril 1978,p.17.

TABLE 5A.2 IMPORTS OF DRIED (SHELLED) PULSES IN THE EEC

Q (Quantity) = M. tons ; V (Value) = 1,000EUA; . information not available; - zero or negligible.

	1973		1974		1975		1976	
	Q	V	Q	V	Q	V	Q	V
ACP								
Djibouti	.	.	.		701	242	-	-
Ethiopia	50,825	10,509	46,579	19,943	51,990	15,753	41,107	12,984
Kenya	10,004	2,446	4,760	2,021	7,035	2,460	7,219	2,519
Madagascar	15,457	2,595	8,082	3,761	5,969	2,301	7,090	2,698
Malawi	8,293	1,082	1,122	317	1,021	289	1,591	708
Sudan	1,033	312	1,143	572	327	108	1,308	578
Tanzania	8,548	2,171	9,585	3,528	13,633	6,582	15,315	8,313
Total ACP	94,160	19,115	71,271	30,142	60,676	27,735	73,630	27,800
ACP/Extra EEC%	13.0%	11.5%	14.8%	15.4%	15.9%	16.5%	13.1%	14.1%
Total Extra EEC	722,158	165,566	482,815	196,130	506,128	168,508	563,727	196,769
Total World	.	.	.	.	649,726	215,510	700,295	244,962

Source and Explanatory Notes: As Table 5A.1.

TABLE 5A.3 EXPORTS OF FRESH TOMATOES: 1974 - 1976

Q (Quantity) = M. tons; V (Value) = 1,000$

Country	1974		1975		1976	
	Q	V	Q	V	Q	V
AFRICA	148,689	42,978	147,512	43,862	120,689	33,304
ACP States						
- Ethiopia	100	20	100	25	100	25
- Kenya	56	20	1	.	45	18
- Senegal	357	103	752	204	750	200
- Tanzania	16	9	10	1	19	14
- Tonga	44	30	53	34	62	38
- Trinidad	35	28	39	28	39	28
Non-ACP States						
- Morocco	145,698	42,082	144,054	42,630	115,000	32,000
-S.Africa	340	95	340	96	45	16
- Egypt	1,976	613	2,188	856	4,700	1,000
- Tunisia	22	3	2	1	.	.
N.C. AMERICA	378,984	134,222	424,496	199,034	454,828	162,293
STH AMERICA	4,966	1,346	3,046	1,186	2,398	961
ASIA	130,519	10,767	83,679	9,190	84,624	10,716
EUROPE						
- Bulgaria	130,340	17,000	103,718	18,500	129,499	21,000
- Nether-lands	327,942	183,957	302,737	213,953	321,654	210,568
- Romania	136,800	35,000	106,100	32,877	117,000	34,000
- Spain	172,986	41,906	216,398	74,259	116,840	71,347
OCEANIA	367	304	337	287	377	302
WORLD	1,503,456	495,896	1,469,627	632,170	1,543,777	583,859

Source: FAO, Trade Yearbook, vol 30, 1976, table 58.

TABLE 5A. 4 PRODUCTION OF TOMATOES IN 1,000 mt.

Country	1961-65	1974	1975	1976
AFRICA	2,198	3,410	3,942	4,120
- ACP States				
- Ethiopia	9	9	9	9
- Ghana	17	103	90	97
- Nigeria	186	220	230	235
- Senegal	2	10	15	15
- Sudan	99	135	140	142
- Tanzania	8	14	14	15
- Non-ACP States				
- Algeria	124	121	135	135
- Egypt	1,069	1,729	2,107	2,230
- Libya	55	100	192	204
- Morocco	233	250	315	322
- S. Africa	184	225	250	260
- Tunisia	96	238	267	275
MIDDLE EAST				
- Israel	101	190	278	210
- Syria	133	396	375	450
- Turkey	1,199	2,150	2,300	2,355
EUROPE	8,207	13,133	12,704	11,881
- Bulgaria	738	864	569	768
- France	525	563	639	600
- Greece	408	1,635	1,627	1,500
- Italy	2,875	3,637	3,512	3,015
- Netherlands	257	372	347	360
- Portugal	333	768	840	630
- Romania	465	1,232	968	1,200
- Spain	1,300	2,399	2,488	2,054
N.C. AMERICA	6,144	9,259	10,586	8,629
- Trinidad	3	11	10	10
SOUTH AMERICA	1,278	2,174	2,071	2,240
ASIA	5,618	8,858	9,703	9,993
OCEANIA	192	237	233	239
- Tonga		1	1	2
WORLD	25,957	40,881	42,830	40,802

Source: FAO Production Yearbook, vol 30, 1976, table 43.

TABLE 5A.5 PRODUCTION OF ORANGES IN 1,000 mt.

Country	1961-65	1974	1975	1976
AFRICA	1,788	3,066	2,883	3,080
- ACP States				
- Ghana	26	160	165	165
- Kenya	6	12	12	13
- Madagascar	14	91	83	84
- Senegal	3	12	16	16
- Sudan	29	40	41	42
- Zaire	60	95	98	102
- Non ACP States				
- Algeria	283	350	337	340
- Egypt	289	819	856	900
- Morocco	465	677	477	566
- S. Africa	467	632	600	640
- Tunisia	58	59	76	86
MIDDLE EAST				
- Israel	563	1,266	1,052	1,200
- Gaza Strip	68	138	145	152
- Iran	42	100	117	119
- Turkey	240	510	551	561
EUROPE	2,964	4,397	4,263	4,034
- Greece	319	583	538	540
- Italy	890	1,770	1,580	1,624
- Spain	1,623	1,921	2,016	1,737
- Portugal	127	114	120	123
N.C. AMERICA	5,847	10,876	12,194	12,404
- Jamaica	72	39	40	41
- Trinidad etc	16	12	3	12
S. AMERICA	3,202	8,033	8,102	9,134
ASIA	2,810	4,799	4,643	4,892
OCEANIA	207	349	371	393
WORLD	16,855	31,642	32,609	34,091

Source: FAO Production Yearbook, vol 30, 1976, table 62.

TABLE 5A.6 PRODUCTION OF PINEAPPLES IN 1,000 mt.

Country	1961-65	1974	1975	1976
AFRICA	322	738	738	789
- ACP States				
- Cameroon	2	18	18	18
- Ghana	21	35	16	27
- Guinea	12	13	14	15
- Ivory Coast	32	228	233	240
- Kenya	22	45	73	100
- Madagascar	7	54	53	46
- Swaziland	4	21	21	21
- Tanzania	38	44	45	46
- Zaire	26	31	31	31
- Non-ACP States				
- Angola	11	22	22	25
- Mozambique	16	18	12	13
- S. Africa	123	193	184	190
N. C. AMERICA	1,232	1,095	1,119	1,166
- Martinique	18	25	30	32
- USA	829	635	617	626
S. AMERICA	473	840	991	982
ASIA	1,537	2,450	2,396	2,431
EUROPE	3	2	2	2
OCEANIA	93	126	113	129
- Fiji	1	1	1	1
- Papua N. Guinea	5	8	8	8
- Somoa	3	5	5	5
WORLD	3,660	5,250	5,357	5,499

Source: FAO Production Yearbook, vol 30, 1976, table 64.

TABLE 5A.7 IMPORTS OF PINEAPPLES IN THE EEC

Q (Quantity) = M. tons; V (Value) = 1,000 EUA; . information not available; - nil or negligible .

Country of origin	1973		1974		1975		1976	
	Q	V	Q	V	Q	V	Q	V
ACP								
Cameroon	.	759	2,991	1,066	3,371	1,457	5,050	2,308
Ivory Coast	.	13,445	50,361	17,482	57,207	23,655	52,272	23,713
Kenya	.	1,093	1,910	1,155	1,774	1,066	1,339	849
DOM								
Guadeloupe	.	75	-	-	-	-	-	-
Martinique	.	1,037	1,618	621	-	-	1,088	347
Total ACP	.	15,298	55,262	19,703	62,352	26,179	58,661	26,870
ACP/Extra EEC%	.	85.3%	90.9%	89.9%	91.0%	92.1%	82.7%	86.8%
Total Extra EEC	.	17,934	60,791	21,914	68,250	28,406	70,884	30,959
Total World	.	19,046	62,069	22,401	69,756	29,089	71,885	31,470

Source and Explanatory Notes: As Table 5A.1.

TABLE 5A.8 IMPORTS OF PRESERVED PINEAPPLES (CANS AND PACKAGES OF DIFFERENT WEIGHTS) IN THE EEC

Q (Quantity) = M. tons; V (Value) = 1000 EUA; . information not available.

Country of origin	1973		1974		1975		1976	
	Q	V	Q	V	Q	V	Q	V
ACP								
Ivory Coast	.	.	51,601	23,663	45,633	23,463	49,010	28,317
Kenya	.	.	5,840	2,774	11,656	6,017	15,295	9,263
Swaziland	.	.	2,177	974	4,767	2,045	4,559	2,328
DOM								
Martinique	.	.	7,944	3,510	10,557	5,430	10,909	5,991
Total ACP	.	.	59,618	27,411	62,056	31,525	68,864	39,908
Total ACP/Extra EEC%	.	.	35.6%	37.4%	38.2%	41.1%	40.9%	44.3%
Total Extra EEC	.	.	167,448	73,254	162,382	76,726	168,198	90,003
Total World	.	.	168,562	73,894	163,765	77,544	170,395	91,206

Source and Explanatory Notes: As Table 5A.1.

TABLE 5A.9 IMPORTS OF PRESERVED FRUIT (WITH OR WITHOUT ALCOHOL OR SUGAR), INCLUDING PINEAPPLES IN THE EEC

Q (Quantity) = M.tons; V (Value) = 1,000 EUA; . information not available; - nil or negligible.

Country of origin	1973		1974		1975		1976	
	Q	V	Q	V	Q	V	Q	V
ACP								
Ivory Coast	52,643	17,865	53,076	24,211	50,198	25,860	53,938	30,902
Jamaica	2,637	1,097	2,689	1,237	3,526	1,901	1,422	748
Kenya	9,917	2,995	6,517	3,054	13,318	6,536	18,552	11,030
Malawi	-	-	-	-	-	-	783	546
Trinidad and Tobago	445	167	1,447	622	251	112	-	-
Swaziland	5,610	1,866	5,500	2,586	7,053	3,041	8,429	4,062
PTOM								
Belize	.	.	.	.	1,229	623	1,386	743
DOM								
Martinique	.	.	.	.	11,012	5,652	11,335	6,192
Total ACP	71,252	23,990	69,229	31,710	74,346	35,450	83,124	47,288
ACP/Extra EEC%					10.2%	10.6%	9.6%	11.7%
Total Extra EEC	.	.	.	.	729,099	334,039	863,963	404,251
Total World					957,898	461,759	1,125,346	558,771

Source and Explanatory Notes: As Table 5A.1.

Other Citrus Fruits NES : the major ACP producers are Sierra Leone (110,000mt, 1976), Swaziland (75,000mt), Ivory Coast (56,000mt) and Tanzania (33,000mt). Angola is also an important producer with 80,000mt. Swaziland is the principal ACP exporter with 49,500mt in 1976.

Pineapples: Ivory Coast and Kenya are large ACP producers of pineapples and have an important export trade in fresh and preserved pineapples. Particularly the Ivory Coast has developed its production and export considerably since 1961-65, see Tables 5A.6, 5A.7, and 5A.8.

Over 80% of the fresh pineapples imported in the Community originate in ACP states and the Ivory Coast takes up about 90% of the ACP exports of pineapples to the EEC; the remainder is filled by Cameroun and Kenya. Something similar, although less pronounced, applies with respect to preserved pineapples, where ACP states take about 40% of the imports in the EEC and whereby the Ivory Coast fills about 71% of the ACP share. The rest is taken up by Kenya and Swaziland. Martinique is also an important supplier of canned pineapple in the EEC market.

Over the last five years, Ivory Coast's production and exports to the EEC have remained fairly stable while Kenya's production and trade have increased considerably each year. The production of Madagascar, Swaziland, Tanzania and Zaire, other main producers in Africa, remains stable around the 1974 level.

Preserved Fruit: Imports of preserved fruit from ACP countries in the Community are about 10% of total imports in the Community. The Ivory Coast is the principal supplier (65% of total ACP imports in the EEC in 1976) followed by Kenya and Swaziland. Imports from Martinique are also important (Table 5A.9). Kenya's share in the ACP imports is steadily increasing from 14% in 1973 to 22% in 1976. Most if not all of the ACP imports of preserved fruit in the Community are canned pineapples.

Avocados: Cameron is the major African producer with 21,000mt in 1976 followed by South Africa (14,000mt), Zaire (11,000mt), Madagascar(6,000mt) and Ghana (4,000mt). Martinique (4,000mt) and Jamaica (3,000mt), are important producers in the Caribbean. Mexico is the leading producer in the world with 293,000mt in 1976, followed by the Dominican Republic (131,000mt) and Brazil (125,000mt). No data were available on ACP exports to the EEC.

Mangoes: India (8,847,000mt in 1976) leads world production, followed by Brazil (635,000mt), Pakistan (600,000mt),Mexico (425,000mt), Bangladesh (290,000mt), Haiti(283,000mt), and the Philippines (210,000mt). The most important ACP producers are Tanzania (172,000mt), Zaire (70,000mt), Sudan (61,000mt) and Sierra Leone (52,000mt). No data are available on ACP exports to the EEC.

Papayas: the major producers are India (200 mt in 1976), Mexico (183mt), Brazil (114mt) and Ecuador (78mt). The most important ACP producer is Jamaica (37mt). The major African producers are Mozambique (36mt) and South Africa (20mt). No data are available on ACP exports to the EEC.

Cashew Nuts: the major producers in Africa in descending order are Mozambique (200,000mt in 1976), Tanzania (83,397mt) and Kenya (20,000mt). The other major producers in the world are India (243,000mt) and Brazil (27,000mt). No data are available on ACP exports to the EEC.

Bananas: Table 5A.10 showing the production of bananas for different countries indicates that several African countries, such as Burundi, Tanzania and Uganda, which are not exporters are nevertheless important producers and consumers of bananas. However a confusion with cooking bananas (plantains) in the compilation of production statistics may have occurred.

TABLE 5A.10 PRODUCTION OF BANANAS IN 1,000 mt

Country	1961-65	1974	1975	1976
AFRICA	3,014	4,124	4,207	4,319
-ACP States				
-Burundi	690	846	897	915
-Cameroon	205	94	96	96
-Cent.Afr.Emp.	45	68	70	71
-Comoros Isl.	75	93	93	96
-Ethiopia	38	63	65	67
-Guinea	87	65	60	70
-Ivory Coast	128	208	194	170
-Kenya	132	183	187	192
-Liberia	55	62	63	64
-Madagascar	144	325	421	395
-Somalia	126	160	130	150
-Sudan	35	80	80	83
-Tanzania	468	720	750	770
-Uganda	293	320	320	327
-Non-ACP States				
-Angola	195	320	250	300
-Egypt	58	110	112	115
-Mozambique	25	68	60	65
-South Africa	41	96	100	105
N.C. AMERICA	4,526	6,621	6,902	7,065
-ACP States				
-Jamaica	202	132	127	140
-DOM				
-Guadeloupe	164	162	140	140
-Martinique	163	220	184	196
-Non-ACP States				
-Costa Rica	462	1,151	1,240	1,240
-Dominican Rep.	318	302	302	302
-Guatemala	337	500	520	550
-Honduras	750	1,360	1,400	1,400
-Mexico	856	1,070	1,241	1,340
-Nicaragua	224	305	310	314
- Panama	561	977	989	990
S.AMERICA	8,446	13,226	12,499	13,963
-ACP States				
-Surinam	6	46	46	46
-Non-ACP States				
-Brazil	4,087	6,974	7,081	8,121
-Colombia	577	954	1,050	1,100
-Ecuador	2,661	3,397	2,569	3,000
-Venezuela	749	937	860	890
ASIA	7,984	11,377	12,258	11,771
EURCPE	372	427	385	355
-Portugal	31	26	23	26
-Spain	340	399	361	327
OCEANIA	828	989	1,001	1,032
-ACP States				
-Samoa	39	22	22	36
-Papua N. Guinea	650	825	840	855
WORLD	25,180	36,763	37,252	38,504

Source: FAO Production Yearbook, Vol.30, 1976, Table 65.

6 BEEF

BY KEVIN PARRIS

During the 1970s, the world beef economy has experienced considerable instability. As far as the EEC is concerned, developments during the present decade can be divided into three phases:-

a) 1970 - 1973, when production increased but there were relatively high import levels.

b) 1974- 1976, when the Community was virtually self-sufficient, with production almost static and stringent restrictions on import levels.

c) 1976 - 1978, during which production has fallen slightly and the EEC has again been a net importer of beef and veal.

Lomé exports form only about 0.4% of total Community beef and veal consumption (excluding manufactured products) and around 6-7% of EEC imports.

A. EEC Beef Sector: Production and Consumption Balance (Table 6.1)

The Community's beef industry forms a major part of EEC agriculture. It occupies 6% of Community agricultural area, and provides in value almost 16% of final agricultural production. The EEC is the world's second largest beef and veal producer (after the US) making up 14% (1976) of world production. At present EEC cattle numbers are around 77 million head and this compares with a high at the end of 1974 of about 79 million head. In the longer term, the EEC may be moving towards approximate stability in cattle numbers.

Although output increased by 2% per annum between 1968-1975, it reached a peak in 1974 at about 6.6 million mt (carcase weight equivalent) and since 1976 has fallen to about 6.5 million mt, with estimates for 1977/78 showing a further decline to approximately 6.1 million mt. Within the Community, France, Germany, Italy and the UK, together account for roughly 80% of total EEC beef and veal production. Ireland contributes only a small percentage of the Nine's total output value (4½%), but its beef and veal sector comprises 37% in value of its final agricultural production, compared with much lower figures in the countries listed above (18%, 17%, 11% and 16½% respectively).

During the 1960s, and up to 1973, rapid economic growth meant that 'income factors' were the main cause of rising beef consumption in the EEC (See Table 6.1.) Despite the economic recession, between 1974 - 1976 consumption of beef continued to increase slightly (as against veal which declined), partly the consequence of higher production. This was induced by high prices in the 1971 - 1973 period, with consequent beef production increases during 1974 - 1976 and a subsequent decline in market prices which was eased by various internal support and import measures. Since 1977 consumption levels of beef have declined and this seems largely the result of more competitive pigmeat prices. These 'price factors' will probably continue in the 1980s as the major force affecting beef consumption in the EEC, as increases in consumer disposable incomes seem likely to be modest.

* The Author would like to thank Bob Eansback of the Meat and Livestock Commission, and Michael Haines, Department of Agricultural Economics, Aberystwyth, for their useful comments on earlier drafts of this chapter.

As a share of total meat consumption between 1965 to 1975, beef and veal showed a decline from about 35% to 33%. Against this, were increases for poultry (14% to 16%) and pigmeat (41% to 43%). Whilst the average level of beef consumption in the Nine is about 23 kg/head(2kg/head for veal) Belgium and Ireland have much higher levels of consumption, 27 and 26 kg/head respectively. Denmark is lower at 15kg/head, the other 'Six' being grouped around the average.

The import requirements of beef from non-member states during the 1970s can be divided into three phases as indicated in the first paragraph of this chapter. From 1970 - 1973, when self-sufficiency levels for beef and veal in the Community were around 90% and import levels were relatively high, approximately 1 million mt/annum of beef and veal were imported into the Nine. Between 1974 - 1976 when, with the inducement of high prices in 1971 - 1973, increased production meant that the Community became self-sufficient in beef and veal. There was turmoil in the EEC's beef sector at this time due to a decline in market prices, and imports were severely restricted, falling to around ¼ million mt. Since 1977, mainly under the influence of declining production, self-sufficiency has decreased slightly, implying a small increase in imports to about 350 - 400,000 mt. The increase in imports has also been facilitated by special concessionary arrangements (mainly reductions in the import levy) which are discussed below.

