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Farmers and Foreigners

Impact of the Common Agricultural Policy on the Associates and Associables

Frank Ellis
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Christopher Ritson

Independent developing Commonwealth countries outside Asia have been offered association with the European Community. Some of these 'Associables' may choose a package trade and aid deal on the lines of the present Yaoundé Convention, under which nineteen states, mainly in Francophone Africa – the Associates – are linked with the Community. Some may opt for an arrangement confined to trade; others may prefer to avoid association altogether. In making their decision, the Associables will be particularly concerned to see how various types of association affect access to the Community for their agricultural commodities, which in almost all cases account for an important proportion of their export earnings.

Farmers and Foreigners provides basic data on the significance of the Community (of Six and of Nine) as a market for the Associates' and Associables' agricultural goods, and analyses the impact of the Common Agricultural Policy on this market. It shows that the Community has been ready to give relatively favourable treatment to Associates for CAP products compared with that given to other non-Community suppliers, but not at the expense of its own producers. So long as farm incomes in the Community are supported by a system of high prices, little improvement is likely in the prospects for exporters of CAP products. A change in this aspect of European agricultural policy seems unlikely before the present round of association negotiations is complete. There is room, however, for Associates and Associables to argue for a shift in the balance of price support to improve access for their agricultural exports. *Farmers and Foreigners* indicates areas of flexibility.

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Preface

Three events make 1973 a year in which discussion of the future of agricultural trade is timely. First, the United Kingdom's accession to the European Community has made an important part of world agricultural trade subject to Community policies and especially to the Common Agricultural Policy (CAP). Second, in the course of the enlargement negotiations, a number of independent Commonwealth countries in Africa, the Caribbean, the Indian Ocean, and the Pacific were invited to negotiate terms of association with the Community. These countries have become known as the Associables. A number of African countries already possess association with the Community and are known as Associates. Since agricultural items form the largest element in the exports of the Associables, these negotiations, which began in July 1973, must inevitably involve discussion of agricultural trade. Third, the main trading nations of the world are preparing for a further round of negotiations under the General Agreement on Tariffs and Trade (GATT). It is the view of the USA, though not the Community, that a necessary condition of success in these negotiations is some progress in liberalizing trade in agricultural goods.

This study describes one part of this complex scene, the relationship between the Community's agricultural policy and the export prospects of the Associables and Associates. Its main function is to summarize, in a convenient form, relevant information concerning the operation of the Common Agricultural Policy in relation to the existing trade in agricultural commodities of the Associables and Associates. A second function is to raise some of the issues which will influence the association negotiations.

The urgency of the problem facing the Associables in relation to their trade with the enlarged Community has demanded that this study be produced more rapidly than academic caution, or the genuine complexity of many of the questions raised, would counsel. Despite this it is hoped that it will help all who are concerned towards a fuller understanding of what is involved. Unfortunately it has not been possible to do more than note some of the wider aspects of agricultural policy and trade. It is therefore proper to emphasize that satisfactory solutions to the problems raised by the study are unlikely to emerge from discussion limited to this specific area.

Much is owed to the good advice of those who have found time to discuss these issues with the authors. Amongst those consulted, a special debt of gratitude is owed to members of the European Commission Directorate-General for Development, for guidance on the Commission viewpoint, and members of various UK institutions involved in the field of agricultural trade. Thanks are also due to Mrs Netta Bloom for

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Introduction

Between 1960 and 1970 total developed country exports rose from \$100.7 billion to \$256.5 billion, an average increase of 15% per annum. The corresponding increase for developing countries was from \$27.4 billion to \$54.7 billion, an increase of 10% per annum. As a consequence of these trends, the share of developing countries in world export markets declined from 21.3% to 17.6%. A number of important features relating to the situation of developing countries in world trade, and the contribution of agricultural commodities to their export earnings, underlie those figures.

First, total trade between developed countries has increased far more rapidly than either trade between developing countries, or trade between developed and developing countries.

Table 1

Growth in the value of imports from, and exports to, developed and developing countries, 1960-70

	(% change 1960-1970)	
To:	Developed countries	Developing countries
From:		
Developed countries	171	108
Developing countries	107	73

Source: United Nations: *Statistical Yearbook 1971.*

These figures are a reflection of the tendency for increases in world income to be concentrated in developed countries. A further conclusion may be drawn from the table: that while developing countries are decreasing in relative importance both as customers and suppliers of developed countries, they are becoming increasingly dependent upon developed countries, for both their export markets and their imports.

Second, a major contributory factor to the observed decline in the share of international trade experienced by developing countries appears to be their dependence on agricultural commodities. Between 1960 and 1969, the value of world exports of manufactures increased at an annual rate of 11% per annum, while those of agricultural products increased by 3% per annum. As shown in Table 2, the principal agricultural commodities make a much greater contribution to the total value of exports for developing countries, than they do for developed countries.

Table 2

The share of principal agricultural commodities in world export trade in 1970

	Agricultural exports $ bn	Total exports $ bn	Agricultural exports as a % of total exports
Developing	14.1	54.7	26
Developed	15.2	256.5	6
World	29.3	311.2	10

Source: Calculated from *F.A.O. Commodity Review and Outlook 1970-1971.*

Finally, within agricultural markets, developing countries appear to be faring even worse in comparison to developed countries than they do for trade in all products. The value of agricultural exports from developed countries increased by an average of 4% per annum between 1962 and 1969. The corresponding figure for developing countries was 2% per annum. The chief reason for this difference has been the growth of trade in temperate agricultural products between developed countries. For example, a growth rate of 12% or more per annum was sustained throughout the decade for inter-developed-country trade in oilseeds and vegetable oils (mainly soya beans). Similar high rates of growth between developed countries were experienced for meats and processed foods.

Agricultural exports from developing countries may be distinguished according to the way their competitive position is affected by events in developed countries. One group consists of tropical products which cannot be produced in developed countries (known as 'non-competing tropical products') such as tea, coffee, and cocoa. These products are not directly affected by agricultural protective measures, but their consumption in developed countries is sometimes subject to excise duties. A second group is made up of tropical products such as rubber and natural fibres for which it is possible to manufacture substitutes. The markets for these products are often affected by protection granted to synthetic substitutes in developed countries. A third group includes those agricultural commodities which can be produced in both tropical and temperate climates ('competing agricultural products'). Trade in such products is influenced by the whole range of measures employed by the agricultural policies of developed countries. A fourth group is composed of semi-processed agricultural commodities. These products may face protective measures designed to assist both agricultural producers and processors in developed countries. The real measure of protection provided to processing industries by, for example, a tariff is frequently much higher than the nominal level of tariff suggests. Thus, if processing adds 50% to the value of the product and the raw product enters the

Community duty-free, a tariff of 10% on the processed product represents, in effect, a degree of protection of 20% for Community processors.

This study is concerned primarily with the effect of the enlargement of the Community on the third group of commodities (competing agricultural products), but others will be mentioned where they are relevant to a particular argument. It is in the area of competing agricultural commodities that the enlargement of the Community is likely to have the greatest impact. This stems from the different approaches to agricultural policy followed by the Six and the UK.

Traditionally the UK has followed a liberal agricultural trade policy. This has usually involved a zero tariff for commodities of Commonwealth origin. The principal method of price support has been the 'deficiency payment' to farmers which bridges the gap between average UK market prices and the desired level of producer prices (known as 'guaranteed prices'). This price support, as well as other measures, has stimulated output in the UK, but in determining the incentive given to domestic producers, the UK government has always been sensitive to the interests of traditional suppliers and for some important commodities, such as butter and bacon, has operated what amounted to a form of market sharing.

The Community's Common Agricultural Policy reflects a long-standing preference in some European countries for self-sufficiency in food products, and employs, as its device for supporting agricultural prices, the variable import levy. This affects prices paid by consumers, as well as prices received by producers, and thus may have reduced consumption as well as stimulated production. Both effects reduce the market for goods from third countries.

The major feature of UK adoption of the Common Agricultural Policy is that, in general, UK producer and consumer prices will be much higher than their level during the late 1960s and early 1970s. For instance in 1971/72 official producer prices in the Six were above the corresponding price in the UK by 42% for wheat, 78% for rapeseed, 23% for beef, and 13% for sugar beet. Such increases will stimulate higher output from UK agriculture in at least some commodities. In addition, supplies from within the Community, where available, should, in principle, replace supplies from traditional sources. The change in the method, as well as the level, of price support will mean that consumer prices will rise more than producer prices. There may be a reduction in the demand for those products most affected.

The main products of interest in this study are listed below. They are all subject in some degree to the regulations of the Common Agricultural Policy, and some of them provide a large proportion of the export earnings of Associates and Associables.

- Sugar
- Oilseeds
- Vegetable oils
- Beef
- Maize
- Rice
- Tobacco
- Dried milk and ghee
- Fruit and vegetables

Chapter 1
Association

The concept of association

The fundamental principles which it was intended should govern Community relationships with the developing world were incorporated into the Treaty of Rome to take account of existing economic and political links between individual member countries and their dependencies. A particular issue was the relationship of the French overseas departments (*Départements d'Outre Mer* or DOM: Guadeloupe, Martinique, Réunion, and Guiana) to the Community. These four provinces were eventually treated separately from other developing countries, and are considered part of the Common Market except that they do not benefit from FEOGA[1] (Article 227 of the Treaty).

All other dependencies and territories (*Pays et Territoires d'Outre Mer* or PTOM) were covered by Articles 131–136 of the Treaty. They were offered the status of Associates of the Community:

> 'This association shall in the first place permit the furthering of the interest and prosperity of the inhabitants of these countries and territories in such a manner as to lead them to the economic, social and cultural development they expect' (Article 131).

Following the achievement of independence by the eighteen African states and Madagascar between 1958 and 1962, these association arrangements were re-negotiated and embodied in the text of the first Yaoundé Convention, which was signed in July 1963 and came into force for a period of five years from 1 June 1964. Meanwhile the terms of association for continuing dependencies were agreed by the Council of Ministers in February 1964 and published in the Official Journal of 11 June 1964. Although the dependencies and the states of the Yaoundé Conventions are associated by quite separate legal instruments, the provisions of Articles 131–136 apply to both groups and the two types of arrangement are similar in most respects.

The Treaty of Rome also allowed for a second set of provisions relating to association; those under Article 238. These state that the Community may conclude with a third country, with a union of states, or with an international organization, agreements creating an association involving reciprocal rights and obligations, joint action and special procedures. Taken together Articles 131–136 and Article 238 have permitted the extension of association to countries previously unconnected with the Six, and have allowed considerable flexibility in the content of particular association agreements.

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[1] *Fonds Européen d'Orientation et de Garantie Agricole* (the European Agricultural Guarantee and Guidance Fund, the function of which is described in Chapter 2).