The EEC has been the world's second largest import market, after the USA, and Community beef and veal imports, despite more recent curbs, represent approximately 13% of total world imports. The structure and origin of these imports are as follows:-

a) Live cattle and calves: Imports are almost exclusively of Eastern European origin, although some animals are imported from Austria, Spain and Switzerland.

b) Fresh and chilled beef: Again East European countries are the major suppliers, but certain South American exporters - Argentina and Uruguay- are also important as is Botswana. Residual amounts come from Australia, New Zealand and Switzerland.

c) Frozen beef: There is a fairly broad range of sources of frozen beef imports into the EEC, including Argentina, Uruguay and Brazil, Australia and New Zealand, the ACPs (Botswana and Swaziland), and East European countries.

d) Processed beef products: Australia and Argentina are important in this group, although the EEC does import some processed products from ACPs, such as Kenya.

Imports of beef and veal from non-member countries according to these categories, for 1977, were as follows:-

Live cattle and calves	-	45,000	(Carcase weight equivalent, metric tons)
Fresh and chilled	-	48,000	
Frozen	-	141,000	
Processed products	-	111,000	
TOTAL		345,000	

TABLE 6.1 EEC: SUPPLY, UTILISATION AND PRICES OF BEEF AND VEAL, 1972-1977

(Carcase weight equivalent)

Year	Live cattle Numbers (Dec.)	Production	Per capita consumption	Self-sufficiency	Imports (Excl.EC Trade)	Exports Intra-Trade	Price Fat Cattle Market Price	Price Fat Cattle Guide Price
	millions	1000 mt.	kg/head	%	1000mt	1000mt	ua/100kg.Live weight	
							(A)	(B)
1972	71.1	5,564	24.4	82.0	952	58	87.6	76.5
1973	74.8	5,590	24.4	85.6	1,008	75	91.4	86.2
1974	78.9	6,630	25.2	99.9	432	207	85.3	98.5
1975	79.3	6,619	25.2	100.8	255	232	94.7	108.9
1976	77.3	6,535	25.1	99.0	377	200	101.6	118.7
1977	76.9	6,410	25.1	97.0	345	130	105.5	122.9

(A) Representative markets, for Ireland and UK, including accession compensatory amounts.

(B) Guide price of the Community excluding Ireland and UK, unti 1/1/78, when common price applies.

Sources: European Commission and Meat and Livestock Commission (various publications).

B. The Common Agricultural Policy and Trading Regime For the EEC Beef Sector

The EEC support regime for beef and veal resembles quite closely the basic CAP price support system outlined in Chapter 2. A 'guide price' is determined each year at a level which is meant to provide a reasonable return to producers. The main internal measures for supporting market prices inside the EEC are the intervention support buying arrangements and the aids to private storage. Under the provision for intervention, intervention buying-in prices are established for various categories of meat, and related to the EEC intervention price, which is currently fixed at 90% of the 'guide price'.

Imports of most types of beef from third countries are subject to custom duties and variable levies (see Appendix 3). The variable levies are calculated as the difference between the EEC 'guide price' and the 'world price' (adjusted for the customs duty). The actual levy paid is subject to a complicated set of adjustments to take into account the prevailing market price for beef within the EEC. The rate of levy applied depends on the relationship between the estimated EEC internal market price, (or 'reference price') and 'guide price'. When the 'reference price' is above 106% of the 'guide price' no levies are payable; when the 'reference price' is below 90% of the 'guide price', 114% of the levy is payable. Different rates of levy are payable between these extremes.

Of particular interest to the ACPs are the EEC's exceptions to the normal import restrictions, and these special arrangements broadly cover: (a) Imports of beef from ACP countries; (b) The GATT quotas; (c) The balance sheet/ 'jumelage' scheme; (d) The 'young animals' balance sheet; (e) Animal health and food hygiene regulations.

a) Imports of beef from ACP countries: Under the Lomé Convention, an annual quota of beef can be imported into the EEC free of duty. The countries and quantities involved for 1978 are:-

Botswana	-	21,267	
Madagascar	-	8,521	(metric tons, boneless equivalent)
Swaziland	-	3,780	
Kenya	-	159	
	TOTAL	33,727	

In addition to the duty concessions it has been accepted that for a specific amount within the quota, the ACPs will pay only 10% of the EEC's variable import levy, the remaining 90% being collected in the exporting ACP country, the revenue from which is then reinvested in the local beef economy. In 1975 this quota was 23,000mt. From 1976 - 1978 the position was as follows:-

	Quota	Actual Imports 1976	Actual Imports in 1976 as a % of quota	
Botswana	17,360	16,931	97.5	(metric tons, boneless)
Madagascar	6,956	953	13.7	
Swaziland	3,086	2,940	95.3	
Kenya	130	13	10.0	
TOTAL	27,532	20,837	75.7	

The bulk of the ACP's export quota to the EEC went to the UK,about 95% in 1976, partly because of different health regulations in the other EEC Member States. The remainder went to France. Also, in 1976, while Botswana and Swaziland took up most of their quota, Madagascar and Kenya failed to do so. The foot and mouth epidemic in Botswana has also meant that, since the end of 1977, the UK has taken steps to prevent export of infected meat.* This has serious implications for the country's export trade, for the UK and South Africa (which also barred infected meat) accounted for, respectively, 62% and 25% of Botswana's total beef exports in 1976.

b) The GATT quota: Under the GATT, the Community has agreed to allow an annual import quota of 38,500 mt. of frozen beef (expressed as boneless meat). The quota is granted entry levy free, although the full duty is payable, and each Member is allowed to allocate and administer its share of the quota as it desires. Also 43,000 head of cattle can enter levy free at a reduced rate of duty.

c) The balance sheet/'jumelage' scheme: For 1978 the EEC has determined, from making a 'balance sheet' of its requirements of frozen beef and veal (i.e. from domestic supplies, ACP, GATT, quotas, etc), that its additional requirements for manufacturing grade beef is 50,000 mt, which will be imported under two schemes - System A, where a nil levy, and system B, where a nil levy or reduced levy,will be charged on various grades of manufacturing beef. 20,000 and 30,000 mt. of beef have been allocated under each system respectively and one of the main conditions of these arrangements is that to qualify for a licence to import beef, traders must purchase an equivalent quantity of intervention beef (i.e. a 1:1 'jumelage' scheme).

d) The'young animals' balance sheet: The EEC also makes a 'balance sheet' of its requirements of young cattle for further fattening. On the basis of this assessment, it decides on the number of the animals which can be imported, subject to reduced levy rates.

e) Animal health and food hygiene regulations: Whilst animal health and food hygiene regulations are not devised by the EEC (or individual Member States) as an 'intentional' means of controlling beef and veal imports (although it has been suggested they are sometimes used this way), they nevertheless have this effect. In the case of ACPs as with many other LICs, these 'non-tariff measures' (NTMs) form a severe impediment to the expansion of their exports of meat products to the Community. (For a more detailed discussion of NTMs see Part III).

Most of the ACP beef exports are sent to the UK, as a result of the failure of these exports tc comply with the animal health/food hygiene regulations in the other Member States. This, together with the recent UK ban on exports of Botswanan beef due to the foot and mouth epidemic, indicates the potency of these measures in affecting trade flows.

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* This export ban on Botswana beef has been partially lifted as of July 25th, 1978.

C. Outlook for The EEC Beef Sector

A number of factors appear likely to influence the future development of the EEC beef sector and, consequently, the potential for third country access.

With the continuation of the Western Hemisphere's economic recession, forecast to be prolonged until at least the early 1980s, and with strong price competition from other meats, it would appear likely that 'price' rather than 'income' factors will be the more important cause of future changes in consumption levels of beef and veal in the EEC.

Especially since the turmoil in the EEC beef markets, the Community has developed a relatively large and costly intervention stock of beef. These stocks are currently around 295,000 mt., (June 1978, product weight) which by way of comparison is about 10 times the size of the present ACP's beef quota. If existing EEC price support policies in the sector, coupled with overall sluggish (if not declining) consumption levels of beef should continue, then the intervention problem can only deteriorate into even larger stocks. This will presumably not improve the possibility of greater access for beef exports of non-member countries to the Community.

Changes in other CAP policies, notably in the dairy sector, have a profound impact on developments in the EEC beef sector. The general CAP dairy policy has contributed towards the increase in beef output. However, recently, cow numbers have stabilised, and the Commission has embarked on a programme * to restore the balance to the dairy sector (i.e. dairy conversion scheme). Despite this development, improvements in cattle productivity, higher carcase weights and a bigger percentage of calves kept for beef production, amongst other factors, appear to be stimulating beef output in the Community.

Enlargement to twelve Member States would not seem to imply any significant development in the EEC's beef industry. While in Greece, Portugal and Spain, per capita consumption of beef is about 10kg/head/annum, below that of the Nine, the fact that increased beef production possibilities are limited in these countries, which are already almost self-sufficient in beef, indicates no radical change in present Community production or import patterns, as a consequence of enlargement.

While remembering that alterations to the EEC's CAP support policies in the beef sector occur regularly and would have a major influence on the future outlook of the industry, it can be concluded that a small net importing position might be sustained into the early 1980s.

D. ACP's Beef Sector In Context of Lomé

A study of beef production in the ACPs reveals two trends during the past 10 to 15 years. For the Sahel region, including such important beef producers/traders as Chad, Mauritania, Niger and Mali, there has been a general drop in stocking levels of cattle, a fall in the average carcase weight and, as a result, a drop in beef and veal production of between 10 to 20%. Drought conditions, which have lasted for about 5 to 10 years, appear to have been the main reasons for deterioration in output. For non-Sahelian beef producers/traders,e.g. Botswana, Lesotho,Swaziland and Madagascar, the reverse is true with production increasing since the mid-1960s by between 10 and 20%**

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* E.C.,1976A.

** The Courier, 1976, provides an account of animal husbandry in ACPs.

TABLE 6.2 BEEF PRODUCTS* SHARE IN ACP TOTAL EXPORTS

(Value terms - expressed as a percentage of total exports)

Country	%	Years	Comments
Botswana	41	1973-75	Exports are mainly fresh,chilled or frozen. Roughly one-third of exports to UK, EEC's sole importer.
Upper Volta	21	1973-75	Exports are mainly live animals to LICs. A small quantity exported to France of fresh, chilled or frozen, but stopped in 1974.
Lesotho	16	1971-73	Exports are mainly live animals to LICs.
Somalia	14	1972-74	About one-half of exports are live animals to LICs. Rest canned meat mainly to Centrally Planned Economies,but also Italy and Belgium.
Chad	14	1972-74	Exports are mainly fresh,chilled or frozen to LICs.
Niger	13	1973-75	Exports are mainly live animals to LICs, but small quantity of fresh chilled or frozen to France; stopped 1974.
Mali	9	1974-76	Exports are mainly live animals to LICs.
Madagascar	7	1973-75	Exports are mainly fresh, chilled or frozen to LICs. Canned meat mainly to EEC, mostly France, cut down since 1974, some also to West Germany.
Ethiopia	6	1973-75	Exports are mainly live animals. Some potential in canned products. Existing markets Italy and West Germany.
Sudan	3	1973-75	Exports are mainly live animals to LICs.
Kenya	3	1974-76	Exports fresh,chilled and frozen but also canned meat. Most of latter to UK.
Mauritania	37 **	1975-76	Exports live animals to other LICs.
Guinea	22 **	1975-76	Exports live animals to other LICs.
Swaziland	6 **	1975-76	Exports are fresh, frozen or chilled to LICs, but some to UK and also canned products.

* Beef products include: Live animals (001.1 SITC); Fresh,chilled or frozen (011 SITC) and canned meat (014 SITC).

** Beef product exports as a % of total agricultural exports.

Sources: FAO 'Trade Yearbook', 1976.
Eurostat - 'ACP Yearbook of Foreign Trade Statistics, 1968-1976', European Commission, November 1977.

Consumption data for animal products, let alone for beef, are difficult to find. However, consumption of animal protein per capita per day (FAO, 1977A) suggests only a small increase since the early 1960s of about 5% in Africa as a whole, compared with a world rise of some 15%. Consumption levels are also some of the lowest in the world, and certainly the natural increases in population, coupled with increases, albeit extremely low, in disposable incomes, suggest pressure on potential export supplies, especially in the Sahel regions, where production levels have in general fallen.

The export pattern of beef products from ACPs is mainly concentrated in live animals, accounting for over a half in value terms of all beef exports. However, most of these exports are to neighbouring countries, and in fact the movement of cattle across national frontiers, especially in the Sahel region, does raise considerable doubts concerning the accuracy of export figures for these countries, i.e. Mauritania, Mali (West Sahel); Niger, Chad(Central Sahel); Ethiopia, Somalia (East Sahel). Fresh, chilled or frozen beef account for a further third of ACP beef exports, with the remainder in manufactured form. In total, ACP exports make up about 6-7% (in volume terms) of total EEC import requirements and although import restrictions including animal health and food hygiene regulations are an impediment to trade in beef products, there does appear some potential for export of manufactured meat products.

The UK is the main beef export outlet for the ACPs amongst the Nine, with the French having severely curtailed their imports since 1974. Italy and West Germany have shown interest in ACP manufactured meat products. Most of the Community supplies imported from the ACPs are from Botswana, Madagascar, Kenya and Swaziland. The Sahel countries have only managed to export minor quantities of manufactured products to the Nine. The failure of the Sahel countries to export to the EEC appears due to a combination of severe drought conditions, growing domestic demand curtailing exports, and most importantly, an inability by these countries to comply with Community animal health and food hygiene regulations.

Beef and its by-products are not included under the existing STABEX arrangements, but at a number of recent ACP/EEC ministerial meetings there has been a desire expressed by the ACPs to have beef included. The Community plays an important part in world trade for beef and thus is partly responsible for price developments on world markets. A number of ACPs are heavily dependent on exports of beef products in their total export earnings, or have important sectoral interests and are thus vulnerable to possible instability in their export earnings (see Table 6.2).

E. Trade Concessions and Lomé II Negotiations

The ACP quota arrangements, mentioned above, are the only concessions made to the ACPs and, besides the issue of health regulations, appear the only possible area of negotiations for the ACPs.

Discussions over the quota arrangement could take two forms. The EEC lobby, mainly France and Ireland, regard the levy reduction for ACPs as a derogation from the CAP and would prefer to discourage ACP beef imports into the EEC. The ACP negotiators consider they should enjoy a larger quota arrangement, with possibly some reallocation of quotas provided for under the EEC's GATT quota facility. The ACPs might also argue for the removal of the EEC's 10% levy imposed on their quota, although it is questionable whether the effort spent in negotiating for such a

concession would be worth the benefit to the ACPs.

With respect to animal health and food hygiene regulations, the area of greatest concern to ACPs, no concessions have been made to ACP beef exports, and this is unlikely to prove an area of discussion from the EEC's viewpoint. "While disease is the largest barrier acting against current export to Europe, Africa is also handicapped by a lack of capital and technicians able to increase production through better breeding, better animal husbandry and better processing of meat". (Wasserman, U., 1974). Thus it seems in the renewal of Lomé II that the ACPs might seek from the Community greater financial and technical assistance to help in eradicating these marketing problems, by developing disease-free beef export zones. These have been developed with some success, although at high cost, in Kenya and Botswana. The EEC is also making some efforts towards improvements in beef production in ACPs, through the 4th European Development Fund, which commenced from April, 1976, and schemes to date (May, 1978, see Table 6.3), have so far totalled assistance worth about 25 million US dollars.

Another area of interest to the ACP/EEC, is the structure of the beef trade itself. Within the EEC, particularly in the UK, the meat manufacturing industry requires beef of a kind suitable for manufacturing and which they claim is not available in sufficient quantities inside the Community. There could be opportunities for ACPs to export this type of meat to the EEC, perhaps through the establishment of a separate manufacturing grade beef quota, and by the development of indigenous meat manufacturing industries in ACPs.

However, attention should perhaps be drawn to the experiences of the more highly evolved South American beef export trade. In a number of these countries, exports of meat have increased, but per capita consumption has fallen, with often the poorest sectors of the society unable to afford meat. The export market has induced some farmers to switch from producing dairy products for local consumption to more profitable beef rearing. Also production and markets for beef export are rarely in the hands of the small producer, but usually controlled by "traditional oligarchs and multinationals, e.g. Union International". (For examples and a more detailed discussion of these implications, see Lappe and Collins, 1977, p.261-264).

If recent talks at GATT, to form a possible international agreement for beef, are any indication of the EEC's attitude towards concessions on third country imports, then prospects for the creation of a more open and liberal trading regime for beef in the Community are poor. The EEC have suggested at GATT an international cooperation scheme, essentially involving only exchange of information on market conditions, projections and future policy initiatives, etc. For the ACPs, this reflection of Community thinking provides a pessimistic outlook for future trade concessions under Lomé II with respect to ACP/EEC beef exports. But if the EEC is concerned over the need to expand ACPs exports, then the Community must be prepared to offer more substantial reductions in trade barriers and also assist ACPs in marketing beef exports to the Nine, especially in terms of improving the animal health/food hygiene problems in the Lomé countries' beef industry.

TABLE 6.3 4TH EUROPEAN DEVELOPMENT FUND: BEEF PROJECTS
(4th EDF commenced April,1976)

Country	Project type and comments	Units of Account (million)
Niger	Eradication of certain cattle diseases	1.42
Upper Volta	Transit grazing area and fattening centre. Improvements for domestic and export markets.	0.38
Niger	Stock fattening by peasant farmers. Help mitigate effects of Sahel drought.	1.61
Botswana	Country-wide animal and range assessment. To help domestic live-stock policy decisions.	0.70
Kenya	Veterinary centres and cattle dips. Assist domestic producers.	3.00
Chad	Integrated agricultural developments including increasing participation in organisations of farmers and stock-breeders.	15.63

Source: 'The Courier', published by European Commission (Various editions).

7 CEREALS

BY SIMON HARRIS

The cereals regime is often quoted as the classic CAP support mechanism, with its use of two principal policy measures - intervention buying to support domestic prices and variable levies to control imports. The aim of the regime is to guarantee a level of prices which producers will receive from the market. Normally these price levels are considerably higher than prices on world markets.

A. The Cereals Regime

In rather more detail the regime involves the following elements:

a) Target Prices, fixed for the main cereals (common wheat, rye, barley, maize, durum wheat) and representing the level of domestic market price it is desired that farmers should receive.

b) The Threshold Price, which is calculated mathematically from the Target Price in such a way as to ensure that imports can not undercut domestic market prices after allowing for the charges involved in unloading third country grain and transporting it inland. Variable import levies are charged on third country imports, and comprise the difference between lowest representative world offers to the Community and threshold prices. This, in effect ensures that virtually no third country grain can enter the Community at under the threshold price, and further, that most grain, except the very cheapest, will have a levy-paid price above threshold levels. Threshold prices apply for the main cereals (as above) as well as for oats, buckwheat, sorghum, millet and canary seed. The levies which enforce the threshold prices for these more minor (in Community terms) grains are, however, calculated principally by means of coefficients applied to Community barley and maize levies.

c) Intervention Prices are set below target prices (generally about 7%) and represent the level at which Member State Intervention Agencies have to accept all grain offered to them which meets certain quality and quantity standards. In other words, intervention is an open-ended purchase commitment at the given intervention price levels. Intervention is necessary as an additional support measure because of the Community's general surplus in cereals, at least for barley and feed wheat, with the consequence that control over imports alone is not sufficient to support Community market prices. Intervention, however, only applies for the major cereals which the Community produces domestically.

d) Additionally, a reference price applies for common wheat of breadmaking quality. This price is set higher than the intervention price for common wheat and carries with it a limited support commitment. For 1978/79, for at least the first three months of the season, special intervention buying support at the reference price will be available for common wheat meeting the minimum requirements for breadmaking.

e) The reference price for breadmaking wheat forms the apogee of the so-called 'silo' system for cereal support price relativities whereby feed grains have their intervention prices set at a uniform level while breadmaking wheat and rye are differentiated at substantially higher levels. The aim of the system is to allow the market to determine the appropriate price relativities between the various feed-grains while continuing to treat breadwheat as a premium cereal. Table 7.1. gives the various cereal price relativities for 1977/78 and 1978/79.

f) 'Other'Cereals are covered by the cereals regime, although not in such an institutionally detailed fashion as for the main cereals. Separate threshold prices apply for the more minor grains (Table 7.1.) in order to prevent competition for the main Community grains, but no intervention structure applies as Community production and self-sufficiency levels are lower. The cereal regime's coverage, however,is very much wider than just the whole grains,taking-in also first stage processed cereals (i.e. 'worked' cereal grains and cereal flours, brans and meals), starch containing roots (e.g. manioc), starch, gluten and malt. A full list is given in table 7.2. For all these products levies are charged on imports from third countries. These levies consist normally of two parts: *a fixed component representing a margin of protection for Community processors and a variable component derived by coefficient from the import levy for the base grain. For starch-containing roots, the base grain is assumed to be barley, although the yield of the levy is restricted to that of a 6% ad valorem duty by GATT duty binding. The current basic products, coefficients and fixed components are listed in Annex 1 of Regulation (EEC) No. 2744/75 (as amended by No. 832/76 and No. 2560/77).

g) Rice is treated an analogous fashion to the other cereals, although it has, in fact, a completely separate market support regime. The only slight difference is that the intervention prices are fixed for paddy rice, whereas the target and threshold prices are fixed for husked rice.

B. Trends in Community Supply/ Demand for Cereals and Developments in Community Cereals' Policy

The basic feature of the supply/demand situation for cereals is that the Community's overall cereal deficit is growing smaller, although the position varies from cereal to cereal. Barley and common wheat are generally in surplus;durum wheat and rye supplies are about equal to consumption; maize, sorghum and 'other' cereals are in substantial deficit, while oats is also in deficit, but on a smaller scale, (see Table 7.3 **). In general Community cereal production continues to rise because of the continuing trend to higher yields, rather than because of any increase in acreage ***. The Commission has estimated (EC, 1977,A) that production of all cereals tends to rise by about 2.5 million tonnes annually on the 1960/74

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* In the case of cereal flours, however, separate threshold prices are fixed as well.

** The trend to a decreasing overall cereals deficit is not apparent in table 3 because of the exceptionally poor Community harvests in 1975/76 and 1976/77.

*** Harvested area for cereals in the Community is relatively constant at about 27 million ha.

experience, despite the significant yield variations between years (due to weather fluctuations) which can be up to 6 million tonnes either way on a total harvest of around 100 million tonnes currently. Consumption, however, is rising rather more slowly than production. The Commission estimates the average at 1.3 million tonnes annually. It feels that the consumption increase would be larger if it were not for the displacement of cereals by imports of cereal substitutes, as discussed below.

The Community's fear is that the Community's overall net cereal deficit will change to a net surplus if these trends continue, while still leaving the Community with a substantial deficit for maize and an even larger surplus for feed wheat and barley. Consequently the Commission wishes to encourage a switch in Community cereal production towards maize and to encourage wheat and barley consumption relative to that of maize. The Commission has therefore followed a policy of raising maize prices in the cereals prices hierarchy to become par with other feed-grains, from being previously significantly below them.

For the future the Community faces some awkward choices with its cereals policy, both because of the developments within the cereals sector itself and also because of the interaction with livestock production, where the cost of animal feed is the single largest item in total production costs. This dilemma is exacerbated by the structure of the CET,whereby some cereal substitutes* are allowed in with little or no import barrier (especially manioc, where the yield of the levy is bound at the equivalent of a 6% duty under GATT): thus they are given a major price advantage against cereals which are traded within the Community at market prices which tend to be very much higher than world levels, due to the operations of the cereals regime.

Taking the problems within the cereals sector first, the most disturbing feature is the trend towards increased surpluses which involve higher budget outlays on intervention support and export restitutions to allow Community-produced cereals to be sold competitively on world markets. Despite the Community's continuing importance as a major cereal importer it is now developing as a significant cereal exporter as well. The obvious answer to this problem would be to lower cereal prices but this appears

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* Cereal substitutes are mainly alternative starch sources although at particular price ratios it can also pay to increase the usage of feeds being fed as protein sources (e.g. soya) and reduce cereal usage, thus implicitly using protein foods as cereal substitutes in compound animal feedingstuffs. The major items are manioc, bran, maize, gluten, waste products from the sugar,cereal milling and brewing industries and various fruit wastes. Cereal substitutes complicate the position as they help compounders lower the price of animal feeds, but at the expense of the usage of Community produced cereals. As a result, internal market prices for cereals are weakened and larger quantities of Community cereals have to be dumped at great expense on world markets. The import of cereal substitutes has risen substantially in recent years as the differentials between Community and world price levels have opened-out again after the 1972/74 world commodity boom, and the manufacture of animal feedingstuffs by compounders has developed: compound production has trebled since the early 1960s. Compounders with their use of 'least-cost' ration formulations are able to incorporate cereal substitutes without altering the nutritional value of the feedingstuffs in a way which was not possible when farmers were mixing rations themselves.

TABLE 7.1.

Main Support Prices in the Cereals Regime (ua/tonne)

		Common Wheat	Durum Wheat	Barley	Rye	Maize
Target Price	1977/78	158.08	224.27	144.97	155.12	144.97
	1978/79	162.39	224.27	147.23	155.12	147.23
Single Intervention Price	1977/78	120.06	203.01	120.06	128.96 ***	118.03
	1978/79	121.57	203.01	121.57	130.25	121.57
Reference Price for Breadmaking Wheat	1977/78	135.59*				
	1978/79	136.96*				
Threshold Price	1977/78	155.15	221.30	142.00	152.15	142.00
	1978/79	159.40	221.30	144.25	152.15	144.25
Aid	1977/78		60ua/ha**			
	1978/79		63ua/ha**			

		Oats	Buckwheat, Sorghum, Millet, canary seed
Threshold Price	1977/78	136.60	139.80
	1978/79	138.75	142.00

		Wheat Flour	Rye Flour	Common Wheat Groats and Meal	Durum Wheat Groats and meal
Threshold Price	1977/78	239.35	237.00	258.50	351.50
	1978/79	245.30	237.00	264.90	350.90

Notes: * Common wheat of break-making quality, satisfying only the minimum bread-making requirements.

** Limited to certain areas of the Community.

*** Premium for bread-making rye 4.50 ua/tonne.

TABLE 7.2.

The coverage of first-stage processed cereal products by the Cereals Regime

CCT heading No.	Description
07.06 A	Manioc, arrowroot, salep and other similar roots and tubers with high starch content, excluding potatoes.
ex 11.01	Cereal flours C. Barley flour D. Oat flour E. Maize flour G. Other
ex 11.02	Cereal groats and cereal meal; other worked cereal grains (for example,rolled,flaked,polished or kibbled but not further prepared), except rice falling within heading No. 10.06; germ of cereals, whole, rolled, flaked or ground.
	ex A. Cereal groats and cereal meal, except groats and meal of wheat and rice. B. Hulled grains (shelled or husked), whether or not sliced or kibbled. C. Pearled grains. D. Grains not otherwise worked than kibbled. ex E. Rolled grains, flaked grains except flaked rice. ex F. Pellets, except rice pellets. G. Germ of cereals,whole,rolled flaked or ground.
11.04 C	Flour and meal of sago and roots and tubers falling within heading No. 07.06.
11.07	Malt, toasted or not.
ex 11.08 A	Starches I. Maize starch III. Wheat starch IV. Potato starch V. Other.
11.0	Wheat gluten, whether or not dried.
17.02 B	Glucose and glucose syrup: 11. Other
21.07 F11	Glucose syrup, flavoured or coloured.
23.02 A	Bran, sharps and other residues derived from sifting, milling or working of cereals.
23.03 A1	Residues from the manufacture of starch from maize. (excluding concentrated steeping liquors), of a protein content,calculated on the dry product, exceeding 40% by weight.
23.07	Sweetened forage, other preparations of a kind used in animal feeding: ex B. Other, containing starch,glucose or glucose syrup, falling within subheadings 17.02 B and 21.07 F 11 or milk products (falling within heading No. 04.01, 04.02, 04.03 or 04.04, or within subheading 17.02A or 21.07 F1), except preparations and feedingstuffs containing 50% or more by weight of milk products falling within one or more of the above-mentioned headings or subheadings.

Source: Annex A of Regulation (EEC)No.2727/75 as amended by No.2560/77.

TABLE 7.3a

Total supplies of Durum Wheat and Common Wheat

(August-July)

Item	Durum Wheat			Common Wheat		
	1,000 tonnes			1,000 tonnes		
	1974/75	1975/76	1976/77	1974/75	1975/76	1976/77
Usable production	3,388	4,214	3,516	41,536	33,495	35,319
Change in stocks	455	667	n.a.	2,488	-2,777	500
Imports	1,364	989	665	4,248	4,394	3,233
Exports	186	292	383	7,470	7,448	4,441
of which intra-EC trade	404	543	n.a.	4,794	6,598	n.a.
Internal use of which:	4,111	4,244	4,108	35,826	33,218	33,611
- animal feed	0	0	n.a.	12,188	9,489	9,812
- seed	260	357	272	1,537	1,611	1,461
- industrial use	0	4	n.a.	159	180	210
- losses (market)	32	40	38	252	236	254
- human consumption(grain)	3,819	3,843	3,798	21,690	21,702	21,874
Human consumption of processed grain	2,818	2,829	n.a.	16,358	16,249	n. a.
Human consumption(kg/head)	11.0	10.9	10.8	63	63	63
Degree of self-supply (%)	82	99	85.6	116	101	105

TABLE 7.3b

Total supplies of barley and rye

(August-July)

Item	Barley			Rye		
	1,000 tonnes			1,000 tonnes		
	1974/75	1975/76	1976/77	1974/75	1975/76	1976/77
Usable production	34,476	32,128	29,751	3,266	2,784	2,819
Change in stocks	906	-1,222	- 194	- 151	- 143	48
Imports	1,248	2,053	3,928	256	201	238
Exports	2,638	4,135	2,067	106	92	35
of which intra-EC trade	3,837	3,688	n.a.	98	126	n.a.
Internal use of which:	32,180	31,268	31,806	3,265	3,036	2,974
- animal feed	24,559	24,148	24,537	1,775	1,598	1,496
- seed	1,460	1,385	1,437	143	141	152
- industrial use	5,620	5,220	5,370	49	45	47
- losses(market)	417	387	342	26	26	28
- human consumption(grain)	124	128	120	1,272	1,226	1,251
Human consumption of processed grain	68	71	n.a.	1,070	1,028	n.a.
Human consumption(kg/head)	0.3	0.3	0.3	4.0	4.0	4.1
Degree of self-supply (%)	107	103	93.5	100	92	94.8

TABLE 7.3c

Total supplies of other cereals (excluding rice)
(August-July)

Item	Other Cereals		
	1,000 tonnes		
	1974/5	1975/76	1976/77
Usable production	320	342	310
Change in stocks	8	-3	-22
Imports	1,227	1,703	1,471
Exports	27	29	245
of which intra-EC trade	452	994	n.a.
Internal use of which:	1,511	2,019	1,558
- animal feed	1,466	1,932	1,532
- seed	6	6	6
- industrial use	27	68	12
- losses (market)	6	8	3
- human consumption (grain)	5	5	5
Human consumption of processed grain	3	3	n.a.
Human consumption (kg/head)	0	0	0
Degree of self-supply (%)	21	17	19.9

TABLE 7.3d

Total supplies of maize, oats and summer cereal mixtures
(August - July)

Item	Maize			Oats and summer cereal mixtures		
	1,000 tonnes			1,000 tonnes		
	1974/75	1975/76	1976/77	1974/75	1975/76	1976/77
Usable production	14,406	14,031	11,319	9,835	9,356	6,954
Change in stocks	325	-1,046	66	107	- 333	n.a.
Imports	12,535	11,977	19,974	333	257	952
Exports	297	451	3,213	83	134	191
of which intra-EC trade	5,987	5,883	n.a.	191	227	n.a.
Internal use of which:	26,319	26,602	28,014	9,978	9,812	7,661
- animal feed	20,902	21,424	22,649	9,208	9,090	7,010
- seed	163	184	156	446	391	338
- industrial use	·	·	n.a.	0	0	0
- losses (market)	128	138	123	39	32	26
- human consumption(grain)	1,062	1,265	884	285	299	287
Human consumption of processed products	739	878	n.a.	156	164	n.a.
Human consumption(kg/head)	2.9	3.4	2.4	0.6	0.6	0.5
Degree of self-supply (%)	55	53	40.4	99	95	90.5

politically impossible at present, given Germany's strength in the Community and the fact that it has always been German policy to insist on high cereal prices (Priebe,1972). The Commission has consequently followed an alternative policy of first adjusting the relationship of cereal support prices to encourage the production of deficit cereals (maize) and reduce the production of surplus cereals (barley and feed wheat) and second, keeping the price of animal feeding-stuffs relatively low so as to encourage cereal usage in animal feed.

But in turn this policy conflicts with dairy policy, in particular, where the Commission is trying to reduce dairy surpluses and believes that the relative cheapening of animal feeding stuff prices since 1974 has helped encourage the expansion of dairy production (EC,1977,A.) Apparently the Commission has considered raising the relative costs of feed as a means of restraining milk production, but so far has rejected this option as, according to one of its senior officials,it is committed to maintaining "the best and cheapest supply of animal feed for livestock farmers consistent with the interests of producers of cereals and protein products" (Williamson, 1978). Presumably the Commission would also be concerned with the implications for consumer meat prices of any rise in the relative level of feed prices. The Commission has the difficult task of attempting to balance the interests of cereal and dairy producers. If it raises cereal prices it worsens dairy profit margins and potentially encourages the production of cereal surpluses: conversely if it attempts to keep cereal prices relatively low it risks encouraging the production of dairy surpluses if it cannot, at the same time, cut milk prices.

TABLE 7.3e

Total supplies of all cereals(excluding rice) and all rice

(August-July)

Item	All cereals excluding rice			All Rice *		
	1,000 tonnes			1,000 tonnes		
	1974/75	1975/76	1976/77	1974/75	1975/76	1976/77
Usable production	107,227	96,351	89,988	860	827	732
Change in stocks	4,440	-4,857	142	- 80	19	87
Imports	21,210	21,574	30,461	415	612	658
Exports	10,807	12,582	10,575	291	299	242
of which intra-EC trade	15,763	18,058	n.a.	342	408	n.a.
Internal use of which:	113,190	110,200	109,732	972	1,147	1,061
- animal feed	70,090	67,681	67,036	42	70	13
- seed	4,015	4,075	3,822	33	33	34
- industrial use	n.a.	n.a.	n.a.	36	51	45
- losses (market)	900	867	815	3	4	4
- human consumption(grain)	28,257	28,468	28,219	858	989	965
Human consumption of processed grain	21,212	21,222	n.a.	n.a.	n.a.	n.a.
Human consumption(kg/head)	82	82	81	2.5	3.0	3.0
Degree of self-supply (%)	95	87	82	88	72	69

Note: * In terms of husked rice.

Source: Eurostat.

Consequently, it is not surprising that the Council of Agriculture Ministers at the 1978/79 price-fixing decided that the Commission should "accelerate its study of 'cereal substitutes', including manioc, with a view to an early decision on any necessary measures, if appropriate". (EC 1978 D).

C. The Place of Cereals in ACP States

In general the ACP States are cereal importers rather than exporters (table 7.5). Cereal production, although on an extensive scale in several ACP States, has not developed to a sufficient extent to allow substantial exports. The cereals produced tend to be concentrated on millet and sorghum, rather than the Community's principal grains - wheat, barley. The only grains produced in common by both groups of countries are rice and maize. Rice production is concentrated in only a few ACP States where conditions are suitable.

Many ACP States do not rely only on cereals for their main carbohydrate foodstuffs. For most of them the production of roots and tubers is of equal or even greater importance (table 7.5). Unfortunately no data are readily available on international trade in these products. The overall impression is of there being extensive cereal and starchy root production throughout the ACP States, but of there being very limited quantities entering international trade. Thus, only for Guyana, Lesotho, Madagascar and Surinam (table 7.6) have cereal exports - principally rice - formed more than 5% of total merchandise exports during the 1970's. Consequently it is not surprising that the ACP States have not emerged as major Community suppliers of cereals, apart from rice, where ACP supplies are significant (table 7.7).

It is rather more surprising, however, that the ACP States have not yet emerged as major suppliers of cereal substitutes. Community supplies of manioc, for example, are principally derived from Thailand, mainly a reflection of investment by Community firms there, starting in the 1960s. Given the expansion in Community imports of cereal substitutes, there is obviously a potential market in the Community provided that its existing policies are maintained. This could turn out to be limited in time as, at some stage, it is likely that the Community will act to reduce the difference.

TABLE 7.4.

Community Imports of Cereal Substitutes

(1000 tonnes)

Products	1974	1975	1976	1977 estimated
1. Manioc	2,250	2,337	3,039	3,792
2. Waste products of mills (maize and rice) plus bran (from wheat and maize)	1,209	1,504	2,256	1,880
3. Maize gluten feed meal	694	930	1,147	1,480
4. Waste products of sugar industry (beet chips)	138	187	394	(280)
5. Waste products of brewing industry etc	64	57	95	-
6. Fruit waste products (grape skins excluded)	340	490	665	940*
7. Other vegetable products/waste	21	56	136	
Total	4,716	5,561	7,732	8,372

Note: * mostly citrus pellets.

Source: European Report, No. 514, Brussels, June 14, 1978.

between internal Community market prices and world prices for cereals. Such action will tend to reduce the size of the potential Community market for cereal substitutes - and the Community may take direct action to control the import of cereals substitutes more immediately in any case.

D. Concessions for the ACP States

At present the Community concessions on the imports of cereals from the ACP States are minimal. They are however, of more significance for processed cereal and rice products. It is not clear whether this structure of concessions reflects fully the thrust of ACP requests when the Lomé Convention was being negotiated or whether difficulties were met on securing concessions for the whole grains. That the Community should find it more difficult to grant concessions for the whole grains would be consistent with its particular unwillingness to grant agricultural trade concessions where the interests of its farmers are most directly involved; with the first-stage processed products the connection has been accepted as being rather more indirect,although this view is now under challenge because of the increasing usage of cereal substitutes in Community-produced compound animal feedgingstuffs.

For the whole grains, the ACP States have the Community import levy reduced by symbolic 1.5ua/tonne for maize and more useful 50% for millet and grain sorghum. On all the first-stage processed products from cereals (i.e. the full list given in table 7.2) the fixed component of the levy is not charged on ACP imports. Additionally the variable component of the import levy is reduced by: (a) 1.5ua/tonne on imports of starch-containing roots (CCT 07.06 A) and eliminated entirely for arrowroot; (b) 3.0 ua/tonne on imports of flours and meals of the starch-containing roots (CCT 11.06) and eliminated entirely for flours and meal of arrowroot; (c) 50% for 'other' starches (CCT 11.08 A.V.) and eliminated entirely for arrowroot starch.

The concessions for rice are more complex, as table 7.8 makes clear.

E. Points for the Negotiations

For cereals the ACP States' main preoccupation is probably not so much securing further Community import concessions, as to securing guarantee of supply by the Community. Although the Community already has a substantial food aid programme, there ought to be some scope for introducing long-term supply commitments by the Community.* Such contracts were tried betwen the Community and Egypt and Iran in 1975. They were not successful at the time, primarily because of the Community's inflexibility over the effects of the agri-monetary system on the prices it was able to quote. A more flexible pricing arrangement should be possible, however, for the Community in any longer-term supply arrangement with the ACP States.