Associate status is currently held by three categories of developing countries:

(a) Remaining dependencies of the Netherlands and France (PTOM)
All French possessessions in the Atlantic, Indian and Pacific areas as specified in the Annex to Articles 131–136
Surinam
Netherlands Antilles
French Territory of Afars and Issas

(b) Eighteen former dependencies of France and Belgium plus Somalia (listed in Articles 131–136). These are the Associated African and Malagasy States (AAMS) which are parties to the two Yaoundé Conventions of 1963 and 1969:-

Full Associates

Burundi	Mali
Cameroon	Mauritania
Central African Republic	Niger
Chad	Rwanda
Congo (Brazzaville)	Senegal
Dahomey	Somalia
Gabon	Upper Volta
Ivory Coast	Togo
Madagascar	Zaïre

(c) Countries which have obtained associate status through Article 238, but conforming at least partially to Articles 131–136:-

Full Associate

Mauritius — Signatory of the Second Yaoundé Convention, June 1973

Limited Associates

Kenya, Uganda, Tanzania — The Arusha Agreement, 1969

This latter category is restricted to the trade and institutional provisions of association, both somewhat modified.

A further category may be added if we include:

(d) Mediterranean countries which have negotiated agreements under Article 238:

Greece (1961), Turkey (1963) — Association agreements involving gradual harmonization of policies with a view to membership 22 years after signing.[1]

[1] The Greek agreement is frozen on political grounds.

Morocco Malta Tunisia Cyprus	Agreements in which association is to be achieved at some time in the future
Spain Israel Yugoslavia	Trade agreements signed (under Articles 113 and 114) but no association implied
Algeria Lebanon United Arab Republic	Agreements under negotiation

This study is restricted to the independent Associates in Africa (categories (b) and (c) above) and the Associables.

During the enlargement negotiations between the UK and the Community, it was agreed that the independent Commonwealth countries in Africa, the Caribbean, and the Pacific Ocean should have a choice of three options for their future relationship with the enlarged Community:

association under a new Convention to succeed the present Yaoundé Convention, which would make provision for both existing and new Associates;

a form of limited association 'comprising reciprocal rights and obligations, particularly in the field of trade';

a trade agreement.

These options were embodied in the text of the Treaty of Accession of the UK to the Community (22 January 1972). The countries to which the options apply are listed in Annex VI and discussed in Protocol 22 of the Treaty:-

Africa		*Caribbean*	*Pacific*
Botswana	Nigeria	Barbados	Fiji
Gambia	Sierra Leone	Guyana	Tonga
Ghana	Swaziland	Jamaica	Western Samoa
Kenya*	Tanzania*	Trinidad & Tobago	
Lesotho	Uganda*		
Malawi	Zambia		
Mauritius**			

*already have limited association under the Arusha Agreement but may apply for full association

**already a full Associate from 1973

These countries have become known as the Commonwealth Associables. They do not have to choose between the options immediately, but must make their decisions during the negotiations leading up to the next Association Convention, which should come into force from 1 February 1975. The UK is allowed to retain its current arrangements with Commonwealth countries until the end of January 1975.

The Treaty of Accession also provides for dependencies of the UK to have the same rights and obligations as the current *Pays et Territoires d'Outre Mer*. At the same time of Britain's entry into the EEC nineteen such dependencies were identified.[1]

Notable exceptions to the countries listed for associable status are the independent Asian Commonwealth countries – (India, Bangladesh Sri Lanka (Ceylon), Malaysia, and Singapore) – Pakistan and Hong Kong.[2] For these countries, there is a Joint Declaration of Intent, annexed to the Treaty of Accession, which contains the following, rather limited commitment.

> 'The European Economic Community is ready, from the date of accession (January 1973), to examine with these countries such problems as may arise in the field of trade with a view to seeking appropriate solutions, taking into account the effect of the generalised tariff preference scheme, and the situation of the other developing countries in the same geographical area'.[3]

Commonwealth Mediterranean countries were excluded from the offer of association; it is however open to them to negotiate for the Mediterranean form of association. Malta has already concluded a preferential trading agreement with the Community, and Cyprus is in the process of doing so.

The content of current association agreements

The Second Yaoundé Convention signed in July 1969 between the Community and the AAMS provides the blueprint for what has in the past been implied by full association. The Convention is divided into five sections or 'Titles', each dealing with one particular aspect of the relationship between the Community and associated developing countries.

I Trade.
II Financial and Technical Co-operation.
III Right of Establishment, Services, Payments and Capital.
IV The Institutions of Association.
V General and Final Provisions.

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[1] Bahamas (now independent), Belize, Bermuda, British Antarctic, Br. Indian Ocean, Br. Solomon Is., Br. Virgin Is., Brunei, Cayman Islands, Central & Southern Line Is., Falklands, Gilbert & Ellice Is., Montserrat, New Hebrides, Pitcairn Islands, St. Helena, Seychelles, Turks & Caicos Is., W. Indies Associates

[2] The situation with respect to these countries is discussed in Peter Tulloch: *The Seven Outside*, Overseas Development Institute, 1973.

[3] Treaty of Accession, Cmnd 4862–I, page 117. The Declaration also refers to the special question of exports of sugar from India to the Community, and specifies that India's sugar may be negotiated within the same framework as for Associables.

In addition there are a number of Protocols to the Convention which refer to the treatment of exceptions to the general rules laid down in the text.

The Convention begins with a statement of the general aims of association (Article 1):

> 'The provisions of this Convention have as their object the promotion of co-operation between the Contracting Parties, with a view to furthering the economic and social development of the Associated States by increasing their trade and by putting into effect measures of financial intervention and technical co-operation.
>
> By means of these provisions, the Contracting Parties intend to develop their economic relations, to strengthen the economic structure and economic independence of Associated States and promote their industrialisation, to encourage African regional co-operation and to contribute to the advancement of international trade.'

Apart from the trade provisions, the other contents of the Convention are generally outside the scope of this study, though Title IV on the Institutions of Association is of relevance because issues relating to trade are handled within that institutional framework. Institutions consist of an Association Council, a Parliamentary Conference of Association, and a Court of Arbitration of Association. The Association Council is composed of members of the European Commission and representatives of the governments of each associated state: it is in the Council that negotiation should take place on levy or duty reductions for CAP products in which Associates are interested. The Association Council may delegate its powers of decision-making to a smaller and more permanent body selected from its members, called the Association Committee. The Parliamentary Conference of the Association meets once a year to examine the activities of the Council. It is composed of members of the European Parliament and national parliaments of Associates. Disputes arising from interpretation of the Convention are handled by the Court of Arbitration.

The underlying trade principle in association is the creation of a series of free-trade areas between the Communtiy and each associated country. This principle is expressed by granting duty-free and levy-free access to the Community for products originating in associated states, but normally this principle has been applied only to non-CAP products. The associated states should in return grant to the Community the most favourable treatment they currently grant to any member of the Community or any third country. This latter feature has often been interpreted as obliging the AAMS to grant reciprocal preferences and as such has been fiercely criticized. In practice, however, not all Associates grant preferences to the Community, and they may justify the existence of customs duties or levies against the Community for fiscal reasons, or for a whole range of 'development needs' specified in the agreements.

Both sides of the free trade principle are backed up by explanatory and safeguard clauses.

The key statement granting general exemption from duties and levies is given in Article 2:

'Products originating in the Associated States shall, on importation into the Community, be admitted free of customs duties and charges having equivalent effect, but the treatment applied to these products may not be more favourable than that applied by the Member States [sc.: of the EEC] among themselves.

The provisions of paragraph 1 above shall not, however, prejudice the important treatment applied to:

(a) The products listed in Annex II of the Treaty which come under a common organisation of the market within the meaning of Article 40 of the Treaty.

(b) Products subject, on importation into the Community, to specific rules as a consequence of the implementation of the Common Agricultural Policy.'

The interpretation of the provisions of Protocol 1 of the Convention is of great relevance to the subject of this study. The Protocol stipulates the conditions under which the Community determines the treatment to be supplied when CAP products originate in the associated states.

'After consultation within the Association Council, the Community shall determine, case by case, what treatment is to be accorded to imports of each of the products or groups of products subject to the CAP and which come under a common market organisation originating in the Associated States, where these States have an economic interest in exporting the said products.

The treatment which the Community applies to these products shall be more favourable than the general treatment applied to like products originating in third countries.'

Two issues of importance for Associates and Associables emerge from the Protocol. The first is the 'case-by-case' treatment of CAP products. The Community has been unprepared to consider any general approach to trade liberalization in CAP products for Associates and every product has been viewed in isolation. Special regulations have been needed in order to obtain preferential treatment for any particular commodity. A consequence of the somewhat lengthy procedure involved is that in many cases associated states have not taken up their option to argue for levy reductions. This has been particularly the case with the members of the East African Community who have undertaken very little in the way of separate negotiation for CAP products (there are few CAP products of major importance to them).

Secondly, the somewhat ambiguous notion of 'economic interest' has aroused misunderstanding between the AAMS and the Community.

The Associates understandably take the view that economic interest should include future potential for exporting certain commodities in addition to existing trade flows. In particular, they might be able to exploit a preferential situation when it is given to them. The Community, on the other hand, argues that the products in question must already be exported in some quantity in order to qualify for 'economic interest'. At present this argument is unresolved, though the Commission is recommending a more flexible interpretation of the concept (see page 18).

It is clear that there are two distinct aspects of the preferential treatment by the Community to trade within the context of association:-

(a) The rates of nominal trade preference for non-CAP products implied by duty-free accesss. These equal the rates of the Common External Tariff (CET) for those commodities. The CET thus roughly measures the extent to which Associates are favoured over third countries in EEC markets.

Table 3 gives the CET for a selected group of non-CAP agricultural commodities.

Table 3
The rate of preference for a selected group of non-CAP agricultural commodities

Commodity	*Rate of preference* (CET)
Coffee unroasted	7% (9.6% suspended)
Coffee roasted or ground	15%
Tea	nil (9% suspended)
Cocoa	4% (5.4% suspended)
Bananas	20%*

* With duty-free tariff quota in West Germany

(b) The preferences negotiated under Protocol 1 of the agreements, case by case, for CAP products. These latter preferences are not embodied in the text of the agreements.

Preferences on CAP commodities are essentially arrangements which are not allowed to constitute a threat to Community producers, but which give the Associates a head start in competing for whatever residual market there is in the Community, once local production has been sold. Associates are granted either a reduction in the variable levy[1] normally applied under the CAP, or a waiver of the customs duty (CET), or percentage reductions in the CET. Table 4 summarizes the current preferential situation for the commodities discussed in this study. The regulation referred to in brackets under each concession is the one that amends the original CAP regulation for that commodity

[1] The operation of the variable levy on agricultural imports into the Community is described in Chapter 2.

to take account of the special preference. (The relationship of these preferences to the trade analysis for each commodity is given in Chapter 3.)