On Commurity import concessions for cereals and rice the ACP States could press for an equivalent arrangement to that applied for beef. There the Community import levy is charged in the ACP State before export and the funds retained. This system enables the ACP States to maintain their access to the Community market at its internal market levels, but to tax a large part of the difference between Community and world levels for use by the ACP Governments. Such a system also fits with the Community's objectives of not threatening the CAP and Community farmers, while helping

* The recent agreement by the Commission to supply the ACP States with essential foodstuffs at the most advantageous and stable prices is a step in this direction (EC,1978,C), but could be made permanent by incorporation in Lomé II.

TABLE 7.5

1976 ACP Production and Trade in Cereals;
Production of Roots and Tubers

(1000 tonnes)

	Cereals			Roots and Tubers Production *
	Production	Import	Export	
Bahamas	n.a.	18	-	n.a.
Barbados	2	35	...	n.a.
Benin	315	30	...	938
Botswana	123	35	...	6
Burundi	331	10	...	1,937
Cameroon	765	74	1	2,009
Cape Verde	17	28	...	24
Central African Emp.	93	17	...	912
Chad	585	19	...	104
Comoros	19	10	...	95
Congo	22	79	...	860
Djibouti	n.a.	26	...	n.a
Equatorial Guinea	n.a.	3	...	79
Ethiopia	5,161	16	...	975
Fiji	29	54	...	142
Gabon	4	29	...	233
Gambia	84	50	...	9
Ghana	607	162	n.a	3,830
Grenada	...	8	...	...
Guinea	770	41	...	660
Guinea-Bissau	68	20	...	78
Guyana	274	83	80	21
Ivory Coast	652	119	10	3,104
Jamaica	16	427	...	223
Kenya	1,946	11	119	1,482
Lesotho	251	49	2	9
Liberia	230	54	...	355
Madagascar	1,939	113	4	1,854
Malawi	1,338	43	7	178
Mali	1,150	59	...	85
Mauritania	69	137	...	5
Mauritius	2	177	...	11
Niger	1,539	69	50	312
Nigeria	8,402	863	...	28,230
Papua-New Guinea	5	93	...	1,034
Rwanda	208	9	...	1,276
Sao Tome Principe	n.a.	5	...	10
Senegal	714	285	8	123
Seychelles	n.a.	8	...	1
Sierra Leone	613	46	...	108
Somalia	247	111	...	32
Sudan	2,571	195	20	311
Surinam	175	40	57	2
Swaziland	117	15	2	15
Tanzania	2,701	97	...	5,632
Togo	274	14	...	887
Tonga	n.a.	7	...	90
Trinidad and Tobago	25	221	6	22
Uganda	1,848	17	...	1,690
Upper Volta	1,193	41	3	125
Western Samoa	..	7	...	31
Zaire	676	457	...	10,213
Zambia	832	171	17	184

Source: Food & Agriculture Organization, Production and Trade Yearbooks, 1976, Rome 1977.

* These figures are inevitably very rough estimates, since most roots and tubers produced in Africa are home-consumed, making production very difficult to calculate.

TABLE 7.6.

ACP States where cereals have formed more than 5% of total merchandise exports in at least one out of the latest five years for which statistics are available

ACP State and Cereal	Share of Total Exports			Statistical Period
	5-year Average	Highest % in any one year	Lowest % in any one year	
Guyana				
Rice	9.8%	13.6%	8.2%	1972-1976
Lesotho				
Wheat	11.3%	21.9%	2.3%	1970-1974
Madagascar				
Rice	2.6%	5.0%	0.8%	1971-1975
Surinam				
Rice	7.0%	10.2%	2.6%	1972-1976

Source: Statistical office of the European Communities, ACP Statistical Yearbook 1970-1976, Eurostat, Luxemburg, 1978.

TABLE 7.7.

The Significance (1) of the ACP States as Suppliers

Of Cereals and Cereal Substitutes (2) to the EEC

CCT No.	Product	Source (3)	1974 Imports (tonnes)	1974 %	1975 Imports (tonnes)	1975 %
0706 3000	Roots and tubers with a high starch content (includes manioc)	A	19,987	1.0	11,623	0.5
		B	2,072,618	100.0	2,222,206	100.0
1006 2700	Husked long grain rice(4)	A	20,480	11.0	31,833	13.7
		B	186,809	100.0	231,746	100.0
1006 4700	Milled long grain rice(4)	A	11,369	11.5	8,469	13.0
		B	99,016	100.0	65,296	100.0
1006 5000	Broken Rice (4)	A	9,572	20.0	9,777	14.7
		B	47,820	100.0	60,035	100.0
1007 9100	Millet	A	-	-	808	0.9
		B	70,857	100.0	90,232	100.0
1007 9500	Sorghum	A	13,560	0.8	10,027	0.6
		B	1,673,369	100.0	1,779,415	100.0
1007 9900	"Other" cereals	A	-	-	1,638	86.9
		B	2,051	100.0	1,884	100.0
1102 9800	Cereal germ, other than wheat	A	-	-	2,584	54.5
		B	3,390	100.0	4,738	100.0
1108 5000	Starch from other sources than maize,rice,wheat or potatoes	A	6,359	17.8	2,287	11.6
		B	35,762	100.0	19,652	100.0
2302 1085	Residues of maize and rice milling	A	13,294	5.7	2,779	1.0
		B	232,754	100.0	266,958	100.0
2302 1345	Milling residues of other cereals	A	115,085	11.8	151,216	12.2
		B	975,868	100.0	1,237,405	100.0

Notes: (1) Items are listed where any ACP imports occured in 1974 or 1975.

(2) Only cereals, cereal by-products and alternative starch sources are covered. Other products can be used as cereal substitutes in compound animal feedingstuffs, but these are normally included in compounds for other attributes they may have (e.g. soya for protein).

(3) A = Community imports from ACP States.

B = Total Community imports from third countries.

(4) Figures for Surinam have been included in ACP totals.

Source: Statistical office of the European Communities, Analytical Tables of Foreign Trade (NIMEXE), Luxemburg, annual volumes.

the development of the ACP States by allowing them to keep part of the Community's import levies. The loss involved would be a minor one for the Community - in terms of levy revenue not collected - and one that the Budget should be able to afford given the political will by the Member States.

In the case of cereal substitutes, the ACP States have a major interest in ensuring that the Community does not increase the size of the charges levied on imports as, for example, it is threatening to do on bran at present. This is not so much because the ACP States are currently in a position to make a major use of these concessions, but in order to maintain the situation for the future when ACP export availabilities of at least some of the substitutes may be expected to increase. However, if the ACP States are to develop their exports in this area it will involve significant investment in the appropriate machinery. The essential point is that under its present policies, the Community has a growing market for cereal substitutes which the ACP States are not yet able to exploit themselves.

TABLE 7.8

Community Concessions to the Charges

Applied to Rice Imports from the ACP States

CCT No.	Product	Concession
		Reduction of the third country levy
10.06.AI	paddy rice	-for paddy rice by 50% and 0.30ua,
10.06.AII	husked rice	-for husked rice by 50% and 0.30 ua,
10.06	semi-milled or wholly milled rice	-for milled rice -by the component for the protection of the processing industry by 50% and 0.45ua, -for semi milled rice -by the component for the protection of the processing industry converted according to the conversion rate for milled rice by 50% and 0.45 ua%
10.06 C	broken rice	-for broken rice by 50% and 0.25 ua (This exception is valid for goods whose CIF offer price, adjusted by reference to possible differences in quality compared with the standard quality for which the threshold price is fixed, is at least equal to a special CIF price for each product fixed for imports of rice originating in the ACP or OCT. In the event of a quantity equal to the amount of the average imports into the EEC from the same sources over the last three years for which statistics are available being exceeded, plus 5%, total or partial suspension of the exception).

P A R T I I I

SOME IMPORTANT ISSUES

8 ISSUES WITHIN THE LOME CONVENTION

BY SIMON HARRIS, KEVIN PARRIS, ERIC TOLLENS

A. Import Charges * (Simon Harris)

In the area of tariff concessions, the ACP States have already secured complete exemption from CCT duties on virtually all products, industrial and agricultural, where such duties are the only import charge. Consequently, the remaining obstacles for ACP exports to the Community are mainly for that category of products where other import charges apply. However, this category is significant as it includes most agricultural and food items.

Under the Lomé Convention, even for these items, the Community is committed to giving a more favourable treatment to ACP exports than that accorded to other third countries. The specific concessions already made have been discussed in the preceding chapters, but the Community's commitment covers all the other products where no specific concessions have been given so far. As a result, there should be no great difficulty in getting some further concessions on the import charges levied on agricultural and food items in the re-negotiation. It is another matter as to how significant such concessions would be, given the sensitivity (in Community eyes) of some of the items potentially involved.

In asking for further tariff (import charge) concessions the ACP States have to decide where these are most needed. Is it that the existing concessions need extending or that concessions on a wider range of products are required? Since the scope for extending the existing concessions seems limited, the main potential in this area appears to lie in extending the range of products with concessions.

For beef, the existing concession whereby 90% of the Community's levy is retained within the ACP States seems difficult to improve upon except by increasing the proportion of the levy retained (to 100%). It seems highly unlikely that the Community would be prepared to cease insisting that the levy should be charged because of its fear that otherwise ACP beef exports would be able to undercut the Community's internal prices. In any case, the ACP exporting countries would have little to gain from a reduction in the levy unless the quota restrictions were also dropped. A levy-free beef quota would presumably sell in the EEC market at a price a little below that of domestic beef and the exporting countries would receive revenue similar to that obtained when a full levy is charged but 90% is retained by the exporting country.

For rice the Community could be asked to reduce the levy further or to allow the ACP States to retain part of the levy, as is done with beef. However, the development of ACP rice exports to the Community seems unlikely to be an area of major growth.

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* The term "import charges" describes all taxes on imports. In the literature, a distinction is often made between import "tariffs" or "duties", which can be a fixed financial amount or on a percentage (ad valorem) basis, and import "levies", which vary on the basis of some formula. This has led to confusion in that some writers include the EEC's variable import levy as a "non-tariff measure" (see next section)and some do not.

The main area where the ACP States should perhaps press for further import concessions is in processed foodstuffs*. It is these products where there is often a composite import charge levied by the Community including a fixed component to protect its food processing industries. As the ACP States develop they will create (in some cases, they already have created) food processing industries of their own. If these industries are to secure markets in the Community at some future date, then the ACP States should press for reductions in import charges when the Lomé Convention is re-negotiated as it may be much more difficult to gain such concessions once the Community has been enlarged. The Community already seems to be developing a philosophy of, particularly, encouraging food processing industries in its Mediterranean regions as a means of providing alternative employment opportunities. Once Greece, Spain and Portugal are members of the Community, this development is likely to be intensified and hence the relative difficulty of getting concessions for ACP processing industries will increase.

Apart from the area of processed food products, there appears little else worth aiming for by the ACP States in the area of tariff concessions because of the extent of the concessions already granted. For those basic agricultural products where the ACP States have not pressed for concessions already - wheat, barley, pigmeat, poultry and dairy products - there seems little point in doing so now as the creation of an export capability by the ACP States to the Community in these products seems unlikely in the foreseeable future.

B. 'Non-Tariff Measures' Affecting ACP/EEC Trade (Kevin Parris)

During the negotiation of Lomé I, there was no specific mandate dealing with the removal of 'non-tariff measures' (NTMs)**that were impeding ACP/EEC trade. As with Yaoundé I and II, trade concessions were largely dealt with in terms of 'tariff' reductions. However, with the growing incidence of NTMs globally and their dominant position in the GATT Toyko Round discussions, it is evident that NTMs will feature in the Lomé II negotiations, especially as the scope for further tariff liberalisation (as we saw in the previous section) for ACPs seems limited.

While the precise impact of NTMs on international trade flows is uncertain, (although it is generally accepted that they now tend to have a more severe effect than tariffs), the commodity analysis in this study does enable identification of some NTMs of relevance to ACP/EEC trade.

i. Health and technical NTMs

Recognising the different historical background which has provided each Member State of the EEC with its own complex animal health and food hygiene legislation, the Commision has issued directives on this issue which allow individual action amongst the Nine within the outline of the directives. The eventual aim of the EEC is to harmonise this legislation and adopt common regulations which would have to be enforced in every member country.

For ACPs these 'directives' imply a major impediment to their export trade with the EEC; in the agricultural sphere at least, this can in some cases represent a more serious

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* See Appendix 3 for list of charges and concessions presently applying to ACP processed fruit and vegetable imports.

** The term 'non-tariff measure'(NTM) is a collective one used to describe those government policy measures, apart from import tariffs, which either intentionally or unintentionally operate to restrict imports or promote exports. The terms, non-tariff barrier/distortion/restriction are also used in this context. As mentioned inthe footnote on page 101 variable import levies under the CAP are sometimes included under the NTM label.

'barrier to entry' than tariffs or other import charges. Of concern also is the problem that in dealing with the Commission's animal health/food hygiene legislation the ACPs are faced with 'directives' rather than, EEC 'regulations'. This causes difficulties when attempting a multilateral type negotiating strategy on these health standards (unlike for example when negotiating for a reduction in the CCT), as the form and nature of this legislation differs amongst the Nine.

In this study health NTMs have been emphasised on a number of occasions, as having considerable bearing on ACP trade with the EEC. The animal health and food hygiene legislation concerning the beef sector; the EEC directives on toxic elements in animal feedingstuffs; food hygiene regulations concerning additivies etc, in preserved fruit and vegetables; and plant health regulations (i.e. virus infections), have all played an important role in shaping ACP/EEC trade flows.

'Technical NTMs' follow a similar pattern to the 'health NTMs,in that the Community is still attempting to harmonise legislation amongst the Nine to form common EEC 'regulations', and as yet only EEC 'directives' exist on these standards. The 'technical NTMs,are more common in manufactured exports to the EEC and are probably not as important to the ACPs as the health NTMs. However, they do apply for processed agricultural products, e.g. labelling, packing, for edible vegetable oils and certain fruit and vegetables and for foodstuffs prepared for retail sale, for which quality standards are also operative.

What is clear in the area of health and technical NTMs, is the sheer lack of research and understanding of their scope and impact on third country trade flows.* Emphasis may also be given in Lomé II negotiations to the problem that, unlike the CCT, where ACPs are faced with common policy for the Nine, health and technical NTMs form an amalgam of nine different policies, making it much more difficult for the negotiations to come up with common solutions to these trade barriers to ACP trade.

ii. Safeguard clauses and Rules of origin

One form of NTM is embodied in the Lomé Convention itself; free entry of ACP goods exported to the EEC is qualified by a range of specific exclusions on the basis of the "originating status" of exports. Although these provisions apply mainly to manufactured goods, they are of some importance to the agricultural sector, for such restrictions tend to limit scope for expanding domestic processing of raw materials imported from non-ACP countries. In addition to the rule of origin clause, Title I of the Convention also contains other general escape clauses (Articles4 and 10) which in essence allow the Community the right to "prohibit" or "restrict" entry of ACP exports should they provoke "serious disturbances" in the EEC economies. So far these safeguard clauses have not been invoked, but the Community has initiated consultation (e.g. textiles), with a view to introducing voluntary restraint on ACP exports into the EEC.

iii. Internal Consumption Taxes

These apply principally to tropical products which do not compete directly with the EEC output. Figures published by the Commission in 1974 showed that the proportion of the consumption taxes as a percentage of total ACP exports to the EEC is high enough in certain cases, for example with tropical beverages, sugar and edible oils, to warrant concern. The Commission has encouraged the reduction of consumption taxes but its efforts do not seem to have

* For a more general discussion of NTMs see, for example, Baldwin, 1971, Curzon's, 1972, and Hillman, 1976.

been successful.

The NTMs that have so far been discussed, by no means provide an exhaustive list, for strictly speaking any Community policy which stimulates domestic production or encourages exports should be considered, e.g., social and regional policies, VAT, and so on. But those which have been covered do seem to be the ones which, possibly, might be considered for negotiation. No one procedure can be expected effectively to secure their diminution; a feasible solution would infer a piecemeal approach with differnt concessionary measures according to the type of NTM involved.

For those NTMs ('qualitative' NTMs) that involve health or technical impediments to ACP trade,it would be illogical to expect the Community to provide special dispensation for the ACPs. Instead what is required is that certain EEC aid projects, probably financed through the EDF, are directed to improving the marketing standards of ACP exports to the Community so that these goods meet the required health/technical standards. To a limited extent this has been attempted with various projects in the beef and groundnut sectors but a more concerted effort, especially through the Industrial Cooperation provisions of Lomé (see next section) would be helpful. There has been criticism, however, that during the periods of crisis in the EEC, temporary health measures, for example in the beef sector, have been implemented to restrict imports, rather than as a genuine part of long-term strategy to improve health standards. ACP/EEC consultative committees, to examine these events as they occur, seem the only solution when the Community is in a position to abuse the use of health measures to dissuade ACP exports into the EEC.

With 'safeguard clauses' as NTMs, the negotiators of Lomé II could consider making the range of provisions conferring "originating status"*less restrictive and also to provide a clear understanding of when ACP exports may threaten "serious disturbances"*to Community markets.

In the previous section on 'tariff-type restrictions' to trade, it was concluded that the scope for further liberalisation for ACP agricultural products is extremely limited. Instead the negotiations for Lomé II should perhaps devote more time to what are now, together with variable import levy under the CAP, important barriers to ACP agricultural trade, namely NTMs. While in many instances EEC qualitative NTMs may be justifiable for health reasons, the restrictive 'quantitative' NTMs, (e.g. safeguard clauses, internal consumption taxes) are more difficult to defend. For both types of NTM, the EEC could assist the ACPs in overcoming such impediments to trade if it is to substantiate the claim that 99% of total exports and 94% of agricultural exports from ACPs to the EEC are covered by the "free access rule".

C. Industrial Cooperation and Market Development (Simon Harris)

The Lomé Convention's provisions on industrial cooperation are one of its more novel features. Despite the great importance placed on this part of the Convention - Title IV - by the ACP States when it was being negotiated, progress was bound to be slow because of the time necessary to set up any form of industrial cooperation. In the event, other difficulties have arisen because of the unwillingness of Community firms to invest in many ACP States due to the absence of adequate arrangements for safeguarding such investment.

A facet, however, which in retrospect was not sufficiently

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* See Courier, (1975).

emphasised in the Title, was market development. The point of the Community's trade concessions in opening its internal market is lost to the extent that the ACP States cannot make full use of the trade concessions. This is not just a matter of developing the production of various goods in the ACP States for export to the Community, but also of helping them exploit the market potential for those goods in the Community market.

Unfortunately this is an area where national and international aid agencies can do little to help because most of their personnel do not have the appropriate experience. A re-negotiated Lomé Convention would seem an appropriate framework, however, to help in market development provided a means can be found for gaining access to the Community's marketing and distribution channels.

Without the more active involvement of Community firms the full value of the trade concessions will be much more difficult to develop. Yet to get this involvement probably means that companies rather than just politicians and bureaucrats have to be more closely concerned in the operation of the Convention. Clearly, this involves a dilemma for ACP States since many of them are, understandably, concerned over the possibility that large multi-national firms may gain undue influence over their production and trade patterns. But the fact of the matter is that most food products are at present sold within the EEC by large food manufacturing and/or distribution companies and if ACP States wish to increase their exports of food products to the EEC, then cooperation with these companies is inevitable. Exploiting the full value of trade concessions certainly means that a more significant share of the Convention's resources will have to go to market development measures and to apprising companies of market opportunities. The ACP States could press for such a change in emphasis in the next Convention.

D. The European Development Fund (Eric Tollens)

The European Development Fund (EDF) evolved from provisions in the Treaty of Rome as a compensation for lost privileges. The five-year overseas aid commitments* into which the EEC countries were prepared to enter with the ex-colonies developed as follows (million EUA) (Courier, 1976):-

Implementing Convention	EDF I	: 581.25
Yaoundé I	EDF II	: 730.00 + EIB** (70)
Yaoundé II	EDF III	: 900.00 + EIB (100)
Lomé Convention	EDF IV	: 3,150.00 + EIB(400)

The principles of the fund were laid down in 1957 by the Implementing Convention. They were that the fund should be used for:-

1) economic investments of general interest, directly connected with a programme made up of definite and productive development projects, and

2) to finance various social institutions, such as hospitals, educational and technical research establishments and

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* There were two other conventions signed with African countries in the English-speaking group. These were Lagos convention with Nigeria (never applied because of internal conditions in the country at the time) and Arusha I in 1968 and ArushaII in 1969, the partners in which were Kenya, Uganda and Tanzania. These conventions did not include any provision for financial and technical cooperation.

** EIB = European Investment Bank. This is for credits to be given to associated countries by the EIB from its own resources and on its normal terms.

institutes for the vocational guidance and promotion of the population.*

The division of credits between the two categories of investment was to be decided by the Council of Ministers but the management of the fund was put into the hands of the Commission.

There are three special features of the EDF which have been carried through from one convention to the next. The first is that EDF aid is to supplement the development efforts of the ACP countries themselves, not to be independent of national development programmes. The second special feature is that the fund covers a period of five years which distinguishes it from most other aid sources which follow the rule of the annual budget. The third characteristic is that the EDF is regional as regards both its origin and its beneficiaries. (An additional feature is that the EDF is intended as non-political, with requests in principle to be considered on their economic and technical merits only).

The policy of the EDF is pragmatic, based on the desire to meet the real requirements of the countries concerned and to adapt to each practical case. There are two fundamental characteristics to this policy: the search for the self-development of the country concerned and the attempt to satisfy the essential human requirements - food, health, education, housing, employment and the rest - on the national scale.

In the Lomé Convention, two principles were applied: there was to be no reduction in the Community's financial effort vis-a-vis the countries already associated (the AASM) and the new associated States had to be placed on an equal footing. The total amount provided for in the Lomé Convention is 3,390 million ua made up of: 2,100 million for grants, 430 million for loans on special terms**, 95 million for risk capital*** and 375 million for the stabilisation of export earnings. A further 390 million is available for loans from the European Investment Bank's own resources (EC, 1977 K). To this must be added an amount of 160 million ua for the overseas countries, territories and departments. However, all costs of the EDF administration and operational acitvities are deducted from the sums available.

The ACP countries had requested about 8,000 million ua for Lomé I. Thus, the 4th EDF fell short of the expectations, particularly if aid is expressed on a per capita basis and in real terms. It represents a fall of more than 25 per cent in flows to ACP States on a per capita receipt basis and it is on somewhat less concessionary terms than the previous Convention. (Wall, 1976). Furthermore, it is not clear whether EDF aid represents a net gain of aid to ACP States as EDF contributions from the Member States come out of the national aid budgets from which also bilateral and

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* Thus, less emphasis is put on projects for industrialisation, marketing and promotion of trade - the type of projects which are complementary to the trade provisions of the Lomé Convention.

** In general, for 40 years with a 10 year grace period and 1 per cent interest.

*** This sum is to be invested by acquiring minority holdings in firms in ACP States involved in industry, mining or tourism. The Convention calls for the eventual transfer of such holdings to ACP States' governments or private citizens.

multilateral schemes are financed. According to calculations based on GNP figures for 1975, when official development assistance in the Community averaged 0.45% of GNP, the budget for financial and technical cooperation of the Lomé Convention, on an annual basis, amounted to 15.3% of total annual official development assistance of the Member States of the Community.

EDF funds are tied in the sense that purchases of materials and services are to be made in EC Member States or within the ACP States. The Convention offers a preference of 10 per cent to domestic firms in ACP States for EDF or EIB tenders, restricted to projects worth less than 2 million ua.

From a sectoral breakdown of all the indicative programmes of the recipient ACP States, the following priorities emerge for EDF IV. The largest share of programmed aid goes to rural development (36.5%), while 12% goes to industrialisation, 27% to economic infrastructure and 15% to social infrastructure. Moreover about 10% of the funds has been reserved for the financing of regional projects (EC,1977,K).

Under the Lomé Convention, the ACP countries participate to a greater extent in the administration of EDF aid. For instance, in each ACP country the national government appoints a national authorising officer,usually a minister. It is he who makes the expenditure commitments, although the final decision on EDF expenditure rests with Community officials on the EDF Committee. As project aid administration has been costly and disbursements have been slow, increased emphasis will be put in the negotiations for Lomé II on joint management and other arrangements to speed up decision making and project execution in a spirit of genuine partnership. It is also tantamount to an improved Lomé partnership that the bureaucratic costs of EEC delegations in ACP countries, which are not insubstantial, are separated from the EDF Allocation.

There is a provision for special measures for the 'least developed countries' in Lomé I. It is estimated that nearly two-thirds of the funds earmarked for the EDF in the Lomé I Convention will go to the least developed ACP States. The economic situation in those countries is still bleak and as they are in particular need, it is expected that under Lomé II those countries will continue to receive special attention.

The Community also extends limited financial and technical aid to the developing countries not signatory to the Lomé Convention. These countries, which are mainly in Asia and Latin America, will receive financial aid totalling 730 million ua over the period 1976-1980. Of the 100 million ua allocated for 1976, (200 million for 1980), 10 million could be used for emergency measures in the event of natural and other disasters, and 5 million for promotion of exports. In general, however, the funds made available would be mainly intended to help develop food production and to promote regional integration. On the whole, aid to non-ACP States has been limited compared with aid to ACP States, thus supporting the charge of aid discrimination and regional polarisation of aid.

Finally, EC aid is being channelled to the poor countries most seriously affected by the rise in oil prices. In October 1974, the Community's Council of Ministers decided to earmark $150 million for this emergency operation. This was the first instalment of what could be a $500 million contribution (known as the Cheysson Fund). At the same time, when the Community took this decision, the various

contributions from industrialised countries amounted to $350 million, whereas those made by the oil exporting countries amounted to at least $1,000 million.

In short, the provisions for financial and technical co-operation of the Lomé Convention are rather vague and generally, particularly as to the allocation of funds for specific projects, either overall or for individual ACP States. They leave considerable room for flexibility but, by the same token, invite endless discussion, debate and conflict.

For Lomé II, the Commission proposes certain minor adjustments such as more assistance for small and medium-sized firms, micro-projects, regional projects and a better definition of the terms of co-financing * (EC,1978,C).

The ACP States are expected to bargain for an increase in total net aid flows, for more automaticity in aid criteria, for less bureaucratic procedures and for an increase in the effective control over the management of EDF aid.

It is too early to speculate on the level of aid that could be forthcoming under Lomé II as this will depend, to a large extent, on the economic prospects in Europe at the height of the negotiations, probably in late 1979. Increased project aid under EDF-V could be a trade-off for maintenance of the status quo on further trade liberalisation for ACP countries and/or for the erosion of tariff preferences through the GSP. In any case, the financial and technical aid provisions of the Lomé II Convention will remain, without doubt, as with Lomé I, its most significant attraction.

E. STABEX (Kevin Parris)

The Lomé's scheme of stabilisation of export earnings - STABEX - is the first, albeit tentative, real international attempt to stabilise export earnings of LICs (the IMF export compensatory credits facility being operationally more restrictive). Despite a number of deficiencies, it has recognised potential as a useful income support measure for LICs experiencing export commodity receipt fluctuations. In a wider context STABEX could act as a stimulus to more general support for UNCTAD's proposed compensatory financing facility**, under the 'Integrated Programme of Commodities'. which would widen significantly stabilisation benefits to all LICs.

For the first two years of STABEX, 1975 and 1976, transfers have amounted to 73 million ua and 36 million ua respectively (this compares with the sum of 1,985 million ua of exports covered under the scheme from the ACP to the EEC in 1973 - see Appendix 2, Table A2-2). However, while in general this may invalidate the criticism of the relative size of STABEX funding, for a small number of ACPs, STABEX transfers have made a significant contribution to their balance of payments; 7 countries (out of 53 ACP signatories) had transfers that were more than 8% of their total export earnings over a 4 year average period (Table A2-4). Disaggregating to the individual commodity level, STABEX payments assume a much greater importance. Table A2-4 shows that in the case of 30 transfers, involving 23 countries, receipts amounted to more than 10% of total export earnings for that commodity.

Some studies*** have suggested that STABEX resources might

* The Commission has helped to bring about a form of triangular cooperation between the ACP, the Community and its Member States and the OPEC countries.

** For a discussion of UNCTAD's 'common fund' and export earnings stabilisation see, Cuddy, J.D.A., 1978.

*** See Hasse, R., 1975, and Love, J., and Disney, R., 1976.

be under great strain to meet the demand of claims, especially after the 1973/74 'commodity boom' but to date funds do appear to have been adequate, though some claims for STABEX transfers have been rejected by the EEC. There is also concern over Article 18 of the Convention which stipulates "on the basis of a report submitted to it by the Commission, the Council of Ministers may reduce the amount of transfers to be made under the stabilisation system".* No clear indication is provided in the Convention or in any EEC document/legislation to date, on how or why such a report could lead to the Council of Ministers reducing the funds of STABEX. "There is no parallel stipulation indicating the recognition of any conceivable situation in which funds available to STABEX might be increased". (Wall,D.1976). Also regarding the resources of STABEX, as there is a yearly average of 75 million EUAs available, the advance fixing of transfers may be detrimental to genuine claims made later in the year, should the yearly fund have already been exceeded.

Criticisms of STABEX on grounds of inequitable distribution of payments was argued in Chapter 1 to be misconceived, for a scheme designed to alleviate export earnings fluctuations will not necessarily involve payments correlated with degree of poverty in recipient countries. However, the Community does provide concessionary elements by recognising 3 groups of ACPs under STABEX: those for which payments are made irrespective of the destination of exports and which are also the 'least developed' ACPs; a second group of 'least developed' ACPs, but for which payments are only made with respect to exports to the EEC; and finally ACPs for which the'dependency threshold' is 7.5% rather than 2.5 % and which are in principle expected to repay loans. The Convention gives no clear indication of why ACPs are divided into each category. Indeed if these groupings are examined in terms of GNP/capita, and also total exports as a percentage of GNP, then division seems particularly favourable to a number of Caribbean Islands and somewhat unjust to 'poorer' West African States (see Table A2-5). In practice, assessment of STABEX according to these concessionary groups and GNP/capita levels does not, after two years operation, appear to be biased in any one direction. 63% of transfers for 1975/76 were non-repayable grants, and while some criticism foresees difficulties over the repayment of the remaining interest free loans (37%), no evidence is yet available to make an evaluation of such problems.

The division of ACPs into different concessionary groups for the purpose of STABEX also emphasises that the scheme gives some inducement for them to 'tie' their exports to the EEC, since for 42 of the 53 ACP States, only their earnings from exports to the EEC are stabilised.

At the Fiji (April, 1977), ACP-EEC Council of Ministers meeting, the product coverage of STABEX was extended to encompass a further seven agricultural products (Table A2-1). Despite the addition of these 'minor' commodities, the question of improving STABEX coverage remains a vital issue for the ACPs in the ensuing negotiations and appears to centre mainly on inclusion of minerals, i.e. copper and phosphates, and also rubber. The EEC for its part seems reluctant to widen STABEX, especially to minerals, largely on the grounds of the financial constraint of the STABEX budget. As the commodity sections of this study reveal, inclusion of beef, certain oilseeds, rice and possibly fruit and vegetables in aggregate, could be beneficial to a large number of ACPs. Sugar and beef are unlikely to warrant inclusion, as they already have separate protocols covering their trade which provide a measure of stability in export earnings by

* Lomé Convention, Title II, Chp.1, Art.18, para 4.

linking prices to those specified for European producers and by including quantity agreements.

The STABEX fund is fixed in European Units of Accounts(EUAs). The EUA is tied to a weighted 'basket' of all European Currencies, so its real value will broadly reflect the average level of inflation in the EEC. This can be contrasted with prices guaranteed to Lomé sugar exporters, which is fixed in terms of the unit of account used within the CAP - the EUR. The EUR is tied to only the strong European Currencies, and so the real value of a constant EUR price or fund falls only slightly over time.

For re-negotiation of STABEX II then,* four points can be borne in mind:-

a) For the scheme to meet its wider objectives it can be argued that there may be a need for a substantial increase in STABEX funds though, to date, funds do appear to have been adequate to cover existing commitments. It is perhaps also worth pointing out that the scheme stabilises monetary earnings; to the extent that there is a general inflation of the world's major currencies, this is not the same as stabilising the real value of export earnings.

b) Simplification of the procedures for establishing the validity of a STABEX transfer payment claim would be helpful.

c) Realistically, STABEX fund restrictions will limit the extent to which ACP demands for wider product coverage can be usefully met. Recognition of this difficulty infers that ACPs should press for coverage of those products which either form an important part of export earnings of the 'least developed' ACPs (as opposed to the more advanced countries) and/or which would not monopolise a large share of scarce STABEX funds. This would suggest, especially, inclusion of beef, certain oilseeds, rice, and imply not such a strong case for sugar, rubber, bauxite/aluminium or diamonds.

d) Although it has been stressed that STABEX is not an aid mechanism, but merely aims at stabilising export earnings independent of different levels of development amongst ACPs, concessionary elements, (e.g. 7.5%/2.5% dependency levels, 'least developed' countries, etc.) can assist in a more equitable distribution of STABEX funds. However, reappraisal and clear guidelines of how it is decided which ACPs fall under which concessionary category, is evidently required, given the points outlined above.

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* See also Green, R.F. (1978), for a discussion of Stabex II re-negotiation.

9 WIDER ISSUES AFFECTING THE OPERATION OF THE LOME CONVENTION

BY ERIC TOLLENS, SIMON HARRIS

A. Enlargement of the Community (Eric Tollens)

Greece, Portugal and Spain have applied to join the Community; the dates of application were June 1975, March 1977 and July 1977, respectively. The Council of Ministers approved the application of Greece in mid-1976 and the negotiations for admission are underway (EC, 1976 B). The Commission has stated its opinion on Portugal's application to join the Communities and is also working on an opinion on Spain's application. Presently, an association treaty with Greece exists and trade agreements are in effect with Portugal and Spain. An association treaty between Turkey and the Community was enacted in 1962 and full membership of Turkey is expected for 1995.

The solution found for the accession of Greece will necessarily appear as a precedent for the accession of the other Mediterranean countries. What has only a minor importance when one of the Mediterranean countries joins the Community may well be of a totally different weight in the case of a 12 member Community (Ries, 1978). But it seems clear that admission of the three countries, despite the serious difficulties involved, will go ahead for political reasons.

The general economic development of Greece, Portugal and Spain is far below the average of that found in the EC (9). Greece and Spain are about at the level of Ireland and Italy, and many still consider Portugal a "developing" country.

The industrial sector of the three countries is dualistic in nature. On the one hand, there are capital-intensive modern enterprises, usually the result of foreign investment, and on the other hand, a multitude of small local firms, with low productivity. Greece has the smallest firms, though Spain is one of the top ten Western industrial nations. The most developed industries in those countries: steel, shipbuilding, textiles, clothing and shoes are just the ones for which an overcapacity exists in the EEC and where imports from third countries hurt most. It is doubtful to what extent the candidates for admission will be able to cope with increased competition resulting from admission in the Community. Painful adjustments will be necessary for numerous small, less productive enterprises. However, it is also expected that enlargement will encourage new foreign investment and thus stimulate industrial development (Edwards and Wallace, 1976). Closer cooperation and trade with North African and Middle East countries is also expected with the entry of Greece (Zolotas,X., 1976).

Negotiations between the EEC and the three candidates will focus mainly on agricultural problems. It is expected that enlargement from nine to twelve Member States will increase the agricultural population in the Community by more than 55%; the agricultural area by about 49%; and agricultural production by 24%. Admission will be favourable for their agricultural sectors. All three countries have an agricultural production of Mediterranean nature. The most important procucts are vegetables and fruit, particularly citrus fruit, olive oil, tobacco and wine. The CAP will bring an increase in price for these commodities and thus will stimulate production. Wine lakes and surpluses of citrus, tomatoes, peaches, olive oil and tobacco can be expected. The three

countries are almost self-sufficient in grains (except feed grains), potatoes, pigmeat, eggs, poultry and fish. Generally speaking, they import at present only 10 to 15% of their total agricultural imports from the Community, mainly milk and dairy products. The main agricultural imports are feed grains and oilseeds, primarily from North and South American countries.

The accession of Portugal, Greece and Spain will aggravate the present problem of a North/South disequilibrum for the CAP as well as for the regional development policy (Ries, 1978). The CAP is a fragile political c mprcmise and enlargement will call for a modification of certain provisions such as price supports for Mediterranean products, production aids for certain crops, intervention, etc. Italian farmers and, to a lesser extent, French Mediterranean farmers expect stiff competion from the new candidates after enlargement and insist on an overhaul of the CAP as a condition for admission.A continuation of present CAP policies, with enlargement, would mean a probably unacceptable inflation in the Community budget. (House of Lords,1978).

As most farms in the three countries are small fragmented and under capitalised, and as agricultural infrastructure is deficient in many areas, the CAP and the regional development policy would be particularly helpful in financing structural improvements.

The Commission calculated that admission of Greece, with unchanged Community policies, would increase expenditures of the Community by 450 million ua., after a transitional period (EC, 1976 B). Of these expenses, 62% would be for the CAP (280 million ua. of which 220 million for guarantee and 60 million for guidance), 9% for social policy and 22% for regional policy. Allowing for Greece's contribution to the Community budget, this would result in a net transfer of 300 million ua per year. If one applies a similar net transfer per capita of the population to Spain and Portugal, enlargement from (9) to (12) would induce an additional net transfer of 1,500 million ua., about 20% of the EEC budget for 1976. In addition, Portugal will need special financial help before and after admission.

The budgetary implications of enlargement will impose a serious burden on the EEC (9) as the Community budget is already stretched to the limit, mainly because of the dairy sector. As the three new Member States would have to contribute to the development aid budget for ACP countries and abide by the Lomé Convention, enlargement would be beneficial for ACP countries on that score. However, former Portuguese colonies and maybe some Spanish ones will probably also aspire to join the ranks of the ACPs (see next section). If that is the case, the net result is difficult to estimate.

The accession of three Mediterranean countries will bring the number of voices for decision making by concensus in the Council of Ministers from 9 to 12. This will not facilitate the decision-making process. Structural differences between Northern and Southern Europe are pronounced and financial transfers from the North to the South will be necessary for many years to come. Enlargement will also probably arrest progress to ecoromic and monetary union in the EEC for some considerable time as the three candidates have a chronic tendency to balance of payments deficit, particularly Portugal, and experience higher rates of inflation than the EEC (9).

Predicted difficulties in industrial development and in modifying and adapting to the CAP call for a long period of

transition. A five to ten year transitional period seems reasonable for Greece and Portugal, a shorter period could be negotiated for Spain - though for Spain the EEC itself may require a long transitional period because of the problems likely to be caused by the competition of Spanish agricultural exports.

With enlargement, there will be a shift in the centre of gravity of EEC policymaking in the direction of the Mediterranean region. The actual preference given to Community producers will in all likelihood increase, particularly for those products typical of the Mediterranean such as olive oil, wine, tomatoes, peaches, citrus fruit, fruit preserves, tobacco, sheep and goats, certain oilseeds and rice. Levels of self-sufficiency under CAP policy for these products will increase. This will seriously handicap exports of these products to the Community from other Mediterranean countries such as Morocco, Tunisia, Algeria, Israel, Turkey and the state trading countries of South-east Europe. ACP States will have great difficulties obtaining further trade concessions for these products. Even maintaining the present ones might in the end prove difficult.