Table 4

Terms under which CAP products enter the Community under current Yaoundé and Arusha Conventions, compared with treatment given to third countries

	Third country treatment	Second Yaoundé Convention terms	Arusha Convention terms
Sugar	Levy	Full Levy	Full Levy
Tobacco A. Tobacco of a value of 280 u.a. per 100 kg. B. Other	15% CET (Maximum duty of 70 u.a. per 100 kg.) 23% CET (Minimum of 28 u.a. and maximum of 33 u.a. per 100 kg.)	Duty-free (Regulation 244/71)	Duty-free (Regulation 655/71)
Oilseeds	Free*	Free	Free
Oilmeals and Cakes	Free	Free	Free
Vegetable Oils: Groundnut Oil and Coconut Oil A. Crude B. Other	 10%* CET 15% *CET	Duty-free	CET
Palm Oil A. Not for food-stuffs B. Crude C. Other	 4%* CET 9%** CET 14%*** CET	Duty-free (Regulation 518/70)	CET
Beef	20%*** CET + Levy when applicable	Duty-free (Regulation 517/70) Levy retained	Duty-free (Regulation 652/71) Levy retained
Maize	Levy	Full Levy	Reduction in levy by 0·75 u.a. per metric ton (Regulation 656/71)
Rice A. Rice in the husk, and husked rice	Levy	45% reduction in levy + reduction per 100 kg. 0·24 u.a. (in the husk) 0·30 u.a. (husked)	Full Levy
B. Milled rice	Levy	45% reduction in levy + reduction per 100 kg. 0·37 u.a. (semi-bleached) 0·39 u.a. (bleached) (Regulation 540/71)	Full Levy

	Third country treatment	Second Yaoundé Convention terms	Arusha Convention terms
Vegetables:—			
Beans			
A. 1 Oct. to 30 June	13% CET	Duty-free from 1 to 31 May and from 1 Oct. to 30 Nov. (Regulation 1973)	Duty-free from 1 to 31 May and from 1 Oct. to 30 Nov. (Regulation 1973)
B. 1 July to 30 Sept.	17% CET A minimum of 2 u.a. per 100 kg.		
Dried peas and beans	4·5% CET	CET	CET
Citrus Canned:—			
Oranges			
A. Containfng added spirit			
(i) With a sugar content exceeding 9% by weight	32% CET + Levy	CET + Levy	CET + Levy
(ii) Other	32% CET	CET	CET
B. Not containing added spirit			
(i) Containing added sugar, in packaging of more than 1 kg.	22% CET + Levy	CET + Levy	CET + Levy
(ii) Containing added sugar, in packaging of 1 kg. or less	24% CET + Levy	CET + Levy	CET + Levy
(iii) Not containing added sugar	34% CET	CET	CET
Grapefruit segments			
Not containing added spirit			
(i) Containing added sugar	20% + CET Levy	Duty-free + Levy	Duty-free + Levy
(ii) Not containing added sugar	23% CET	Duty-free	Duty-free
Canned Pineapples			
A. Containing added spirit			
(i) Of more than 1 kg.			
(a) with a sugar content exceeding 17% by weight	32% CET + Levy	Duty-free	Duty-free
(b) Other	32% CET		
(ii) Of 1 kg. or less			(Tariff Quota of 2,000 metric tons)
(a) with a sugar content exceeding 19% by weight	32% CET + Levy		
(b) Other	32% CET	No Levy	No Levy
B. Not containing added spirit			
(i) Added sugar, cans of more than 1 kg.		(Regulation 519/70)	(Regulation 654/71)
(a) Sugar content exceeding 17% by weight	22% + Levy		
(b) Other	22% CET		
(ii) Added sugar, cans of 1 kg. or less			
(a) Sugar content exceeding 19% by weight	24% CET + Levy		
(b) Other	24% CET		

	Third country treatment	Second Yaoundé Convention terms	Arusha Convention terms
Dried milk and milk products	Levy	Full Levy	Full Levy
Citrus Fruits:			
Oranges			
A. 1 April to 15 Oct.	15%* CET	CET	CET
B. 16 Oct. to 31 March	20%* CET	CET	CET
Grapefruit	6% CET	CET	CET
Lemons	8%* CET	CET	CET
Mandarins	20* CET	CET	CET

Sources: European Communities *Bulletin International de Douane.*
European Communities *La Convention de Yaoundé II: Textes Annexes 1972.*
(English version now available in *Official Journal*, Vol. 16, No. L.1 of 1.1., 1973, Brussels.

* In certain conditions, the collection of a countervailing levy is provided for in addition to the customs duty.
** Suspended to 6%
*** Suspended to 10%.

The outcome of the Community enlargement negotiations

The future of the Commonwealth's preferential trading relationship with the UK was a major issue in the enlargement negotiations between the UK and the Six. The general arrangements agreed upon for Associables are contained in full in Protocol 22 of the Treaty of Accession. These include the three options[1] open to associable countries. Associables are invited by the Community to participate side by side with existing Associates in negotiating the new Convention. This offer is made subject to the proviso that the extension of association should not be the source of any weakening in the Community's relations with the AAMS.

Negotiations for these options began formally in late July 1973, and the Protocol states:

> 'For practical reasons, the Community desires that the independent Commonwealth countries to which its offer is addressed should take up a position with respect to this offer as soon as possible after accession.'

In view of the unsolved issues in these options (especially the exact nature of future arrangements for sugar), the above paragraph should not be taken to imply that there will be no room for change of option immediately after negotiations begin. On the other hand, the nearer negotiations on a particular option are tailored to the specific requests of the countries participating in that option, the more difficult it will be for a country to change its mind. This will certainly be true for countries which decide to move from a limited option to full association, though

[1] See page 3.

there will probably be more flexibility for countries which decide to move the other way from full association to a limited agreement. There is, however, no specific timetable for dealing with the options.

Specific mention is made in the Protocol of Botswana, Lesotho, and Swaziland, which are part of the South African Customs Union. In the event of these countries choosing the first two options:

'(a) Appropriate solutions must be found for the specific problems arising from the special circumstances of these countries, which are a customs union with a third country.

(b) The Community must, in the territory of those States, enjoy tariff treatment not less favourable than that applied by those States to the most favoured third country.

(c) The provisions of the system applied, and particularly the rules of origin, must be such as to avoid any risk of trade deflection to the detriment of the Community resulting from the participation of those States in a customs union with a third country.'

The final paragraph of Protocol 22 is the Community's declaration regarding countries with a high dependence on primary products for export:

'The Community will have as its firm purpose[1] the safeguarding of the interests of all countries referred to in this Protocol whose economies depend to a considerable extent on the export of primary products, and particularly of sugar.

The question of sugar will be settled within this framework, bearing in mind, with regard to exports of sugar, the importance of the product for the economies of several of these countries, and of the Commonwealth countries in particular.'

A number of important issues for Associables remain unresolved by this declaration. Its generality leaves totally unspecified the means by which the Community intends to implement the 'safeguarding of interests'. Second, it is not clear whether the declaration can be taken to imply a promise of future market access for sugar. The UK government has consistently taken the view that it does, and in support of this view has stated:

'This text amounts to more than a declaration of intention. It is both a specific and moral commitment. I can now say this to the developing sugar producing countries of the Commonwealth. There will be room in the enlarged Community, of which Britain would be part, both for present quantities of sugar from these countries at remunerative prices and for the development of sugar beet production.'[2]

A third uncertainty concerns the meaning of 'interests'. Within the context of the Treaty of Accession, the declaration could be taken to

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[1] The French version reads *aura à cœur*, or 'will have at heart'.
[2] Hansard, 17 May 1971. Statement by Mr. Rippon, Britain's chief Common Market negotiator.

refer mainly to safeguards against adverse consequences arising from the enlargement of the Community. It is, however, possible to take a broader view. The Commission's proposal for an export revenue stabilization scheme (see page 17) would safeguard exporters' interests against a range of eventualities quite unconnected with accession, such as crop failures, unstable world markets and change in demand.

The UK stance on the future of Commonwealth sugar has been re-emphasized by two communiqués issued after meetings of representatives of the Commonwealth sugar exporters at Lancaster House in London. The first of these, in June 1971, confirmed that all participants regarded the Community declaration as a firm assurance of a secure and continuing market on fair terms for the quantities of sugar covered by the Commonwealth Sugar Agreement. The second, held in March 1973, stressed the determination of sugar exporters to adopt a unified approach to negotiations with the Community, and to keep the sugar issue separate from the general negotiations.

The Community approach to the association negotiations

Apart from the special provisions for association agreements in the Treaty of Rome, the Community has not had, and still does not have, an official development policy. This lack of comprehensiveness in the approach to relationships with the developing world was the subject of a detailed Commission Memorandum in 1971 entitled *A Community Development Cooperation Policy*.[1] It argued the need for an integrated approach to development, because of the increasing complexity which had arisen from the piecemeal nature of current schemes. The document also envisaged that the framework for a common development policy should continue to be the grouping of countries according to the two criteria of geographical location (regional criteria) and similarity of economic structure (stage of development criteria). In other respects, and particulary in regard to the organization of trade, the document did not come up with any specific and concrete proposals.

The enlargement negotiations, and their outcome for Commonwealth developing countries in the shape of Protocol 22, increased the necessity for a clear statement from the Community as to its intentions in the negotiations for a new association. A Commission Memorandum of 4 April 1973[2] attempts to come some way towards meeting this need. The new document is comprehensive and in some areas quite specific as to the organization of trade within association which the Commission would like to see.

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[1] Annex to the Bulletin of the European Communities 9/10—1971.
[2] *The future relations between the Community, the present AASM States, and the countries in Africa, the Caribbean, the Indian and Pacific Oceans, referred to in Protocol 22 to the Act of Accession.* COM (73) 500/fin.

Although the document clearly defines a Commission 'approach' to the negotiations over the whole range of issues, it stresses that this should not be construed as limiting the scope of negotiations by setting up prior conditions. On the contrary, the Memorandum seeks to define a point of departure to enable discussion to get under way, without putting prior limits on the extent of such discussion.

The document claims that the conclusion of association agreements will not in any way imply a political interference by the Community in the objectives or development policy of developing countries: 'To become an Associate does not mean joining the Community; it means organising on an equal footing with the Community a shared framework of economic and development cooperation'.