B. Enlargement Of the ACP (Eric Tollens)

The former Portuguese Colonies of Angola and Mozambique, independent nations since 1975, and the trust territory of Namibia, on gaining independence, are possible candidates for joining the ranks of ACP States at some time in the future. This section looks briefly at what such membership would involve, mainly in relation to agricultural exports.

Sugar, coffee, sisal, tea and coconut products are the principal exports for Angola and Mozambique. Livestock, apart from mineral exports, constitutes the principal export of Namibia. Fish products have begun to play an important role in the economic life of all three countries .

i. Angola

Angola's economic potential is high. Mineral production is relatively unimportant, apart from diamonds, oil and iron ore production. Copper, manganese, coal, mica and gold are also being exploited and deposits of phosphates, asphalt and chrome have not yet been mined.

Angola'a agricultural sector accounts for an annual average of more than 60 per cent of the export proceeds. By far the most important agricultural export crop of Angola is coffee (Table 9.1), accounting for almost 50 per cent of the value of exports. Before Angola gained independence, it was the fourth producer of coffee in the world, after Brazil, Colombia and the Ivory Coast. Sisal, cotton lint, bananas, oilseeds and cake, and pulses are other main export crops. Instability, civil disorders and the departure of most Portuguese following independence explain the large fall in exports of most agricultural products. This is particularly true for sisal, cotton, tobacco and maize where exports dropped to less than half their 1974 level.

The contribution of agriculture to the foreign trade balance of Angola is significant, with a net agricultural trade surplus of between 150 and 200 million $ per year for the 1971-1976 period (Table 9.3).

The Lomé Convention could have particular importance for Angola in the case of its exports of bananas and oilseed products to the Community. Before independence, Angola was nearly self-sufficient in sugar. It became a net importer after independence; the 1976 imports of raw sugar equivalent amounted to over 40,000 mt., or about 18.5 million $.

The first four agricultural export crops of Angola are included under STABEX (coffee, sisal,cotton,bananas).

Hence STABEX could play a major role in stabilising Angola's export earnings.

ii. Mozambique

The dominant sectors in the economy of Mozambique are agriculture and transportation services.

Transportation consists of the highly developed railway and port facilities which serve the lucrative transit trade of Mozambique's landlocked neighbours, including Zimbabwe, Zambia, Malawi and Swaziland. Mining plays only a minor role in the economy. The principal minerals are coal, beryl, columbium, tantalite, iron ore, diamonds, manganese and asbestos.

The main agricultural exports (Table 9.2), are sugar,cotton lint, tea, sisal, cashewnuts, copra and coconut products. Exports of sugar and copra have fallen to about one-third of their pre-independence level, cotton lint to half and tea to two thirds. But exports of sisal and pulses increased after independence.

Imports of agricultural products increased from about 35-50 million US $ in 1971-1974 to 75-85 million US $ following independence (Table 9.3). Exports increased from about 125 million US $ in 1971 to 230 million US $ in 1974 to fall back on their 1971 level in 1976.

Of the first six agricultural export products of Mozambique, four are included in STABEX. Moreover, on signing the Lomé Convention, Mozambique could possibly benefit from the sugar protocol. In fact, since sugar is the main agricultural export of Mozambique, the sugar protocol is probably one of the main attractions of becoming an ACP State,* together with EDF aid.

iii. Namibia

The mining industry (diamonds, lead, but also manganese, tungsten, copper, vanadium and zinc), contributes most of the export earnings. The chief agricultural exports are cattle, sheeps and goats, karakul (Persian lamb) pelts, dairy and fish products. In 1976, 460,000 head of cattle for about US $52 million were exported. In the same year, 331,600 sheep and goats were exported for a value of US $6.5 million. Namibia has a large surplus of agricultural exports over imports, from US$40 to US $55 million per year since 1971 (Table 9.3).

From an agricultural viewpoint, Namibia has a similarity with Botswana as regards its dependency on cattle or meat exports. It is to be expected that Namibia, on joining the ACP ranks, would bargain for an export quota of beef, similar to the arrangement Botswana, Kenya, Madagascar and Swaziland have with the Community under Lomé I. (See Chapter 6). Namibia could look towards STABEX for stabilisation of export earnings of raw hides, skins, leather and wool.

C. Food Aid (Eric Tollens)

Between 1968 and 1975 the Community and Member States granted about 1,400 million ua worth of food aid to Third World countries. EEC aid was first given in the form of cereals as part of the Food Aid Corvention, which was concluded in 1967 at the close of the Kennedy Round and entered into force in 1968. At that time, the Community undertook to supply 1,035,000 tonnes of cereals a year as food aid, 23 per cent of the total, as against 42 per cent for the US. Because of the enlargement of the Community, this contribution rose to 1,287,000 tonnes during 1973/74. The total value of this cereal aid amounted to 965 million ua. Subsequently, the Community extended the range of its

* Provided, of course, the Community would agree to extending the number of ACP States with sugar quotas.

aid to include other agricultural products: milk products (skimmed milk powder, butter oil), egg products and sugar, totalling 435 million ua (Table 9.4). (EC, 1977 L).

Community food aid is usually given directly to the States or bodies concerned and comrpises three types of action:-

a) emergency aid to relieve famine caused by natural disasters or by internal cr international conflicts, e.g. aid to Sahel Countries, Bangladesh, Vietnam, etc. Emergency aid usually covers transport and distribution costs in addition to the supply of products themselves;

b) nutritional aid to alleviate serious food deficiencies for children, refugees, etc. Donations are in the form of products and cash;

c) development aid,the most frequent form of aid, granted to those countries which lack foreign exchange to import the food their population need. In such cases, the governments of the recipient countries must sell the products received on their national markets and use the proceeds to finance development projects chosen by them and approved by the Community. In the course of the next five to ten years, there could be an enormous increase in the amount cf food the developing countries need to import. The FAO estimates that import requirements will increase from approximately 4,000 million ua in 1970 to nearly 7,000 million ua in 1980.

The Community's food aid policy has often been criticised for being insufficient; for using aid as a means of disposing of surpluses in certain farm sectors (dairy sector); for its slow moving procedure; and for the absence of any long term plan of commitments. Indeed, some experts believe that virtually all food aid can be counter-productive - by distorting dietary patterns and removing incentives for domestic producers.

The proposals drawn up by the European Commission for a more ambitious and coherent food aid policy would involve:-

a) ensuring continuity of supply from one year to the next by means of a triennial indicative programme based on firm annual commitments;

b) providing aid tailored to meet the nutritional needs of the developing countries and which takes account of available stocks in the Community;

c) increasing the present volume of aid and supply a variety of products, primarily processed cereals and powdered egg;

d) simplify the decision making process.

The various EEC governments have not yet reached agreement on these proposals, particularly on the size and continuity of future EEC commitments. The main characteristics of the 1978 programmes are concentration of aid on the poorest countries and privileged treatment for specific development projects in the allocation of quantities.

In 1975, food aid represented almost 50 per cent of Community financial aid, but only 5.5 per cent of the net payments the Member States themselves made to the Third World.

The Member States do not all accord the same importance to aid of this type. Those that export food products, cereals and milk products, are in favour, but the net importers

prefer financial and technical aid that is geared to developing agricultural production in the third world.

Furthermore, certain other Member States display particular reluctance because of the financial burden that food aid imposes. Opinions also vary as to how aid should be shared between the Sahel, India, Pakistan, Bangladesh and so on. The last bone of contention is what stress to lay on multilateral schemes. The United Kingdom, the Netherlands and Denmark put more emphasis that their partners on the role of international organisations, like the World Food Programme.

Many factors have to be borne in mind when assessing the importance of food aid, the most important being that the normal pattern of trade whould not be upset. Food aid must also fit in with the efforts made by the Third World to develop its own production. Obviously, free delivery of cereals or milk powder is not, and cannot, be an end in itself. It is part of the overall strategy of cooperation.

Food aid is only a temporary means of speeding up the economic modernisation of the Third World, but this process could itself increase the external outlets of the EEC later on. This might be seen as one advantage for some EEC Member States supporting food aid programmes. In this sense, food aid is also part of a trade policy aimed at developing regular trade and, hence, increasing future possibilities of sales of Community agricultural products.

D. Other International Negotiations (Simon Harris)

The ACP States negotiate with the Community in many international fora as participants in wider groupings of countries. The important point about such negotiations is that they provide alternative means for achieving some ACP objectives, apart from re-negotiating the Lomé Convention. Deciding which objectives can most appropriately be sought in which forum is, of course, difficult. Further there are no exclusive answers in the sense that one objective may only be sought in one forum; rather the decisions required are to use the various international fora in a complementary fashion so that actions in each contribute to the achievements of overall ACP objectives.

The Lomé Convention re-negotiation is the most appropriate forum to seek increased aid flows from the Community and help in exploiting Community trade concessions through assistance in developing the sales potential for ACP goods in internal Community markets. A re-negotiated Lomé Convention may be an appropriate place to include food security provisions whereby the Community agrees to make food available on a long-term contractual basis, as well as some agreement for help in food emergency situations. But this latter theme is also part of the work being undertaken by the UN though the World Food Programme and the agreements on emergency food relief.

Other issues, however, such as the increasing use of non-tariff measures, (e.g. 'voluntary' export restraints), and issues of world commodity market stabilisation are better handled in a wider arena, rather than attempting solutions to these world problems in the limited contect of re-negotiating the Lomé Convention. Problems relating to the spread of 'voluntary' export restraints and the new protectionism are already being covered in the Multilateral Trade Negotiations in GATT.

Given the wide extent of these problems, there is little the ACP States can do in a purely EEC context. So far, however, the ACP States have escaped the impact of such

measures by the Community because of the Lomé Convention. The aim for Lomé re-negotiation must be to continue to exclude such developments.

The issues involved in stabilising world commodity markets are already addressed as part of the Integrated Programme for Commodities which, together with the Common Fund, are being developed under UNCTAD's auspices. But one feature of the instability of world markets is the behaviour of the Community in exporting its problems of agricultural adjustment to third countries; the ACP States are not only affected by whether they can gain access to the Community's Markets. They are also affected by the Community policy of subsidising the export of its surpluses to the rest of the world.

In the case of sugar this has tended to undermine the establishment of an effective International Sugar Agreement. In the case of oilseeds, the Community's insistence in maintaining large scale domestic oilseed processing industries slows the switch by the ACP States from just being raw material producers, to developing processing industries of their own. For beef, part of the problem lies in the Community's refusal to allow Australia and Argentina a share of its market consonant with their historical performance. They may suit the ACP States while they are building up their own beef industries through exports to the Community. But when the ACP States want to expand sales to other parts of the world they will find the depressed market prices, in part caused by the Community's internal beef policies, a substantial impediment.

The problem here is one of making the Community become more internationally responsible so that what it gives the ACP States with one hand, through the Lomé Convention, is not taken away with the other through its actions on world markets. This is mainly a problem for negotiations in UNCTAD and the various international commodity agreements. It is also a problem, however, which should be borne in mind in the context of Lomé re-negotiation.

TABLE 9.1

PRINCIPAL AGRICULTURAL EXPORTS OF ANGOLA: 1974-76

'000

	Quantity (m.t)			Value (US$)		
	1974	1975	1976	1974	1975	1976
Coffee, green and roasted	217,546	163,000	120,000	247,360	170,000	240,000
Bananas	65,699	35,000	45,000	11,439	7,500	9,500
Sisal and other agaves	67,228	30,000	18,000	50,157	16,000	6,000
Cotton lint	14,447	3,000	3,000	19,660	5,000	5,000
Tobacco, unmanufactured	4,393	2,000	2,000	7,718	4,000	4,000
Pulses	13,586	8,000	8,000	4,771	3,100	3,100
Palm Oil	4,410	2,600	2,600	1,737	730	735
Oilseed Cake meal	9,293	4,000	4,650	826	330	417
Castor beans	1,200	1,400	1,400	371	400	400
Cottonseed cake	6,957	3,000	3,000	562	230	232
Cottonseed	5,900	4,000	1,000	593	600	150
Sesame seed	715	400	400	282	180	182
Groundnut cake	1,328	1,000	1,000	156	100	100
Sugar, total, raw equivalent	6,138	.	.	1,009	.	.
Maize	65,119	1,500	1,500	7,445	210	215

Source: FAO - Trade Yearbook, Rome, Vol.30, 1976.

TABLE 9.2.

PRINCIPAL AGRICULTURAL EXPORTS OF MOZAMBIQUE: 1974-76

'000

	Quantity (m.t)			Value (US$)		
	1974	1975	1976	1974	1975	1976
Sugar, total, raw equivalent	159,330	51,516	55,000	60,285	22,563	19,000
Cotton lint	31,321	17,788	17,000	33,142	17,232	17,500
Tea	18,640	11,036	12,300	11,149	6,946	8,000
Sisal and other agaves	8,289	11,817	21,000	6,090	4,553	6,000
Pulses	9,957	11,718	12,000	3,995	3,331	3,300
Copra	41,879	30,540	14,000	21,037	6,417	3,000
Oranges, tangerines, clementines	13,045	15,330	16,000	1,357	2,332	2,900
Oilseed cake meal	36,786	34,705	25,500	4,468	3,127	2,400
Coconut oil	8,185	7,203	7,000	7,719	2,798	2,400
Groundnuts, shelled	2,011		5,000	773		1,750
Cottonseed cake	22,825	18,373	13,000	3,015	1,737	1,200
Other citrus fruit	11,577	12,000	12,000	983	1,100	1,100
Groundnut cake	2,148	8,243	6,500	479	854	700
Tobacco, unmanufactured	1,532	375	400	2,231	638	640
Sesame seed	2,167	1,412	1,400	767	620	620
Bananas	6,637	4,275	5,000	818	448	550
Sunflower seed	3,910	959	1,000	1,040	349	360

Source: FAO - Trade Yearbook, Rome, Vol.30, 1976.

TABLE 9.3.

IMPORTS AND EXPORTS OF AGRICULTURAL PRODUCTS: ANGOLA, MOZAMBIQUE AND NAMIBIA (IN 10,000 US $): 1971-1976

	1971	1972	1973	1974	1975	1976
IMPORTS OF:						
Angola	5,431	4,488	6,605	8,700	8,408	9,431
Mozambique	3,500	3,630	5,161	4,666	7,405	8,476
Namibia	145	150	180	300	400	400
EXPORTS FROM:						
Angola	20,711	20,200	31,187	36,815	21,870	27,932
Mozambique	12,463	14,072	17,975	23,029	13,238	12,785
Namibia	4,040	4,836	5,130	5,850	5,870	5,890

Source: FAO - Trade Yearbook, Rome, Vol.30, 1976.

TABLE 9.4

BREAKDOWN OF FOOD AID COMMITMENTS BY PROGRAMME, PRODUCT, QUANTITY AND VALUE (estimated at world price)

Cereals programme (commitments)

	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76
Quantity(t)								
Community schemes	30100	337000	353000	414000	464400	580000	643500	708000
National schemes	734000	698000	682000	621000	696600	707000	643500	579000
	1035000	1035000	1035000	1035000	1161000	1287000	1287000	1287000
Value (million EUA)								
Community schemes	19.6	21.9	30.7	29.4	71.0	110.2	86.87	97.9
National schemes [1]	47.7	45.4	59.3	44.1	106.0	134.3	86.87	80.1
	67.3	67.3	90.0	73.5	177.6	244.5	173.74	178.0

Other products (commitments)

	1970	1971	1972	1973	1974	1975	1976
Quantity (t)							
Milk	127,000	-	60,000	13,000	55,000	55,000	150,000
Butteroil	37,000	-	15,000	-	45,000	45,000	45,000
Eggs	-	-	500	-	-	-	-
Sugar	-	-	6,150	6,062	6,094	6,100	6,094
Value (million EUA)							
Milk	73.4	-	39.1	8.9	46.0	30.2	76.98
Butteroil	57.9	-	19.6	-	61.1	64.1	68.95
Eggs	-	-	1.2	-	-	-	-
Sugar	-	-	1.6	1.9	3.7	2.3	2.33
Financial contribution	-	-	1.6	1.6	3.8	2.6	1,00
	131.3	-	63.1	12.4	114.6	99.2	149.26

1 Calculated at the same average per tonne as for Community schemes.

Source: "Food Aid: Progress, Problems, Projects", Brussels, Commission of the European Communities, Information Directorate-General, Information: Development Cooperation, 1965/77E, September 1977.

APPENDIX 1 THE 53 SIGNATORIES OF THE LOMÉ CONVENTION - THE ACP (UP TO THE 1ST JUNE 1978)

LOMÉ SIGNATORIES ARE:- (negotiated under Article 238 of the Treaty of Rome).

Bahamas (e)	Grenada (e)	Sao Tome Principe (f,h)
Barbados (e)	Guina (g)	Senegal (a,b)
Benin (a,b)	Guinea-Bissau (f)	Seychelles (e,h)
Botswana (e)	Guyana (e)	Sierra Leone (e)
Burundi (a,b)	Ivory Coast (a,b)	Somalia (a,b)
Cameroon (a,b)	Jamaica (e)	Sudan (f)
Cape Verde (f,h)	Kenya (c,e)	Surinam (a,h)
Cent.Afr.Emp.(a,b)	Lesotho (e)	Swaziland (e)
Chad (a,b)	Liberia (f)	Tanzania (c,e)
Comoros (a,h)	Madagascar (a,b)	Togo (a,b)
Congo (a,b)	Malawi (e)	Tonga (e)
Djibouti (a,h)	Mali (a,b)	Trinidad and Tobago (e)
Equatorial Guinea (f)	Mauritania (a,b)	Uganda (c,e)
Ethiopia (f)	Mauritius (d)	Upper Volta (a,b)
Fiji (e)	Niger (a,b)	Western Samoa (e)
Gabon (a,b)	Nigeria (e)	Zaire (a,b)
Gambia (e)	Papua New Guinea (e,h)	Zambia (e)
Ghana (e)	Rwanda (a,b)	

Notes:

(a) Countries originally under Part IV of the Treaty of Rome (1958).

(b) Countries formerly parties to the Yaoundé I (1963) and Yaoundé II Agreements (1969).

(c) Countries formerly associated under the Arusha Agreement (1969).