A central suggestion of the Memorandum is that certain commodities in trade between Associates and the Community should be the subject of a scheme for the stabilization of export earnings. Essentially the idea would be to retain the commitment to free-trade areas under Title I of association and to superimpose on this special agreements for some commodities. The products which it has been suggested might be covered by the scheme are groundnuts, groundnut oil, sugar, bananas, coffee, cocoa, cotton and copper. The chief feature of each agreement would be a guarantee of stable export receipts for each commodity from each participating country for the duration of the agreement period of five years. The Memorandum suggests the guarantee be implemented by calculating 'reference export revenue' obtained by multiplying a 'reference quantity' by a 'reference price'. The reference quantity would be an average of exports to the Nine during the five years preceding the agreement. Once fixed the reference quantity would remain the same for the period of the agreement. The reference price would be calculated as an average of world market prices on representative Community commodity exchanges for five years preceding the particular year in question.

If actual export revenue for a product from a particular country is less than the reference export revenue, then the Community would transfer the difference to the exporting country as an interest-free loan – in some cases as a grant. The loan would be repaid when actual revenue exceeded reference revenue as a result of a rise in price: an excess of actual revenue over reference revenue as a result of an increase in volume would not render the recipient liable to repay.

Any payments to Associates under the scheme would be divided into three parts – one to ensure that producers in the recipient country obtained a satisfactory return, another to improve productivity and aid diversification within the agricultural sector, and a third to the government of the country for development schemes of general interest. The mechanism for affecting income transfers would probably involve the extension of existing association institutions, coupled with the setting up of marketing boards to handle the transfers within each developing country. The involvement of Community and associate governments would be kept to a minimum once the institutional mechanism had been agreed upon.

The notion of 'economic interest' has hitherto been defined by the Community in terms of significant current export volume for any particular commodity. The Memorandum proposes that account should also be taken of potential economic interest:

'As regards the notion of favourable treatment on economic grounds it should be noted in particular that this need not be confined exclusively to present production, but may, in a more dynamic sense, be extended to include agricultural products holding out good prospects for export development in the near future.'

The Memorandum proposes that progress should be made in removing some of the non-tariff obstacles to trade from the Associates. In particular (i) the interests of associated countries should be taken into account in the preparation of non-tariff measures associated with the CAP (for instance production subsidies); (ii) there should be removal in all Community countries of excise duties on tropical products.

The Commission proposes greater flexibility on the part of the Community towards the issue of so-called reverse preferences. Article 3 of the Second Yaoundé Agreement states that:–

'Products originating in the Community shall be imported into each Associated State free of customs duties and charges having equivalent effect.'

Some commentators have taken this paragraph to imply an obligation of reverse preferences on the part of associated states. Such an implication is far from the practical outcome of Article 3, which allows associate states to justify the existence of customs duties or levies for a whole range of 'development needs' or fiscal requirements.

According to the Memorandum,

'The acceptance by the associated states of the mutual free trade area principle does not entail any obligation for them to grant preferences to the Community. They retain complete tariff autonomy in their relations with third countries, and complete freedom to negotiate on such matters.'

It is not altogether true to say that Associates would retain full autonomy in trade policy matters. There would still be the formal requirements which commit the members to giving each other tariff-free access – although in practice this might be considerably modified by 'development levies' or 'fiscal duties,' which would replace 'customs duties'. However, the Commission's new proposals explicitly recognise that Associates do not need to treat Community countries *more* favourably than others.

This Commission Memorandum will be the subject of much discussion within the Community and final proposals for negotiation will require the approval of the Council of Ministers. As it stands, however, the ideas outlined meet some of the past criticisms of association policy in the field of trade. Two central points of contention concerning reverse preferences, and the definition of economic interest, are dealt with in encouraging terms. The scheme for stabilization of export earnings requires careful evaluation in the light of the commodities and the goals of producing countries.

Chapter II
The Common Agricultural Policy
The historical development of the CAP[1]

In 1958, the European Economic Community was established against a background in which nearly one in four of the working population was engaged in farming and approximately 10% of national product was generated within the agricultural sector. The rural population was substantially less well off than most people in the rest of the Community. No reliable statistics on farm incomes for the countries concerned exist, but a rough indication of average levels of incomes of the farming population, relative to incomes in the rest of the economy, can be obtained by comparing the proportion of national output contributed by agriculture with the corresponding proportion of the population employed in agriculture. Such a comparison suggests that, when the EEC was formed, agricultural incomes in the three largest countries, France, West Germany and Italy, were only about half those in other occupations. Since the formation of the Community there has been a rapid decline in both the agricultural population and the proportion of national product derived from agriculture. Agricultural incomes have risen, but in France, West Germany and Italy, there is little evidence that the gap in incomes between agriculture and other sectors has diminished.

To understand this situation, it is necessary to explore some fundamental characteristics of agriculture in relatively wealthy countries.

The first important fact is that, as people in such countries receive higher incomes, they do not, in general, increase their spending on food in proportion to the growth in their purchasing capacity. Even where more is spent on food, it is often in pursuit of greater convenience, more processed and prepared types of food, rather than for an extra quantity of food. For farmers as a whole, this means that their revenues tend to rise rather less rapidly than do the revenues of other producers. The costs of the things which farmers buy – fertilizers, machinery, chemical sprays etc. – and the costs of any hired labour they employ tend, in contrast, to go up at a rate more in line with the general rise in incomes. As a result the aggregate income of farmers (total revenue minus total costs) would, if nothing were done, tend to decline. For the individual farmer, however, income need not fall. Provided sufficient farmers leave the industry, income per head for those who remain can rise. But the social and political implications of such migration cannot be disregarded.

[1] A more comprehensive examination of the CAP will be found in John Marsh and Christopher Ritson *Agricultural Policy and the Common Market*, Chatham House/PEP, London, 1971.

A second and equally potent influence is the steady improvement in agricultural technology which has taken place in Europe since the end of the Second World War. Through the application of improved methods, yields of crops have risen dramatically. Through improvements in animal husbandry and breeding, the output of milk per cow, eggs per hen, and poultry meat per unit of feed, has been substantially increased. Overall the effect has been to increase the amount produced by the resources engaged in agriculture. The effect of such extra production, since demand has not grown as rapidly, is to tend to depress prices. For some products, for which consumers are unwilling to increase their purchases proportionately to a reduction in price, farmers may end by selling more for a smaller total revenue. So improvements in technology intensify the pressure upon farmers to leave agriculture.

If resources in agriculture moved easily to other occupations, the problem created by technology and the rising level of income elsewhere in the economy would require little special attention from governments. The rate of migration from agriculture in the Community of Six has been very rapid in the past decade, the farming population falling from some 17m in 1958 to less than 10m by 1971. Even so it has been too slow to raise per caput farm incomes to the level in other sectors. Additionally, as the process has occurred, attention has been drawn to some acute difficulties which it involves. In particular, there is a danger of social and economic decay in the regions from which population is migrating.

Governments are, then, confronted by a group of problems: low farm incomes, the decay of rural communities, and regional obsolescence. Understandably they have sought, by agricultural policy, to modify the operation of economic forces – both to ease the situation of those in agriculture and to enable adjustments in the balance of economic activity to take place more slowly and more smoothly.

Apart from this fundamental reason for governments to have a specifically agricultural policy, they have sometimes attempted to increase the amount produced by domestic farmers for other reasons. For example, attempts have been made to save foreign exchange and to lessen dependence upon supplies from other countries in time of war. In sum the effects of such policies are to allow farmers who would otherwise be forced out of production to continue, and to encourage other farmers to produce more. In the Europe of 1958 all governments involved in setting up the Community had agricultural policies which in greater or lesser degree influenced the amount of farm goods produced.

It is not therefore surprising that the Community should attach so much importance to its Common Agricultural Policy. The formation of the European Economic Community required a common policy for agriculture to replace the independent policies of member countries and apply the principle of free intra-Community trade and common rules of competition to agricultural goods.

The objectives of the Common Policy for agriculture were specified in Article 39 of the Treaty of Rome:

(a) to increase agricultural productivity by developing technical progress and by ensuring the rational development of agricultural production and the optimum utilization of the factors of production, particularly labour;

(b) to ensure thereby a fair standard of living for the agricultural population, particularly by increasing the individual earnings of persons engaged in agriculture;

(c) to stabilize markets;

(d) to guarantee regular supplies;

(e) to ensure reasonable prices in supplies to consumers.

The most important reason for having a common policy – to allow agricultural goods to move freely between member countries – is not mentioned in Article 39. It was, however, this requirement which dominated early discussion about the CAP and which was mainly responsible for its character. Had goods been permitted to move freely between member states a price level would have been established at the point at which the consumers could satisfy their wants at lowest cost to themselves. It would, too, have been a price level which fluctuated in response to the vagaries of agricultural production and consumption. Free movement within the Community under such a system would have resulted in sharp cuts in price for many farmers, especially in West Germany. If movement was to take place it had to be on the basis of a Community-controlled price which would avoid the social and political perils of price cuts. The alternative – price cuts allied to compensation payments to farmers who were adversely affected – although attractive in some ways, was too complex from both an administrative and political point of view to be feasible in the 1960s.

The control of prices, at a level acceptable to the Community, was therefore a prime aspect of the CAP. During the 1960s, however, it became clear that the relative level of farm and non-farm incomes was becoming an increasingly important issue. It was also clear to the Commission, if not to all other participants in the Community, that price policy alone could not ensure a 'fair standard of living' for people who worked in agriculture. As a result, towards the end of the decade attention was increasingly directed towards schemes of structural reform and the improvement of marketing.

The general mechanism of the CAP

Policy mechanisms to control the price level vary from product to product.[1] For key items, however, the characteristic arrangements possess three main features.

Each year the Council of Ministers agrees a set of prices which it wishes to see prevail in Community markets. These prices, which for some products are known as target prices, are fixed in terms of units of account.[2] There is a single target price for each commodity usually set for the area of greatest deficit in the Community (for example Duisburg in West Germany for cereals). It is on the level of these prices, when translated into national currencies, that the annual political discussions centre. It is, perhaps, not surprising that they often lead to 'marathon sessions' of the Council of Ministers. Once a set of Community prices is fixed, the policy seeks to enforce them by preventing supplies reaching the market which would depress it below the agreed level. Measures are thus needed to protect the market from cheaper imports and to remove from the market domestic production which exceeds the amount for which consumers are prepared to pay the approved price.

Imports are subject to a variable levy. This is calculated as the difference between the lowest world price offer at a specified Community port and a minimum import price, usually known as a threshold price. Threshold prices correspond to the Community's target price, less the cost of transport to the area for which the target price has been fixed. In effect any product which enters at the threshold price cannot be sold below the target price. The implication of this system is that foreign suppliers can only compete in terms of price when Community producers are receiving more than the target price. Up to that level the Community producer has guaranteed preference in the Community market. The significance of this system depends, therefore, on the relative levels of the target price and the world market price. If world prices are above the target level no preference exists. If the target price is above the world market price, as has been the case for most products, then the farmer in the Nine has an absolute preference.

Supplies from domestic production are prevented from cutting the Community price by a system of intervention (floor) prices. Intervention prices are varied regionally in the Community to reflect local conditions of surplus and deficit and encourage the flow of intra-Community trade. The basic intervention price in the area of greatest deficit is 7–8% below the target price. The market authorities must purchase goods offered, in specified quantities and specified quality, when prices fall to intervention levels. Goods purchased in this way may be held until they can be resold on the Community market

[1] The market policies applicable to the products covered by this study are outlined in Chapter 3. A glossary of terms used is included as Appendix A.

[2] The unit of account was originally fixed to equal the dollar.

without depressing prices below the approved level. If this is not possible, the goods may, with the aid of a subsidy, be exported or denatured. Export subsidies, or restitutions, enable exporters to buy at the Community price and sell in competition with third-country suppliers in export markets. Denaturing is a process whereby a good is rendered unfit for the human consumption market, by the addition of a dye or fish oil or by incorporation in an animal feeding stuff. A subsidy is given both to cover the cost of the process and to enable the product to sell competitively in an alternative market (usually animal feeding stuffs). For instance the denaturing subsidy for wheat enables it to be sold at, or below, the price of barley for use in animal feeds.

Taken as a whole, this system means that, until the point of self-sufficiency is reached, little expenditure is required from Community resources in order to maintain prices. Indeed, the proceeds of import levies add to the Community's budget revenue. The cost of support falls, in this situation, almost wholly upon the consumer in the form of higher prices. As a result of these prices, however, the amount of the product which can be sold within the Community is reduced and the opportunities for overseas suppliers diminished. When the point of self-sufficiency is reached, expenditure from Community resources rises very rapidly as money is required for export restitution and intervention on the home market. It is an indication of the extent to which the Community is producing more than it can consume at the prices it has fixed for itself, that expenditure from the guarantee section of the fund for agriculture, FEOGA, is estimated as likely to be 2,782m units of account[1] in 1973. This amounts to some 90% of Community expenditure on agriculture.

The Common Agricultural Policy has concentrated on the regulation of price levels, but from the outset it was recognized that there was a need to assist modernization and improvement in the Community. Initially it was hoped that one-third of the Community's agricultural expenditure would be on structural reform measures. In the event, the rapid rise in the cost of price support during the 1960s resulted in a ceiling of 285m u.a. being imposed on structural expenditure. Such a sum was inadequate to influence the progress of structural development, which includes such important and diverse elements as the consolidation of fragmented farms, and the improvement of rural infrastructure and farmers' managerial ability. Its influence was further weakened by the practice of leaving the initiative for structural reform in the hands of member governments, and using Community finance to support only a small proportion of total expenditure on approved projects.

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[1] Converted at the rate £1 = 2.4 units of account (see also footnote on page 32).

With the realization that price policy, as well as proving unexpectedly costly, was failing to provide an acceptable level of income for farmers in the Community, attention turned again in the late 1960s to the possibility of structural reform.

A series of documents was submitted to the Council of Ministers in December 1968, the first of which was entitled *Memorandum on the Reform of Agriculture in the EEC* and has become known as the 'Mansholt Plan'. The provisions of the Mansholt Plan are documented elsewhere.[1] Its major aim was to reduce the number of farmers so that those who remained could increase their farm size, which would enable them to enjoy higher incomes at prevailing levels of market price.

Understandably these proposals met with sustained and sometimes furious criticism from farmers' representatives. In the period from 1968 to 1972 they underwent considerable modification, but the notion that more attention should be given to structural reform gained wider acceptance. In 1972 three directives, concerning the modernization of farms, the retirement of farmers, and aids for mobility and the improvement of information for farmers were approved. Discussions continue concerning policies to aid farmers in mountainous and hilly areas, and it seems likely that more encouragement will be given to joint action by farmers in the marketing of their produce.

The impact of the CAP on world trade

In so far as the CAP affects production, consumption or stockbuilding within the Community, it must affect world trade. Since trade is a balancing item between these larger variables, even relatively minor shifts in the behaviour of the Community's farmers or consumers may have a substantial effect on the level of the Community's external trade.

In purely formal terms the CAP affects production both by making prices to farmers higher than they would be if the market were open to competition from world exporters, and by providing a limited amount of structural help, which in effect reduces farmers' costs of production and so, other things being equal, will tend to add to output.

Consumption levels within the Community are to some extent reduced by the operation of the CAP. In principle, people will buy less of those commodities which cost more. In aggregate, the effect of higher prices on total consumption in the Community may be modest. For many of the products involved demand is believed to be price-inelastic, so that even if prices were lower, the amount bought might not greatly increase. For specific commodities, however, the situation may be different. For example, high cereal prices may have tended to divert purchases to cereal substitutes such as oilcakes or cassava, if these were

[1] Marsh/Ritson *op. cit.* 142–151.

available at prices which corresponded more closely to the world level.

It is, however, the effect of the policy on the output of agriculture in the Community, and more particularly the effect of the Community's price policy, which seems most likely to have had major implications for world trade.

Prices under the CAP have been substantially above world price levels. It is thus very probable that the stimulus to output in the Community has been considerable. The implications for world trade are equally important whether the extra output is consumed within the Community, in which case it replaces alternative supplies, or exported to third countries where, with the aid of subsidies, it may close markets to traditional suppliers. Table 5 shows the relationship between CAP threshold prices and Community import prices.

Table 5

Prices of certain agricultural products in the Community and on world markets, 1967-1972

Units of account per 100 kg.

	Year (a)	Community import price (cif) (b)	Community threshold price (c)	Community threshold price as a % of Community import price (cif)
Wheat, hard	1967/68	8.07	16.14	200
	1968/69	7.67	16.38	214
	1969/70	7.12	16.36	230
	1970/71	7.08	16.43	232
	1971/72	6.61	16.82	254
Wheat, soft	1967/68	5.79	10.73	185
	1968/69	5.61	10.95	195
	1969/70	5.11	10.95	214
	1970/71	5.79	10.95	189
	1971/72	5.39	11.28	209
Barley	1967/68	5.67	9.07	160
	1968/69	4.85	9.54	197
	1969/70	4.90	9.94	203
	1970/71	6.81	9.94	146
	1971/72	5.48	10.14	185
Maize	1967/68	5.63	9.01	160
	1968/69	5.39	9.59	178
	1969/70	6.09	9.69	159
	1970/71	6.88	9.69	141
	1971/72	5.58	9.81	176
Rice	1967/68	15.34	17.96	117
	1968/69	13.79	19.04	138
	1969/70	10.27	19.06	186
	1970/71	9.07	19.06	210
	1971 72	10.22	20.91	205
White sugar	1967/68	5.10	22.35	438
	1968/69	4.90	22.35	456
	1969/70	7.51	22.35	298
	1970/71	10.99	22.35	203
	1971/72	15.75	22.80	145

Units of account per 100 kg.

	Year (a)	Community import price (cif) (b)	Community threshold price (c)	Community threshold price as % of Community import price (cif)
Beef	1967/68	38.32	68.00	175
	1968/69	40.24	68.00	169
	1969/70	46.18	68.00	147
	1970/71	48.51	68.00	140
	1971/72	54.04	72.00	133
Pigmeat	1967	38.56	56.71	147
	1968	35.99	55.01	153
	1969	51.56	70.81	137
	1970	52.03	69.47	134
	1971	60.14	78.55	131
Eggs	1967	38.75	51.14	132
	1968	34.88	49.15	141
	1969	42.00	63.40	151
	1970	31.50	63.30	201
	1971	40.00	64.80	162
Butter	1967/68	47.25	187.44	397
	1968/69	37.90	190.93	504
	1969/70	31.18	191.25	613
	1970/71	39.80	191.25	481
	1971/72	113.71	195.80	172

Notes: (a) The season is different for different products.
(b) Community threshold or similar prices minus variable levies and duties.
(c) Threshold price (cereals, sugar, and butter), guide price (beef), sluice-gate price (pigmeat and eggs).

Source: European Communities Yearbook of Agricultural Statistics 1970 and 1972.

To measure the impact of the Common Agricultural Policy on world trade in agricultural goods is extremely difficult. First, it is certain that if the CAP had not existed, European governments would have supported agriculture from national resources. The true comparison is not between the CAP and free trade, but between the CAP and national policies which would also have tended to limit world trade. Second, as the Community's spokesmen often state, the level of prices in world markets is not so much the outcome of unfettered international free trade, as the result of the manipulation of markets by governments in many parts of the world. If the Community were to adopt a lower internal price level and import more of its agricultural requirements, world prices might rise. The gap in price levels shown in Table 5 therefore appears to exaggerate the extent of trade distortion. Third, the substantial growth in agricultural output within the Community, something of the order of 3% per annum, owes a great deal to the application of improved technology. This process has taken place in all economically advanced countries; in those with relatively low price levels such as the UK or New Zealand, as well as in those with high prices. To ascribe the whole of the increased level of output in the Community to the operation of the CAP is clearly mistaken.

While these arguments emphasize the unreality of attempts to quantify precisely the extent to which world trade is distorted by the CAP, they do not destroy the central hypothesis that there would be more trade if CAP prices were lower. Arguments that reductions in price would not result in a fall in output are sometimes advanced by apologists for the CAP. They are not convincing. Such arguments usually suggest that, faced by a lower price, farmers will attempt to produce more in order to maintain their incomes. Empirical studies do not in general support this view, indeed it seems to rest on a misinterpretation of the evidence. Price cuts do not take place in a vacuum: other important changes may take place at the same time. For example, new techniques which reduce costs may enable farmers to offset the effect of lower prices. Again, some types of costs tend to rise and fall in response to the profitability of farming. It is in a good year, for example, that farm machinery prices are likely to rise. Similarly, it is unlikely that, in a bad year, farm rents will be raised. This means that, to some extent, the effect of price changes on output is mitigated. Moreover, it would be wrong to expect the full effects of price cuts on the level of output to be immediate. The rational farmer will continue to produce in the face of price cuts which make his overall business unprofitable, as long as his revenues cover those elements of cost which vary with his level of output. Only when fresh expenditure on fixed equipment is required will production cease. Since fixed costs characteristically form a large element in the total cost pattern of small traditional farmers, the adjustment to a moderate downward movement in price may be delayed over several years.

In so far as a price reduction would result in a fall, or slower rate of growth, in Community agricultural output, the maintenance of high price policies by the CAP can be seen as damaging world trade. It is, however, unrealistic to believe that the prices farmers receive within the Community could be cut without some alternative device being used to safeguard farmers. Such devices might themselves tend to increase farm output. For example, price cuts allied to increased levels of structural support grants might simply accelerate the application of improved methods and add to the volume of output. Grants of a social character, whether to improve the position of farmers in difficult hill and mountain areas or to ease the income problems of small farmers who are unable to find alternative occupations, may, if they enable these producers to continue to farm, tend to sustain the level of output.