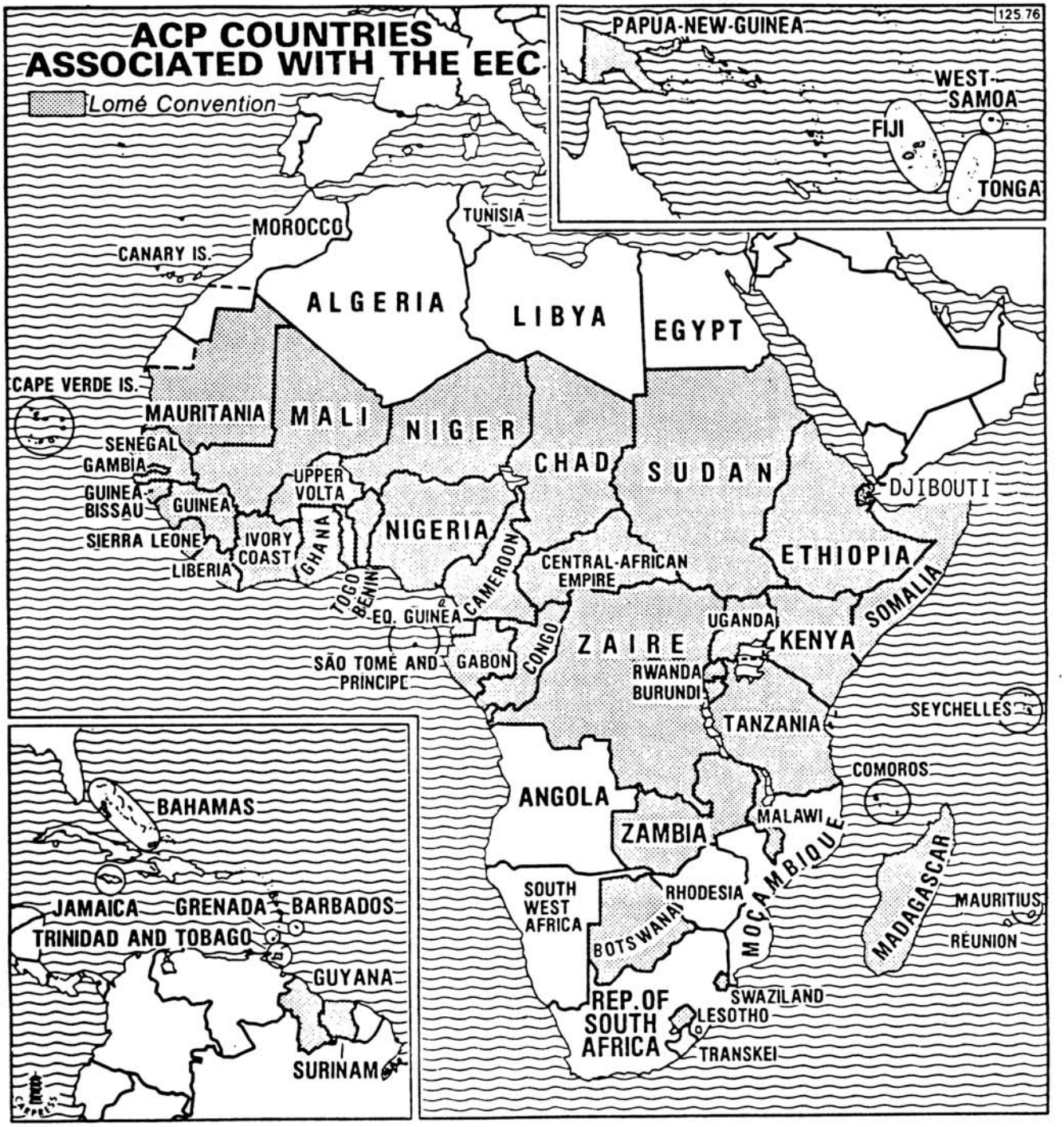
(d) Mauritius joined the Yaoundé Associates in 1972.

(e) Commonwealth countries associated with the Lomé Convention.

(f) Other signatories of Lomé, not previously under EEC colonial rule.

(g) Guinea was an ex-French Colony, but never signed either Yaoundé Convention.

(h) New signatories to Lomé Convention, since its inception, 1975.


ACP COUNTRIES ASSOCIATED WITH THE EEC
Lomé Convention
125 76
PAPUA-NEW-GUINEA
WEST SAMOA
FIJI
TONGA
TUNISIA
MOROCCO
CANARY IS.
ALGERIA
LIBYA
EGYPT
CAPE VERDE IS.
MAURITANIA
MALI
NIGER
CHAD
SUDAN
DJIBOUTI
SENEGAL
GAMBIA
GUINEA BISSAU
GUINEA
UPPER VOLTA
SIERRA LEONE
IVORY COAST
GHANA
NIGERIA
CAMEROON
CENTRAL-AFRICAN EMPIRE
ETHIOPIA
LIBERIA
TOGO
BENIN
EQ. GUINEA
UGANDA
SOMALIA
CONGO
ZAIRE
KENYA
SÃO TOMÉ AND PRINCIPE
GABON
RWANDA
BURUNDI
SEYCHELLES
TANZANIA
COMOROS
BAHAMAS
ANGOLA
MALAWI
ZAMBIA
MOÇAMBIQUE
MADAGASCAR
JAMAICA
GRENADA
BARBADOS
TRINIDAD AND TOBAGO
SOUTH WEST AFRICA
RHODESIA
BOTSWANA
MAURITIUS
RÉUNION
GUYANA
REP. OF SOUTH AFRICA
SWAZILAND
LESOTHO
TRANSKEI
SURINAM

APPENDIX 2 SOME STATISTICS RELATING TO STABEX

Table A2-1: Product coverage of the Stabex Scheme (As of June, 1978)

Product Coverage under the original Lomé Convention

1. Groundnut Products - Seed; Oil; Oilcake.
2. Coconut Products - Coconuts; Copra; Oil; Oilcake.
3. Palm, Palmnut and Kernel Products - Palmnuts and Kernels; Palm Oil: Palmnut and Kernel Oil; Oilcake.
4. Cocoa Products - Beans; Paste; Butter.
5. Coffee Products - Raw/Roasted; Extracts/Essences/ Concentrates.
6. Cotton Products - Cotton (not Carded or Combed); Cotton Linters.
7. Raw Sisal
8. Fresh Bananas.
9. Tea.
10. Raw Hides, Skins and Leather - of Bovine Cattle,Sheep and Lamb; Goat and Kid.
11. Wood Products - Rough; Rough squared or half squared; sawn lenghtwise.
12. Iron Ore - Ores/Concentrates/Roasted Iron Pyrites.

STABEX Product coverage extended at the ACP-EEC Council of Ministers (13/14 April 1977, Suoa, Fiji)

13. Vanilla.
14. Cloves.
15. Pyrethrum.
16. Wool.
17. Mohair.
18. Gum Arabic.
19. Ylang-Ylang.

Sources: The Courier (No. 31,March 1975, and No.43 May/ June 1977).

TABLE A.2-2: STABEX Transfer Payments for 1975 and 1976 according to countries and products

1975				1976			
Benefitting ACP Country	Product	UA	%	Benefitting ACP Country	Product	UA	%
Group A*				Group A			
Ethiopia	Coffee	9,339,683	12.83	W. Samoa	Copra	1,331,544	3.67
	Rawskins & Hides	5,080,364	6.98		Rough Wood	348,993	0.96
Burundi	Cotton	965,602	1.33	Tonga	Copra	831,721	2.29
	Rawskins & Hides	520,053	0.71		Bananas	72,719	0.20
		Sub-total	21.85	Guinea-Bissau	Groundnuts	4,442,437	12.24
					Palmnuts & Kernels	626,966	1.73
						Sub-total	21.09
Group B*				Group B			
Somali	Bananas	1,296,907	1.78	Benin	Cotton	2,750,347	7.58
	Rawskins & Hides	635,238	0.87		Palm Oil	765,576	2.11
Upper Volta	Groundnuts	685,239	0.94	Niger	Groundnut Oil	6,755,991	18.62
	Cotton	175,936	0.24		Groundnut Cake	153,269	0.42
Mali	Cotton	648,503	0.89	Tanzania	Sisal	5,165,208	14.23
Benin	Groundnuts	464,330	0.64				
	Coffee	1,174,883	1.61				
	Cotton	4,299,556	5.91				
	Oilcake	1,191,079	1.64				
Niger	Groundnuts	5,441,294	7.48	Madagascar	Sisal	1,762,943	4.86
	Rawskins & Hides	507,747	0.70		Cloves	1,139,516	3.14
Tanzania	Cotton	1,887,082	2.59	Cent.Af.Emp.	Cut Timber	549,807	1.52
Cent.Afr.Emp.	Coffee	353,108	0.49	Uganda	Tea	1,399,953	3.86
Uganda	Cotton	1,749,932	2.40		Cotton	2,249,791	6.20
Togo	Coffee	2,680,324	3.68	Fiji	Copra Oil	1,499,834	4.13
Sudan	Rawskins & Hides	1,658,579	2.28			Sub-total	66.67
W. Samoa	Cocoa	276,978	0.38				
Fiji	Copra Oil	615,140	0.85				
		Sub-total	35.37				

(Contd.)

TABLE A.2-2: (Contd.)

1975				1976			
Benefitting ACP Country	Product	UA	%	Benefitting ACP Country	Product	UA	%
Group C*							
Congo	Raw Wood	7,361,677	10.11	Sierra Leone	Iron Ore	3,977,274	10.96
Ghana	Raw Wood	5,176,408	7.11	Cameroons	Cocoa Paste	463,558	1.28
Ivory Coast	Raw Wood	15,000,000	20.61			Sub-total	12.24
Cameroons	Raw Wood	3,601,423	4.95				
		Sub-total	42.78				
TOTAL - 1975		72,786,065	100.00	TOTAL - 1976		36,287,447	100.00

* For details of classification basis for these groups see Table 5.

Source: EEC Press Releases and "The Courier" (various editions).

TABLE A.2-3: Breakdown of STABEX Transfers according to Products: 1975 and 1976

Products	EUA	%	PRODUCTS	EUA	%
Raw Wood	31,139,508	42.8	Sisal	6,928,151	19.1
Coffee	13,547,998	18.6	Groundnut Oil	6,755,991	18.6
Cotton	9,725,611	13.4	Cotton	5,000,138	13.8
Rawskins & Hides	8,401,981	11.5	Groundnuts	4,442,437	12.2
Groundnuts	6,590,863	9.1	Iron Ore	3,977,274	11.0
Bananas	1,296,907	1.8	Copra	2,163,265	6.0
Oilcake	1,191,079	1.6	Copra Oil	1,499,834	4.1
Copra Oil	615,140	0.8	Tea	1,399,953	3.9
Cocoa	276,978	0.4	Cloves	1,139,516	3.1
TOTAL	72,786,065	100.0	Timber	898,800	2.5
			Palm Oil	765,576	2.1
			Palmnuts & Kernels	626,966	1.7
			Cocoa Paste	463,558	1.3
			Oilcake	153,269	0.4
			Bananas	72,719	0.2
			TOTAL	36,287,447	100.0

Reasons for STABEX transfers:	1975		1976	
	EUA	%	EUA	%
1) Affected by the economic situation -	49,267,100	67.7	7,477,958	20.6
2) Affected by local circumstances -	23,518,965	32.3	28,809,489	79.4
Type of STABEX transfers:				
1) Loans -	31,754,648	43.6	8,843,125	24.4
2) Grants -	41,031,417	56.4	27,444,322	75.6

(Contd.)

TABLE A.2-3 (Contd.)

STABEX Transfers to the Overseas Countries and Territories
(Administered under Part IV of the Treaty of Rome)

1975			1976		
Oct.	Product	EUA	Oct.	Product	EUA
Belize	Sawn Wood	139,650	Gilbert Is.	Copra	1,083,059
New Hebrides	Copra	1,103,499	New Hebrides	Copra	327,364
Djibouti*	Raw Hides, Skins & Leather	256,894	Solomon Is.	Copra	1,458,179
			Tuvalu	Copra	64,417
			Comoros*	Copra	286,508
			Djibouti*	Raw Hides, Skins & Leather	265,328
	TOTAL	1,798,347		TOTAL	3,484,855

* Comoros and Djibouti, which have after independence acceded to the Lomé Convention, will continue to benefit under the STABEX appropriation for the Overseas Countries and Territories.

Sources of above Tables: EEC Press Releases and "The Courier" (various editions).

TABLE A.2-4: STABEX Transfers as a % of Total Exports and Total Individual Product Exports: 1975 and 1976 (Exports to all destinations)

1975 as % of 4 year average 1971 to 1974			
Country	STABEX Transfer as a % of Total Export Trade	Products	STABEX Transfer as a % of Product Export Trade
Benin	21.8	Coffee	121.3
		Oilcake	98.6
		Cotton	49.2
		Groundnuts	30.9
Niger	14.2	Groundnuts	69.3
		Skins & Hides	n.a.
Congo	9.0	Raw Wood	36.9
Ethiopia	9.0	Skins & Hides	33.5
		Coffee	19.2
Burundi	7.0	Cotton	93.5
		Skins & Hides	n.a.
Somali	4.9	Skins & Hides	34.8
		Bananas	14.7
W. Samoa	4.6	Cocoa	17.3
Upper Volta	4.4	Groundnuts	25.9
		Cotton	4.6
Togo	3.7	Coffee	37.6
Ivory Coast	2.4	Raw Wood	11.0
Cameroon	1.4	Raw Wood	13.8
Ghana	1.3	Raw Wood	13.9
Cent.Afr.Emp.	1.1	Coffee	4.9
Fiji	0.8	Copra Oil	11.2
Tanzania	0.7	Cotton	4.8
Uganda	0.7	Cotton	4.6
Sudan	0.5	Skins & Hides	18.8
Mali	1.6	Cotton	4.8

1976 as % of 4 year average 1972 to 1975			
Country	STABEX Transfer as a % of Total Export Trade	Products	STABEX Transfer as a % of Product Export Trade
W. Samoa	24.7	Copra	36.0
		Raw Wood	n.a.
Guinea-Bissau	22.0	Groundnuts, Palm Kernels & Kernels	n.a.
Tonga	20.8	Copra	28.6
		Bananas	18.2
Niger	11.9	Groundnut Oil	87.8
		Oil Cakes	14.6
Benin	9.5	Palm Oil	67.2
		Cotton	28.7
Sierra Leone	3.4	Iron Ore	32.1
Tanzania	1.7	Sisal	14.7
Madagascar	1.4	Sisal	25.5
		Cloves	3.8
Cent.Afr.Emp.	1.4	Raw Wood	8.6
Uganda	1.4	Tea	9.6
		Cotton	6.1
Fiji	1.5	Copra Oil	23.3
Cameroon	0.1	Cocoa Paste	7.2

Following exchange rates used:-

1976 1 EUA = 1.11805 US $
1975 1 EUA = 1.24077 US $

Source: EEC (Eurostat) 'ACP Yearbook of Foreign Trade Statistics, 1968-1976'.
EEC Press Releases and "The Courier" (various editions).

TABLE A.2-5: Categories of ACPs according to STABEX Concessionary Clauses and GNP/Capita (June/1978)

Group A (Most privileged under STABEX Concessionary Clauses - see Lomé Convention, Art. 17, Para.2 - Least developed; Art.17, Para.4 - Exports to any destination).

Country	GNP/Capita US $, 1976	Countries total exports as a % of GNP. Average of 3 years 1974 to 1976	Country	GNP/Capita US $, 1976	Countries total exports as a % of GNP. Average of 3 years 1974 to 1976
Rwanda	100	14.0	Guinea-Bissau	460	2.2
Ethiopia	100	9.9	Swaziland	470	66.5
Burundi	120	9.6	Cape Verde	550	1.3
Lesotho	170	7.1	Seychelles	600	17.1
Western Samoa	320	19.0			
Tonga	330	17.8			

(Contd.)

TABLE A.2-5: (Contd.)

Group B (Second most privileged under STABEX Concessionary Clauses - See Lomé Convention, Art.17, Para.2 - Least developed)					
Country	GNP/Capita US $, 1976	Countries total exports as a % of GNP. Average of 3 years 1974 to 1976	Country	GNP/Capita US $, 1976	Countries total exports as a % of GNP. Average of 3 years 1974 to 1976
Mali	100	11.9	Mauritania	340	42.4
Somalia	110	23.3	Grenada	350	35.6
Upper Volta	110	7.0	Botswana	410	57.7
Chad	120	7.7	Zambia	440	49.3
Benin	130	14.0	Papua New Guinea	500	44.0
Malawi	140	23.1	Sao Tome & Principe	600	23.1
Guinea	150	19.3	Mauritius	680	53.3
Niger	160	11.8	Jamaica	1070	32.3
Gambia	180	45.7	Fiji	1150	23.6
Tanzania	180	16.4	Surinam	1420	46.7
Madagascar	200	16.7	Barbados	1510	28.2
Central African Empire	230	12.9	Trinidad & Tobago	2240	92.2
Uganda	240	11.6	Bahamas	3310	270.0
Togo	260	26.2			
Sudan	290	11.4			
	330	51.3			

(Contd.)

TABLE A.2-5: (Contd.)

Group C (ACP's with no STABEX Concessions).					
Country	GNP/Capita US $, 1976	Countries total exports as a % of GNP. Average of 3 years 1974 to 1976	Country	GNP/Capita US $, 1976	Countries total exports as a % of GNP. Average of 3 years 1974 to 1976
Zaire	140	27.7	Congo	520	29.6
Sierra Leone	200	21.9	Ghana	580	13.1
Kenya	240	18.1	Guyana	610	69.7
Nigeria	380	34.9	Ivory Coast	610	37.1
Senegal	390	25.1	Cameroon	2300	23.0
Liberia	450	64.4	Gabon	2590	77.7

Source: Eurostat 'ACP Yearbook of Foreign Trade Statistics: 1968-1976', published European Commission, November 1977.

APPENDIX 3 : EUROPEAN COMMUNITY IMPORT REGIMES FOR SUGAR, ISOGLUCOSE, OILSEED PRODUCTS, FRUIT AND VEGETABLES (FRESH AND PROCESSED), BEEF AND CEREALS, TOGETHER WITH CONCESSIONS OFFERED TO THE MAJOR GROUPS OF THIRD COUNTRIES*

CCT Heading	Description of Goods	C.E.T Import Regime	Concessions to the ACP countries (and OCT)	Concessions to the Mediterranean countries	Concessions made in the 1978 GSP
1.	Common Organisation of the Market in Sugar (Reg.3330/74 amended by Reg.1110/77)				
(a) 17.01	Beet sugar and cane sugar, in solid form.	Levy	Levy-free access for up to 1.4 million metric tons of raw cane sugar, at a guaranteed price	None	None
(b) 12.04	Sugar beet, whole or sliced, fresh, dried or powdered, sugar cane.	Levy	None	None	None
(c) 17.03	Molasses, whether or not decolourised.	Levy	None	None	None
(d) 17.02 C, D II, E and F	Other sugars in solid form (but not including lactose, glucose or isoglucose); sugar syrups not containing added flavouring or colouring matter (and not including lactose, glucose or isoglucose); artificial honey whether or not mixed with natural honey; caramel.	Levy	None	None	None
21.07 F IV	Flavoured or coloured sugar syrups (other than lactose, glucose or isoglucose syrups).	Levy	None	None	None
(e) 23.03B I	Beet-pulp, bagasse and other waste of sugar manufacture.	Free			

* Major Groups includes countries covered under the G.S.P., the Lomé Convention and the Global Mediterranean policy. The potential adherents of Greece, Spain, Portugal and (in due course) Turkey are excluded as their concessions are more specific to each country.

(Contd.)

APPENDIX 3 : (Contd.)

2.	Common Provisions for Isoglucose (Reg.1111/77)				
	17.02D I	Isoglucose.	Levy	None	None	None
	17.05C I	Flavoured or coloured isoglucose.	Levy	None	None	None
3.	Common Organisation of the Market in Oils and Fats (Reg.1562/78).				
(a)	12.01B	Oil seeds and oleaginous fruit, whole or broken.	Free*	**		
(b)	12.02	Flour or meals of oil seeds or oleaginous fruit, non-defatted (excluding mustard flour).	Free to 8%*	Free	None	None
	15.04	Fats and oils, of fish and marine mammals, whether or not refined.	Free to 6%	Free	None	15.04AI Free
	15.07B, C, D	Fixed vegetable oils, fluid or solid, refined or purified, excluding olive oil.	Free to 15%	Free	None	Free to 6%
	15.12	Animal or vegetable oils and fats, wholly or partly hydrogenated, or solidified or hardened by any other process, whether or not refined, but not further prepared.	17% to 20%*	Free	None	11% to 16%
	15.13	Margarine, imitation lard and other prepared edible fats.	25%	Free	None	None

* In certain conditions, a compensatory amount may be collected in addition to the customs duty.

** Provision for special measures if considerable changes in import volumes.

(Contd.)

APPENDIX 3 : (Contd.)