Although it is true that the present form of the CAP makes an obvious and apparently substantial impact on world trade, it is not wholly fair to lay the blame on the policy. So long as the acute problems of agricultural adjustment in Europe have to be contained by policies which enable producers, who would otherwise be forced out, to survive in the industry, there will be an inevitable tendency for the Community to disrupt the process of trade in agricultural goods. The Community is not alone in this; virtually all developed countries afford some measure of protection to their farmers. In such a situation, improvements may be made by choosing policy devices which minimize the impact on world trade, but complete freedom from distortion is unlikely.

The method of price support employed by the CAP, which forces consumers to pay high prices, is more damaging to world trade than would be a system which assured equivalent prices to farmers by deficiency payments. By permitting consumers to buy at world prices, the level of consumption is maintained, farmers' prices being added to from general taxation revenues. Policies which add to prices received by farmers will tend to impair world trade more than policies which distribute payments to help farmers move out of agriculture or which ensure that their incomes are maintained independently of the amount they produce or sell. It is a fair criticism of the CAP that, given that some support had to be provided for farmers in the growing economy of Europe, it gave too much emphasis to price policy and chose to enforce this by the method most damaging to world trade.

The effects of enlargement

The enlargement of the Community has brought three relatively low-price countries, one of whom, the UK, has been a very substantial net importer of food, within the high-price regime of the CAP. Imports of food into the United Kingdom accounted for some 17% of total world imports in 1970 – the largest share of any one country. On the basis of the same year's trade, the Community of Nine would account for 47% of world imports of food. The enlarged Community will also be a significant food exporter, accounting for some 27% of world exports (1970 figures). Within the Community, France and the Netherlands are important exporters, each having about 6% of world export sales. There is then *a priori* a situation in which non-members of the Community may find their largest market progressively cut back as member countries gain preferential access and British production grows.

On the basis of these figures it seems that some £1,300–£1,400m of UK imports are likely to be affected by the CAP; of these almost £700m came from the other members of the Community of Nine in 1971. Thus some £700m of sales from third countries to the United Kingdom appear to be at risk. Some idea of the significance of this volume of trade can be gained by comparing it with the gross agricultural output of the Nine in 1970, some £19,273m, and the fact that output of the Community has been growing at an annual rate of some 3% between 1965 and 1971.

Chapter 3
Analysis by Commodities

This chapter contains the trade and production information available at the time of writing relating to Common Agricultural Policy products in which Associates and Associables have an export interest. Details are given of the current state of affairs regarding the CAP regulations for each commodity, the production and consumption balance within the enlarged Community, and current imports from Associates and Associables to the enlarged Community. Each commodity is examined separately. Finally the chapter analyses the extent to which Associates and Associables currently derive their export earnings from CAP commodities, noting the special preferences so far negotiated by existing Associates for these commodities.

The market situation: the Community

Sugar

Community market organization

The Community regulations are based on target and intervention prices for refined white sugar, a minimum price for sugar beet, and common trading arrangements. The common organization of the market was introduced in July 1968 under Regulation 1009/67. Unlike the organization for other commodities, the sugar regulations establish quotas. These quotas impose no limitation on production but they do restrict the quantities for which markets and prices are guaranteed.

A single target price for white sugar is determined in relation to the area of the Community with the greatest surplus, and is the price for white sugar in bulk at the factory gate which the authorities wish to see achieved when the sugar market is in overall balance. For 1971/72 the target price was £100.76 per long ton.[1]

The exclusion of lower priced imports is achieved through the setting of threshold prices for white sugar, raw sugar, and molasses. For white sugar, this threshold price equals the target price plus the cost of transport from the maximum surplus area to the maximum deficit area (Northern France to Palermo). The threshold price for raw sugar is derived from that of white sugar, while that for molasses is designed to enable sugar factories to achieve a return on molasses consistent with the minimum price for sugar beet. For 1971/72 the

[1] The prices quoted in this study are for either 1971/72 or 1972/73 and have been converted to sterling at the 1971/72 exchange rate of £1 = 2.4 units of account. They should be regarded as providing only a rough indication of the levels of CAP prices. Variations in exchange rates have rendered the sterling values of more recent Community prices an imperfect and uncertain guide to real price levels.

Table 6

UK imports of selected products subject to the Common Agricultural Policy, 1970

	£m	*% of world imports*
Cereals	281	8
Milk and cream	12	4
Butter	126	46
Cheese and curd	43	14
Meat, fresh, chilled or frozen	221	14
of which: Beef	94	10
Mutton and lamb (not yet subject to CAP)	86	50
Pigmeat	3	1
Poultry	2	1
Bacon and ham	135	87
Canned meat	82	21
Eggs	4	4
Sugar (raw and refined, raw basis)	104	9
Tobacco	104	18
Wine	43	9
Oilseeds	42	4
Oilcakes and meals	43	10
Fruit and vegetables (estimate, excluding items excluded from CAP)	150	—

Source: Based on Ministry of Agriculture, Fisheries and Food—*Agricultural and Food Statistics for the Enlarged EEC.*

Such statistics give only a very impressionistic account of why agricultural exporters are concerned at the extension of the CAP to new members. Table 6 shows why some commodities are particularly sensitive. The UK represents a very large part of total world imports of butter, mutton and lamb, bacon and ham, and sugar. Something like 90% of bacon and ham imports originate within the enlarged Community, so no severe problems arise for world trade. For mutton and lamb, the Community has as yet no Common Market organization, but the prospect that it may is of great concern to traditional suppliers. For both butter and sugar the Community is already in surplus by an amount not far short of total UK imports. It is therefore not surprising that non-Community exporters of these two commodities pressed their claim for special consideration during the negotiations for enlargment.

Table 6 also indicates that UK imports, even where their share of world trade is relatively modest, can be very important in value terms to the producers of some key commodities: cereals are the most important item by value, followed by meat, fruit and vegetables, bacon and ham, sugar, and tobacco. All these items account for export earnings by non-British producers in excess of £100m. Especially for those countries which have traditionally concentrated on the UK market, the adjustments involved, should this trade cease, would be difficult and painful.

It is of course misleading to look at UK trade in isolation and in a purely static sense. World markets for agricultural products can change quite rapidly in response to the failure of crops or shifts in policy among big producing or consuming countries. As events in 1972/3 have demonstrated, prices for cereals and beef are influenced by a variety of factors in which the British market is only one. In years when world prices are buoyant, concern about the future of the UK market may be less acute. However, agricultural prices are unlikely to remain buoyant, and the fact that a major, traditional world market may be effectively closed by the CAP, must adversely affect agricultural exporters.

threshold prices (per long ton) were white sugar £111.34; raw sugar £97.67; and molasses £13.55.

Variable levies are collected as the difference between the lowest cif world price at the Community frontier and the threshold price. Levies are also applied to a number of products containing sugar, the levy amounts being calculated from the sucrose content and the levy on white sugar.

Internal measures start with an intervention price for white sugar which, like the target price, is fixed for the main surplus area. For 1971/72 the intervention price was £95.72 per long ton.

Production and consumption in the enlarged Community

Table 7

Sugar production, consumption, and trade of the enlarged Community, 1967 and 1970

('000 metric tons, raw value)

	Production	Consumption	Net exports	Net imports
1967				
Six	7,188	6,647	—	97
UK	976	2,870	—	1,919
Denmark	330	258	23	—
Ireland	132	188	—	75
Total	8,625	9,963	—	2,069
1970				
Six	7,705	7,305	806	—
UK	926	2,939	—	1,977
Denmark	291	264	40	—
Ireland	165	184	—	11
Total	9,088	10,712	—	1,141

Source: Commonwealth Secretariat.

In contrast to the Community, the UK has kept production (by acreage quotas) to about one-third of its requirements. The balance is covered by some 1·82m metric tons from the Commonwealth (including Australia). The official quantity for developing countries under Commonwealth Sugar Agreement quotas is 1·465m metric tons (about 1·4m long tons).

The problem for associable sugar-producing countries stems from the principle underlying the concept of a common sugar policy. Strict adherence to this principle would imply:

(a) that the UK makes up its deficit in the first place from any surplus available in other member countries.

(b) that the UK is given a realistic basic quota for sugar beet production related to its own consumption need, and the overall balance within the Community (which is how the quotas for the Six have been determined).

At the time of the enlargement negotiations (1971) there were general grounds for optimism on the part of Associables concerning the size of market which might be available to them. An average annual surplus in the Six of around 1m tons emerged between 1968 and 1970. At the same time there was a deficit of about 2m long tons in new members and a forecast increase in consumption of about 130,000 tons a year for the enlarged Community. With the phasing out of the Australian CSA quota of 335,000 tons, it was felt that there would be room by 1975, not only for the 1·4m tons from developing countries, but also for a moderate expansion in European production. Later events cast some doubt on these predictions. In the first place there is no certainty, either that actual consumption is as high as estimated consumption, or that actual consumption will grow at the rate suggested. Secondly the strong upward movements in world prices in 1972 and 1973, coupled with international forecasts of a world sugar deficit into the late 1970s, have resulted in a rapid supply response by European beet growers. Estimated beet area in the Six rose from 1,150,000 hectares (where it had been almost static since the inception of the CAP) to 1,206,000 hectares in the 1972/73 beet season. In a situation of high world prices, Six producers do not have to fear low revenue for production over their basic quota. The end result is that more recent estimates put the enlarged Community deficit at something in the region of 750,000 tons or less by 1975 – a substantially smaller figure than the 1·4m tons hoped for by the Commonwealth sugar exporters. In addition, some forecasts of firm sugar markets in the longer term will be used by the French to support their view that there should be no constraints on European production.

A further complication for cane sugar stems from the fact that it is more expensive than beet sugar to refine in Europe. A greater margin is required between the end price of white sugar and the cost of raw sugar supplies to make refining a viable proposition. In the trade-off of national interests which took place in the Council of Ministers early in 1973, Britain failed to secure an official UK white sugar price high enough to give cane sugar refiners the necessary margin. The UK therefore awarded a subsidy of £4 per ton for cane sugar refining – an action quite against the rules of the Common Agricultural Policy. Subsequently there has been increasing pressure from the Commission to persuade the UK to drop this subsidy. The question then emerges as to whether cane-sugar refiners would continue to operate without the subsidy, or whether they would move into beet refining. If there were no cane-sugar refining capacity in the UK, then all the assurances in the world would not give the Commonwealth exporters a satisfactory market in Europe.

Imports from Associates and Associables

In terms of current trade flows sugar is by far the most important single commodity under review in this study. Imports from Associates and Associables to the enlarged EEC totalled some $172m in 1970. It is a commodity of interest to nine of the thirty-eight countries. Six of these are Associables (Barbados, Fiji, Guyana, Jamaica, Swaziland, and Trinidad) while three are associated under Yaoundé (Mauritius, Madagascar; and Congo). Except in the case of Madagascar and Congo, the trade flow is to the UK under the Commonwealth Sugar Agreement. Exports from Madagascar and the Congo are small compared to any of the CSA participants, and most of them go to France. Table 8 illustrates the situation in terms of current trade flows.

Table 8.

Sugar imports by the enlarged Community, 1970

Imports Into:

From	Six	UK	Ireland	Denmark	Total
All Countries	80,248	227,978	2,703	267	311,196
(a) Six	7,520	1,834	—	—	9,354
(b) UK	21	—	—	—	21
(c) Ireland	—	13	—	—	13
(d) Denmark	—	—	—	—	—
Total (a) – (d)	7,541	1,847	—	—	9,388
Total Excl. (a) – (d) of which	72,707	226,131	2,703	267	301,808
Associates					
Congo	701	—	—	—	701
Madagascar	1,596	—	—	—	1,596
Total	2,297	—	—	—	2,297
Associables					
Barbados	—	15,688	—	—	15,688
Fiji	—	18,731	—	—	18,731
Guyana	—	22,489	—	—	22,489
Jamaica	—	30,240	—	—	30,240
Mauritius	—	52,908	—	—	52,908
Swaziland	—	12,520	—	—	12,520
Trinidad	—	18,094	—	—	18,094
Total	—	170,670	—	—	170,670

Source: OECD Trade by Commodities

Oilseeds and Vegetable Oils

Community market organization

The common organization of the market for oils and fats was established in July 1967 by Regulations 136/66. There are no barriers to internal Community trade, while the market is protected against imports from non-members by the Common External Tariff. There are no variable import levies. The regulations are based on two main principles:

(a) Free access to the world market for raw materials for the Community crushing industry.

(b) The stimulation of home production in those oilseeds which can be successfully cultivated in European conditions (rape and sunflower seed).

In line with principle (a), whole oilseeds, oilcakes and meals carry a nil duty. There are duties, however, on oils – ranging from 3 to 15% – designed to protect the domestic crushing industry. These duties are bound in GATT.

Table 9

The CET for oils and oilseeds

Category	Rate
Oilseeds	Nil
Oil cakes and meals	Nil
Vegetable oils for technical and industrial use	3–8%
Vegetable oils for human consumption	9–15%
Margarine	25%

In order to stimulate domestic oilseed production an internal support system is operated similar to the internal arrangements for cereals. Each year the Council fixes a target price, basic intervention price, and derived intervention prices for sunflower seed and rape seed. The target price is fixed at a level which is considered to give a fair return to producers, while the basic intervention price provides a guarantee that producers will be able to sell rapeseed as near as possible to the target. In 1971/72 the target price for both products was £85·73 per long ton.

As imports of oilseeds are allowed into the Community at world prices, these high internal prices can only be maintained by the payment of a subsidy, for otherwise crushers would use only imported seed. The subsidy (similar to a deficiency payment) is calculated as the difference between the target price and the lowest cif offer at Rotterdam determined weekly.

For example, with the target price at £85·70 per ton and lowest cif world price at £50 per ton, the subsidy would equal £35·70 per ton. The subsidy is paid to the crusher but the intervention price system ensures that the benefit goes mainly to the grower.

Production and consumption in the enlarged Community

It should be borne in mind that the markets for vegetable oils are complicated by a number of factors such as the varying degree of substitutability between different kinds of oil, and whether whole oilseeds or refined oil are imported. In addition the effect of changes in demand for oilseed cakes and meals cannot readily be taken into account in a summary analysis.

Table 10

Consumption of vegetable oils in the Six, 1960-62 and 1967-70

('000 metric tons crude)

		Average 1960–1962	Average 1967–70	% Change
Edible Oils	*Total*	*1,490*	*2,353*	*58*
Groundnut		427	548	28
Soyabeans		304	546	80
Cottonseed		83	25	-70
Rapeseed		89	294	230
Sunflowerseed		74	308	316
Olive		513	549	7
Corn		—	57	—
Grape		—	26	—
Palm Oil	*Total*	*231*	*254*	*10*
Lauric Oils	*Total*	*527*	*437*	*-17*
Coconut		346	309	-11
Palm kernel		181	128	-29
Industrial Oils	*Total*	*236*	*244*	*3*
Total consumption of which:		2,539	3,293	30
Oil produced from domestic seed		1,782	837	—
Oil produced from imported seed			1,609	—
Net imports of oil		757	919	21

Source: Commonwealth Secretariat

For developing countries the significant trends to note are:

(a) The exceptionally large increases in the consumption of oils from temperate-zone oilseeds (soyabean oil, rape oil and sunflower oil).

The increase in rape oil production is almost entirely attributable to Community-grown rapeseed, the production of which has risen by over 20% per annum in the last decade, in response to the producer prices offered by CAP. The sunflowerseed oil increase is partially attributable to the same factor, but there has also been a large increase in imports of seed (particularly from Eastern Europe). The growth in soyabean consumption (imported from the USA) is due in part to increased demand for soyabean oil for human consumption, but is also a consequence of the relationship between soyabean and cereal prices which has been created by high CAP prices. This greatly encouraged the use of soyabean meal in animal feedingstuffs in the late 1960s.

(b) The increases in consumption of both groundnut oil and palm oil (the two products of greatest importance to developing countries) are considerably less than the general increases in edible oil consumption.

(c) The consumption of lauric oils (palm kernel and coconut oils) has fallen continuously during the period.

UK membership of the Community should have no special effect on these consumption trends where they have been generated by changes in the preferences of vegetable oil consumers. However, if the price relationship between soyabeans and cereals returns to that

Table 11

Groundnut imports by the enlarged Community, 1970

$'000
Imports into

From:	Six	UK	Ireland	Denmark	Total
All Countries	134,639	18,305	161	383	153,488
(a) Six	1,407	213	8	13	1,641
(b) UK	257	—	—	—	257
(c) Ireland	—	11	—	—	11
(d) Denmark	—	—	—	—	—
Total (a) – (d)	1,664	224	8	13	1,909
Excl.(a) – (d) of which	132,975	18,081	153	370	151,579
Associates:					
Cameroon	2,038	—	—	—	2,038
Dahomey	1,040	—	—	—	1,040
Gabon	71	—	—	—	71
Madagascar	776	—	—	—	776
Mali	1,430	—	—	—	1,430
Mauritania	123	—	—	—	123
Niger	24,526	—	—	—	24,526
Senegal	13,973	279	3	13	14,268
Togo	939	—	—	—	939
Upper Volta	829	—	—	—	829
Total	45,745	279	3	13	46,040
Associables:					
Gambia	4,197	—	—	—	4,197
Kenya	106	102	—	—	208
Malawi	717	6,611	—	2	7,330
Nigeria	44,821	3,559	40	191	48,611
Tanzania	48	58	—	—	106
Uganda	—	27	—	—	27
Total	49,889	10,357	40	193	60,479

Source: OECD Trade by Commodities.

which prevailed in the Community in the late 1960s, then a similar tendency to substitute soya for other oilseeds might occur in Britain.

Imports from Associates and Associables

As a commodity group oilseeds, vegetable oils and oilcakes form the largest element in trade from these countries to the enlarged Community, though no single product in that group is anywhere near the value of sugar imports. In 1970 imports from Associates and Associables of groundnuts, groundnut oil, and palm oil (the three products for which comprehensive data are available) totalled some $230m, of which nearly $200m was groundnuts and groundnut oil (in roughly equal proportions).

Some twenty of the thirty-eight countries under review have a degree of interest in exporting oilseed products, though only eight are exporters of any great significance. The main products after groundnuts and groundnut oil are palm nuts, palm oil, and palm kernel oil. Some countries also export oilcakes and meals. The Commonwealth Associables in the Pacific and Caribbean areas have some interest in coconut oil and copra for export.

By far the largest exporters are Nigeria, Niger, and Senegal, which

Table 12

Groundnut oil imports by the enlarged Community, 1970

$'000
Imports into:

From	Six	UK	Ireland	Denmark	Total
All countries	82,559	34,457	270	868	118,154
(a) Six	8,259	6	—	406	8,671
(b) UK	1	—	5	—	6
(c) Ireland	—	35	—	—	35
(d) Denmark	—	—	—	—	—
Total (a) – (d)	8,260	41	5	406	8,712
Total Excl. (a) – (d) of which	74,299	34,416	256	462	109,442
Associates					
Mali	1,291	—	—	—	3,781
Niger	3,781	—	—	—	3,781
Senegal	46,767	—	—	—	46,767
Total	51,839	—	—	—	51,839
Associables					
Gambia	3	6,709	—	—	6,712
Nigeria	4,369	27,334	101	—	31,804
Total	4,372	34,043	101	—	38,516

Table 13

Palm oil imports by the enlarged Community, 1970

$'000
Imports into:

From:	Six	UK	Ireland	Denmark	Total
All Countries	77,308	38,055	861	1,093	117,317
(a) Six	5,481	434	—	—	5,915
(b) UK	111	—	—	—	111
(c) Ireland	—	—	—	—	—
(d) Denmark	—	—	—	—	—
Total (a) – (d)	5,592	434	—	—	6,026
Total Excl. (a) – (d) of which	71,716	37,621	861	1,093	111,291
Associates					
Cameroon	2,484	—	—	—	2,484
Congo	791	—	—	—	791
Gabon	66	—	—	—	66
Zaire	30,251	—	—	—	30,251
Total	33,592	—	—	—	33,592
Associables					
Nigeria	1,054	751	—	—	1,805
Total	1,054	751	—	—	1,805

Source: UK Imports or Overseas Trade Statistics of the UK 1970
EEC—Foreign Trade—Imports 1970

together account for some \$170m. Other significant suppliers are Gambia, Malawi, Zaïre, Cameroon, and Mali. Zaïre is a special case in that it supplies some 95% (\$30m) of the total value of imported palm oil to the Six.

Beef

Community market organization

The CAP for beef and veal was established in July 1968 by Regulation 805/68. The system revolves around guide prices which are similar in intent to target prices. Two separate guide prices are fixed annually, one for adult cattle and the other for calves, representing the level of market prices which it is thought desirable that Community producers should receive. The common guide prices for 1972/73 were £16.51 per live cwt (adult cattle) and £19.95 per live cwt (calves).

Imports from outside the Community are regulated by reference to the guide price and to actual average market prices, which the Commission calculates each week for the whole Community from quotations from national agencies. Imports are regulated by two instruments: a customs duty which is 20% in the case of beef (this has been suspended to 10%) and variable import levies, which are calculated as the difference between duty-paid imports and the guide price, if the average market price in the Community is lower than the guide price. If market prices are above the guide price, reduced levies are payable according to the following scale:-

Market price as percentage of guide price	*Levy rate*
100 – 102	75% of full levy
102 – 104	50% of full levy
104 – 106	25% of full levy
above 106	Nil levy

The regulations also provide for export subsidies in order to allow Community producers to compete effectively on world markets.