3.	Common Organisation of the Market in Oils and Fats (contd.)					
	15.17B II	Residues resulting from the treatment of fatty substances or animal or vegetable waxes, excluding those containing oil having the characteristics of olive oil.	2% to 5%	Free	None	Free
	23.04B	Oil-cake and other residues (except dregs) resulting from the extraction of vegetable oils, excluding oil-cake and other residues resulting from the extraction of olive oil.	Free			
(c)	15.07A	Olive oil.	Levy	None	Reduced levy (Maghreb)	None
(d)	07.01N	Olives, fresh or chilled.	7% and 7% + Levy	None	None	None
	07.02A	Olives (whether or not cooked), preserved by freezing.	19%	None	None	None
	07.03A	Olives provisionally preserved in brine, in sulphur water or in other preservative solutions, but not specially prepared for immediate consumption.	8% and 8% + Levy	None	3.2% (Maghreb) on 07.03AI	None
ex	07.04B	Dried, dehydrated or evaporated olives, whole, cut, sliced, broken or in powder, but not further prepared.	16%	None	None	None
(e)	15.17B I	Residues resulting from the treatment of fatty substances or animal or vegetable waxes, containing oil having the characteristics of olive oil.	Levy	None	None	None
	23.04A	Oil-cake and other residues resulting from the extraction of olive oil.	Levy	None	None	None

(Contd.)

APPENDIX 3 : (Contd.)

4.	Common Organisation of the Market in Fruit and Vegetables (Reg.1035/72)				
07.01	Vegetables, fresh or chilled (excluding 07.01A potatoes and 07.01N olives).	4% to 17%	Free (07.01F,GIV,S,T)	Various concessions Maghreb, Mashraq	Concessions on okra, pumpkins
08.02	Citrus fruit, fresh and dried.	4% to 20%*	Free (08.02D,E) 80% duty cut (08.02 A,B)	Various concessions, Maghreb, Mashraq	9.6% Limes
08.03	Figs, fresh and dried.	7% & 10%	None	None	None
08.04	Grapes, fresh or dried (excluding 08.04AII Fresh grapes, other than table grapes).	4% to 22%*	None	Various concessions Maghreb, Egypt, Lebanon	None
08.05	Nuts, other than those in 08.01 (i.e. tropical nuts) (excluding 08.05F Areca (or betal) and cola).	0% to 8%	None	None	Free for pistachios, pecans, areca and "other".
08.06	Apples, pears and quinces, fresh.	6% to 14%+	None	None	None
08.07	Stone fruit, fresh.	10% to 25%*+	None	4% Maghreb (08.07DII)	7% other
08.08	Berries, fresh.	4% to 16%+	Free (08.08E, ex.F)	5.6% Maghreb, Israel (08.08AII) and 5.5% Maghreb (08.08D)	6% other
08.09	Other fruit, fresh.	11%	Free	5.5% Maghreb, Israel (melons) 5.5% Maghreb, Mashraq, Israel (watermelons)	Concessions on watermelons, rosehips, "other".

NOTE: * In certain conditions a countervailing tax is provided for in addition to customs duties.
+ With specific duty minima in ua/100kg.

(Contd.)

APPENDIX 3 : (Contd.)

5.	Common Organisation of the Market in Products Processed from Fruit and Vegetables (Reg.865/68)					
ex	07.02	Vegetables (whether or not cooked), preserved by freezing, excluding olives.	18%	Free	30% duty reduction for frozen peas from Morocco.	None
ex	07.03	Vegetables provisionally preserved in brine, in sulphur water or in other preservative solutions, but not specially prepared for immediate consumption, excluding olives.	6% to 15%	Free	Various duty reductions for olives and capers from Maghreb.	Okra, free
ex	07.04	Dried, dehydrates or evaporated vegetables, whole, cut, slices, broken or in powder, but not further prepared, excluding olives.	16% and 18%	Free	Various duty reductions for Mashraq	Concessions on wild mushrooms and horse-radish.
	08.10	Fruit (whether or not cooked), preserved by freezing, not containing added sugar.	18% and 20%	Free	30% duty reduction for Morocco	Some duty reductions
	08.11	Fruit provisionally preserved (for example by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.	5.5% to 16%	Free	80% duty reduction on comminuted citrus from Israel and Maghreb.	Some duty reductions.
	08.12	Fruit, dried, other than that falling within heading No. 08.01, 08.02, 08.03, 08.04 or 08.05.	7% to 16%	Free	Various duty reductions for some products from Syria, Lebanon and Morocco.	Some duty reductions.

(Contd.)

APPENDIX 3 : (Contd.)

5.	Common Organisation of the Market in Products Processed from Fruit and Vegetables (contd.)					
	20.06	Fruit otherwise prepared or preserved, whether or not containing added sugar or spirit.	15% to 32%+ Levy	Free, plus abolition of levies in preserves of: pineapple, grapefruit, papaws, passion fruit	Various duty reductions for Israel and Maghreb, but with m.i.p. for fruit salad	Some duty reductions
ex	20.07	Fruit juices (excluding grape juice, and must) and vegetable juices, whether or not containing added sugar, but unfermented and not containing spirit.	18% to 42%+ Levy	Free, plus abolition of levies on juices of: pineapple, papaw, passion fruit	Various duty reductions for Israel and Maghreb	Duty reductions for some products
ex	20.07	Grape juice (including grape must), not containing spirit, with an added sugar content exceeding 30% by weight.	28%+ Levy	Abolition of ad valorem duty	None	None
6.	Common Organisation of the Market in Beef and Veal (Reg.805/68 amended by Reg.2727/71)					
(a)	01.02AII	Live animals of the domestic bovine species, other than pure-bred breeding animals.	16%+ Levy	Abolition within annual quotas of ad valorem duty*, plus 90% reduction of import levy (provided this is charged as an export tax)	None	None
	02.01AII	Meat of domestic bovine animals, fresh chilled or frozen.	20%+ Levy		None	None
	02.06CI (a)	Meat of domestic bovine animals, salted, in brine, dried or smoked.	24%+ Levy		None	None
(b)	02.01BII (b)	Edible offals of domestic bovine animals, fresh, chilled or frozen.	7% and 11%	Free	None	None
	02.06CI (b)	Edible offals of domestic bovine animals, salted, in brine, dried or smoked.	24%	Free	None	None

* Subject to a volume growth constraint.

(Contd.)

APPENDIX 3 : (Contd.)

6.	Common Organisation of the Market in Beef and Veal (contd.)				
(c) 16.02BIII(b)1	Other prepared or preserved meat or meat offals, not specified, containing bovine meat or offals other than those containing meat or offals of domestic swine.	26%	Free	None	Tongues 17%
(d) 15.02B1	Unrendered fats of bovine cattle; rendered or solvent-extracted fats (including premier jus) obtained from those fats.	7%	Free	None	None
7.	Common Organisation of the Market in Cereals (Reg.2727/75 as amended by Reg.2560/77)				
(a) 10.01A	Common wheat and meslin.	Levy	None	None	None
10.02	Rye.	Levy	None	None	None
10.03	Barley.	Levy	None	None	None
10.04	Oats.	Levy	None	None	None
10.05B	Maize, other than hybrid maize for sowing.	Levy	Reduction of levy for 10.05 by 1.5ua/100kg.	None	None
10.07	Buckwheat, millet, canary seed and grain sorghum; other cereals.	Levy	Reduction of levy by 50% for millet and sorghum	None	None
(b) 10.01B	Durum wheat.	Levy	None	Reduced levy Morocco	None

(Contd.)

APPENDIX 3 : (Contd.)

7.	Common Organisation of the Market in Cereals (contd.)					
(c)	11.01A	Wheat or meslin flour.	Levy	None	None	None
	11.01B	Rye flour.	Levy	None	None	None
ex	11.02A	Wheat groats and meal (common wheat and durum wheat).	Levy	None	None	None
(d)	The products listed in Annex A to this regulation.					
	07.06A	Manioc, arrowroot, salep and other similar roots and tubers with high starch content, excluding sweet potatoes.	Levy	Non-application of the the fixed component of the levy for all the products listed in Annex A of Reg.2727/75 Also reduction of variable component of the levy for 07.06A by 0.15ua/100kg.*	None	None
ex	11.01	Cereal flours:				
		C. Barley flour.	Levy		None	None
		D. Oat flour.	Levy		None	None
		E. Maize flour.	Levy		None	None
		G. Other.	Levy		None	None
ex	11.02	Cereal groats and cereal meal; other worked cereal grains (for example, rolled, flaked, polished, pearled or kibbled, but not further prepared), except rice falling within heading No.10.06; germ of cereals, whole, rolled, flaked or ground:				
		ex A. Cereal groats and cereal meal, except groats and meal of wheat and rice.	Levy		None	None

* For the O.C.T. elimination of variable component on arrowroot in 07.06A.

(Contd.)

APPENDIX 3 : (Contd.)

7.	Common Organisation of the Market in Cereals (Contd.)				
(d)	The products listed in Annex A to this regulation (contd.)				
	B. Hulled grains, (shelled or husked), whether or not sliced or kibbled.	Levy		None	None
	C. Pearled grains.	Levy		None	None
	D. Grains not otherwise worked than kibbled.	Levy		None	None
	E. Rolled grains; flaked grains, except flaked rice.	Levy		None	None
	F. Pellets, except rice pellets.	Levy		None	None
	G. Germ of cereals, whole, rolled, flaked or ground.	Levy		None	None
10.04C	Flour and meal of sago and of roots and tubers falling within heading No.07.06	Levy	Also reduction of variable component of the levy for 11.04C by 0.30ua/100kg.*	None	None
11.07	Malt, roasted or not.	Levy		None	None
ex 11.08A	Starches:				
	I. Maize starch.	Levy	Also reduction of	None	None
	III. Wheat starch.	Levy	variable component	None	Non
	IV. Potato starch.	Levy	of the levy for	None	None
	V. Other.	Levy	11.08AV by 50%	None	None

* For the O.C.T. elimination of the variable component on arrowroot flour and meal (11.04C) and arrowroot starch (11.08V).

APPENDIX 3 : (Contd.)

7.	Common Organisation of the Market in Cereals (contd.)				
(d)	The products listed in Annex A to this regulation (contd.)				
11.09	Wheat, gluten, whether or not dried.	Levy		None	None
17.02B	Glucose and glucose syrup: II. Other.	Levy		None	None
21.07FII	Glucose syrup, flavoured or coloured.	Levy		None	None
23.02A	Bran, sharps and other residues derived from the sifting, milling or working of cereals.	Levy		Reduction of 60% in levy for Maghreb and Egypt for 23.02AII	None
23.03AI	Residues from the manufacture of starch from maize (excluding concentrated steeping liquors), of a protein content calculated on the dry product, exceeding 40% by weight.	Levy		None	None
23.07	Sweetened forage; other preparations of a kind used in animal feeding;				
	ex B. other, containing starch, glucose or glucose syrup falling within sub-headings 17.02B and 21.07FII or milk products (falling within heading No. 04.01, 04.02, 04.03 or 04.04, or within sub-heading 17.02A or 21.07FI), except preparations and feeding stuffs containing 50% or more by weight of milk products falling within one or more of the headings or sub-headings.	Levy		None	None

(Contd.)

APPENDIX 3 : (Contd.)

8.	Common Organisation of the Market in Rice (Reg.1418/76)					
(a)	10.06AI	Paddy rice.	Levy	Levy reduced by 50% and 0.30ua/100kg.*	Reduced levy Egypt	None
	10.06AII	Husked rice.	Levy			None
	10.06B	Semi-milled or wholly milled rice.	Levy	Component of protection for the processing industry, and 50% and 0.45ua/100kg.*	Reduced levy Egypt	None
(b)	10.06C	Broken rice.	Levy	Reduction of levy by 50% and 0.25ua/100kg.	Reduced levy Egypt	None
(c)	11.01F	Rice flour.	Levy	Non-application of the fixed component of the levy for all these products.	None	None
	11.02AVI	Rice groats and meal.	Levy		None	None
	11.02EIId)1	Flaked rice.	Levy		None	None
	11.02FVI	Rice pellets.	Levy		None	None
	11.08AII	Rice starch.	Levy		None	None

* Subject to volume growth constraints; also to provision that c.i.f. prices plus reduced levy must equal threshold price less fixed deduction.

Sources: Official Journal of the European Communities

Vol.21, No.C262, 6 November 1978.
Vol.20, No.L324, 19 December 1977.
Vol.20, No.L289, 14 November 1977.
Vol.18, No.L166, 28 June 1975.

APPENDIX 4 EXCERPTS FROM THE TREATY OF ROME RELATING TO THE COMMUNITY'S EXTERNAL RELATIONS

Of the 11 objectives laid down for the EEC in Article 3 of the Treaty of Rome, only two deal with external relations.

> Article 3(b) - "the establishment of a common customs tariff and of a common commercial policy towards third countries".
>
> Article 3(k) - "the association of the overseas countries and territories in order to increase trade and promote jointly economic and social development".

The Preamble to the Treaty, however, makes clear the wider aspects of these objectives. Thus the aim of the Community, through its common commercial policy, is to contribute "to the progressive abolition of restrictions on international trade", while with regard to the (presumably) developing countries, the Preamble speaks of "the solidarity which binds Europe and the overseas countries and desiring to ensure the development of their prosperity".

The only other references to agreements with third countries come first, in Article 237, "Any European State may apply to become a member of the Community"; second, in Article 238, "The Community may conclude with a third State, a union of States or an international organisation agreements establishing an association involving reciprocal rights and obligations ....."; and finally, in Articles 131-136 - The Association of the Overseas Countries and Territories - dealing specifically and only with the treatment of the Community's then colonies (the "non-European countries having special relations with Belgium, France, Italy, the Netherlands and the UK"). By the time the Treaty of Accession was signed in 1972, however, the Community in Protocol 3 was able to offer the choice of three alternatives to most of the Commonwealth's developing country members.

These were:-

- "participation in the Convention of Association".
- "conclusion of one or more special conventions of association".
- "conclusion of trade agreements with a view to facilitating and developing trade".

By contrast the Treaty of Rome has far more fully developed provisions on the creation of a common commercial policy. These make it clear that more is envisaged than just the development of a common customs tariff against third countries. Thus Article 111, paragraph 1, enjoins the Member States to "co-ordinate their trade relations with third countries so as to bring about, ... the conditions needed for implementing a common policy in the field of external trade". While Article 113, paragraph 1, specifies that:

> " ..... the common commercial policy shall be based on uniform principles, particularly in regard to changes in tariff rates, the conclusion of tariff

and trade agreements, the achievement of uniformity in measures of liberalisation, export policy and measures to protect trade such as those to be taken in case of dumping or subsidies".

and Article 116 specifies that:

" ..... Member States shall, in respect of all matters of particular interest to the common market, proceed within the framework of international organisations of an economic character only by common action".

APPENDIX 5 EUROPE'S GREEN MONEY: AN EXPLANATORY NOTE

A strict interpretation of the Common Agricultural Policy implies a much more abrupt change for the agricultural and food sector, following currency appreciation or depreciation, than it does for other sectors. For example, although we do find that devaluation tends to cause the price of imported manufactured products to increase, it generally takes some time before the foreign exporter adjusts his price, and often he will not do so by the full extent of the devaluation because of competition from domestic output. The domestic producer of commodities which compete with imports will, in turn, probably take some of the benefit of the devaluation by raising his price, but he will also be attracted by the possibility of restraining his selling price and increasing his share of the market at the expense of imports.

So the implications of devaluation for traded non-farm commodities in the EEC are that domestic prices will rise, but usually over a period of several months and usually, also, not by the full extent of the devaluation. In contrast, for farm products, since support prices are fixed in units of account, devaluation should mean an immediate price rise by the full extent of the devaluation. Intervention prices, which set a floor to the market, and minimum import prices, which determine the levies on imports from third countries,should, in principle, rise by the same amount as the currency has depreciated. Thus, under the Common Agricultural Policy, the inflationary effect of devaluation is much more severe for food prices than it is for other prices. Similarly, the country which revalues its currency finds that its farmers are expected to receive an immediate cut in the prices they receive for their produce.

Because of this, Member States have been allowed to delay the impact of a change in the value of their currencies in the case of agriculture and food by continuing to convert units of account into domestic currency at the old exchange rate, now called their 'green' or 'representative' rates. While a gap remains between a country's green and market rate of exchange, the CAP is, in effect, attempting to maintain farm product prices in that country at a different level from that applying in other Member States.

It is perhaps easiest to understand this with the aid of a very simplified example. There are a number of mechanisms which are used within the CAP to control farm product prices. One of these is intervention buying, and let us suppose that the intervention price for a particular farm product is set at 100 units of account (ua) per tonne. Green rates of exchange will be used to translate this unit of account price into national currencies and, restricting the example to two countries, suppose the green rate for the pound is £1=2ua and for the Deutschmark is 1DM=.5ua. The intervention price will, therefore, be £50 in the UK and 200DM in Germany. If the market rate for sterling is equivalent to £1=4DM,we could say that the green pound is the same as the market rate for sterling and that there is a common intervention price for the commodity in the two countries.

Assume that the pound now depreciates on foreign exchange markets to have a value in terms of marks of £1=3DM. This will be equivalent to £1=1.5ua, and if the green rate is devalued to 'bring it back in line' with market rates, the intervention price for the product in the UK will rise to £66.67. If, however, the green rate is kept at £1=2ua, the intervention price will remain at £50 per tonne. But the green rate system can only be successful in restraining market prices in the UK, following a devaluation of the pound sterling, if there is also a subsidy on exports of farm products from other EEC countries to the UK and a tax on any UK farm product exports to EEC countries. These border taxes and subsidies on intra-EEC trade are called 'monetary compensatory amounts' (MCAs). Without MCAs, at a UK market price of £50 per tonne, it would be more profitable for the German farmer to sell into intervention (at a price of 200DM, equivalent at prevailing exchange rates to £66.67) than to export to the UK, and indeed, more profitable for the UK merchant to export to Germany than to sell produce on the home market. The effect would be to pull up the UK market price to the Germany intervention level. Thus MCAs are an integral part of the green rate system; they are the mechanism by which the attempt to control farm product prices at different levels in different Member States is translated into practice.

The other effect of holding the green rate constant when the pound sterling depreciates is to reduce the levies charged on UK imports of farm products from third countries. Without a reduction in these levies, the minimum import price for the commodity in our example would be in excess of £66.67*, and if third countries supply a significant part of the UK market, it would not be possible to prevent UK market prices rising towards the level of the minimum import price.

For the British consumer, the green rate system has operated to prevent food prices rising as an automatic consequence of sterling depreciation and has meant generally lower prices for farm and food products than have applied in other Member States. These lower prices are achieved first by the MCA, which subsidises exports from (higher price) EEC countries; second, by reducing the levy on imports from third countries; and third, by making intervention prices in the UK lower than in other Member States.

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* With the CAP, minimum import prices are set higher than intervention prices.

APPENDIX 6 GLOSSARY OF ABBREVIATIONS USED

AASM	-	Associated African States and Malagasy
ACP	-	African, Caribbean and Pacific
CAP	-	Common Agricultural Policy
CCT	-	Common Customs Tariff
DOM	-	Departements d'Outre Mer
EDF	-	European Development Fund
EEC/EC	-	European Economic Community/European Community
FEOGA	-	European Agricultural Guidance and Guarantee Fund
GATT	-	General Agreement on Tariffs and Trade
GSP	-	General System of Preferences
IMF	-	International Monetary Fund
ISA	-	International Sugar Agreement
LICs	-	Low Income Countries
MCA	-	Monetary Compensatory Amount
mfn	-	'Most-favoured-nation'
mips	-	Minimum import prices
mt	-	Metric tonne
MTN	-	Multilateral Trade (Tariff) Negotiations
NIEO	-	New International Economic Order
NTM	-	Non-Tariff Measure
OPEC	-	Organisation of Petroleum Exporting Countries
SITC	-	Standard International Trade Classification
STABEX	-	Export Earnings Stabilisation Scheme of the Lomé Convention
TOM	-	Territoires d'Outre Mer
ua	-	Units of account(EUA = European Unit of Account; EUR = Statistical Unit of Account)
UNCTAD	-	United Nations Conference on Trade and Development

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