Production and consumption in the enlarged Community

The Community is not self-sufficient in beef and veal, and this situation would seem likely to continue in the foreseeable future. In 1970 production in the Six was 4,261,000 metric tons while consumption was 4,873,000 metric tons. Corresponding figures for the enlarged

Table 14

Beef imports by the enlarged Community, 1970

$' 000
Imports into:

From:	Six	UK	Ireland	Denmark	Total
All countries	648,414	225,119	360	1,399	875,292
(a) Six	330,205	7,183	—	8	337,396
(b) UK	6,479	—	341	—	6,820
(c) Ireland	2,879	79,221	—	—	82,100
(d) Denmark	48,286	1,107	—	—	49,393
Total (a) – (d)	387,849	87,511	341	8	475,709
Total excl. (a) – (d) of which	260,565	137,608	19	1,391	399,583
Associates					
Madagascar	3 268	—	—	—	3,268
Total	3,268	—	—	—	3,268
Associables					
Botswana	—	7,196	—	—	7,196
Swaziland	—	253	—	—	253
Total	—	4,449	—	—	7,449

Imports from Associates and Associables

Tobacco is exported to Europe from a number of Associates and Associables. These exports represent a very minor proportion of the Community's total external requirements.

Table 16

Unmanufactured tobacco imports by the enlarged Community, 1970

$'000
Imports into:

From:	Six	UK	Ireland	Denmark	Total
All countries	356,834	249,412	9,210	31,836	647,292
(a) Six	36,864	4,658	—	6	41,528
(b) UK	216	—	—	—	261
(c) Ireland	1	8,612	—	—	8,613
(d) Denmark	75	1	—	—	76
Total (a)–(d)	37,201	13,271	9,210	6	50,478
Total Excl. (a)–(d) of which	319 633	236,141	9,210	31,830	596,814
Associates					
Cameroon	1,869	—	—	216	2,085
Cen. Afr. Rep.	752	—	—	—	752
Congo	571	—	—	—	571
Dahomey	171	—	—	—	171
Madagascar	2,579	—	—	—	2,579
Senegal	123	—	—	—	123
Zaire	21	—	—	—	21
Total	6,086	—	—	216	6,302
Associables					
Jamaica	310	3	—	—	313
Malawi	3,047	9,716	384	310	13,457
Tanzania	753	5,226	499	—	6,478
Uganda	138	1,159	44	1	1,342
Total	4,248	16,101	927	311	21,590

Source: OECD Trade by Commodities

Fruit and Vegetables

Community market organization

The Common Market organization for fruit and vegetables has been introduced in several stages dating from 1962. It involves a system of common quality standards, together with a mechanism for support and control.

Regulation 23/62 provided for the removal of all barriers to intra-Community trade, linked to the introduction by member countries of common standards relating to quality, size, presentation, and packaging. Quantitative restrictions on trade were removed progressively for each quality grade: grade Extra on 1 July, 1962; Class I on 1 January, 1964; and Class II on 1 January, 1966. As from 1 January, 1967, a supplementary quality class (Class III) has been prescribed for some commodities, and the class applies when supplies of produce in the higher classes are deemed insufficient to meet consumer demand within the Community as a whole

The list of products now covered by the quality standards are as follows:

Vegetables		*Fruit*	
Artichokes	Cucumbers	Apples	Oranges
Asparagus	Garlic	Apricots	Peaches
Beans	Lettuces	Cherries	Pears
Brussels sprouts	Onions	Grapes	Plums
Cabbages	Peas	Lemons	Strawberries
Carrots	Spinach	Mandarins	Wilkins and
Cauliflowers	Tomatoes	Clementines	similar hybrids
Celery		Satsumas	
Chicory		Tangarines	

With a few minor exceptions the quality standards have been fully applicable since 1 January 1967 to trade between member countries, to trade within member countries, and to products imported from third countries. With a few exceptions quantitive restrictions (import quotas) on third-country products have been removed.

The regulations since 1962 also provide for the encouragement of growers' organizations to handle the marketing of fruit and vegetables, and to take responsibility for market intervention arrangements. In 1972 consolidating legislation was passed bringing together the various regulations for quality standards, producer organizations, intervention and import control (Regulation 1035/72). This was subsequently amended by Regulation 2454/72.

Intervention arrangements operate for cauliflowers, tomatoes, pears, apples, peaches, sweet oranges, mandarins, lemons and table grapes. Each year two prices are determined by the Council of Ministers: a basic price, and a buying-in price which is a certain fixed percentage of the basic price. The latter is determined on the basis of average price trends over the last three years on the most representative markets, and account is taken of returns to producers, stable markets, and the interests of consumers.

The present buying-in prices for different products are:

40%–45% of the basic price for cauliflowers and tomatoes
50%–55% of the basic price for apples and pears
60%–75% of the basic price for all other products listed above

Tinned fruit (particularly canned pineapples and citrus) are exported by some Associates and Associables to the Community market, but here again these countries only have a small part of the total market. The chief exporters of canned pineapples are the Ivory Coast and Kenya. Duty-free exports from East Africa are in principle limited by quota to the Six under the Arusha Agreement (quota 2,000 metric tons) in order to prevent disruption of traditional trade flows between AAMS and the Six.

Table 19

Canned pineapple imports by the enlarged Community, 1970

$'000
Imports into:

From:	Six	UK	Ireland	Denmark	Total
All countries	—	19,812	—	—	19,812
(a) Six	—	—	—	—	—
(b) UK	—	—	—	—	—
(c) Ireland	—	—	—	—	—
(d) Denmark	—	—	—	—	—
Total (a)–(d)	—	—	—	—	—
Total Excl. (a)–(d) of which	—	19,812	—	—	19,812
Associates					
Ivory Coast	*8,394	—	—	*50	*8,444
Total	*8,394	—	—	*50	*8,444
Associables					
Kenya	*560	955	*1	*53	1,569
Swaziland	—	265	—	—	625
Total	*560	1,580	*1	*53	2,194

* Exports fob as recorded by Ivory Coast and Kenya
Source: UK Imports – Annual Statement of Overseas Trade of the UK 1970 EEC & Denmark figures – Ivory Coast Trade Report and Kenya Trade Report.

Maize

Community market organization and trade

The CAP for cereals was established in July 1967 under Regulation 120/67. The arrangements for maize are the same, apart from a few minor details, as the general mechanism of support for all cereals. Three sets of prices are agreed by the Council of Ministers each spring for the approaching market year (beginning on 1 August). These are the target, threshold, and intervention prices which characterize the cereal market regulations.

The target price for maize is the wholesale price which the authorities would like to see achieved in the area of greatest deficit in the Community (Duisburg in West Germany). It represents the degree of protection granted to Community maize as against imported maize, for it is the minimum at which imported maize is permitted to reach Duisburg. For 1972/73 the target price for maize rose from £43.08 per long ton through the marketing year.

The threshold price for maize is the target price re-calculated for Rotterdam from Duisburg, so that imported grain cannot sell in Duisburg below target price. For 1972/73 the threshold price was £42.14 per long ton. Variable levies are collected as the difference between the lowest cif offer in Rotterdam and the threshold price.

Within the Community, maize has a single intervention price at which the intervention agencies in member states must buy the grain when it is offered to them. The maize intervention price was £35.30 in 1972/73.

Production and consumption in the enlarged Community

Production of maize in the Six had reached 12.8 m metric tons in the 1970/71 season. Consumption in the same year was 19.5m tons, giving a self-sufficiency level of 66%. None of the new member countries have grown maize in commercial quantities in the past, though many experts believe that maize production in the UK could be profitable at CAP prices. Total consumption in the Nine for 1970/71 was 22.7m tons, giving a total deficit of 9.9m tons for the enlarged Community.

Imports from the Associates and Associables

Kenya has been the only Associate/Associable exporter of maize to the Nine in recent years, though it is a commodity very widely and successfully grown in many parts of Africa. The majority of the Community's external supplies come from the USA, South America, and South Africa.

Rice

Community market organization

Although established under a different regulation (Regulation 359/67) to that for cereals, the Common Market organization for rice is identical in all respects to the mechanism adopted for cereals. There are target, threshold and intervention prices; with variable levies making up the difference between lowest cif offer world prices and the threshold price.

In the 1971/72 season the target price for husked rice was £85.32 per long ton; with intervention price at £52.90 per ton. Threshold prices are set for husked rice, broken rice, and fully-milled rice; the

exports and the export of CAP commodities, where these appear in official statistics. The notes in the right-hand column of the table indicate, where relevant, other major agricultural exports which are not subject to the CAP and for which there is duty-free access under current association agreements.

Of the sixteen Associables for which data are available, all derive some export revenue from CAP products. By contrast only nine of the listed Associates show a significant current export volume in these competitive commodities. The analysis reveals a quite significant change in the dimensions of potential conflict between Community and developing country production implied by the extension of association to Associables. Associates have in the past only had a substantial volume of business to protect in oilseeds and vegetable oils. Associables, on the other hand, derive a high percentage of export earnings from a number of CAP products. Sugar is the major agricultural export for seven countries (Barbados, Fiji, Mauritius, Guyana, Jamaica, Swaziland and Trinidad), oilseeds for two countries (Gambia and Nigeria), beef for one country (Botswana), and tobacco for two countries (Malawi and Zambia). The extension of association therefore considerably intensifies the need to examine existing preferences.

Sugar

Of the seven sugar-producing countries which rely on the UK as a market, four are not only highly dependent on agricultural commodities as a source of export earnings (70% or more of receipts), but are also very highly committed to sugar as the main agricultural export. These are Mauritius, Guyana, Barbados, and Fiji. The same characteristics apply to two further CSA members which are not yet independent. These are Belize and St. Kitts. With the possible exception of Guyana, none of these countries appears to have much room for diversification within the agricultural sector. Guyana has developed a fair export potential in rice – another CAP product. Mauritius provides the extreme case of 96% of export earnings from agricultural commodities, 92% being derived from sugar sales.

Two other countries – Trinidad and Jamaica – obtain a major part of their agricultural export earnings from the sale of sugar, but are less dependent on agriculture for their total export earnings. Agricultural exports only comprise some 9% of Trinidad's export earnings, about half of that amount being from sugar. Similarly, Jamaica derives 25% of its export earnings from agricultural commodities, and again about half is from sugar. Bananas also form an important element in Jamaica's exports.

It is clear that some of the associable sugar-producing countries constitute a special case. This is due not only to the economic structure of the countries concerned, in which sugar is the central industry providing much of the country's employment, but also to the characteristics of the world sugar market. Of the 75m tons of sugar produced annually in the world only about 22m tons are traded internationally. Of this about one half is traded under special arrangements of which the most important are the CSA, the US sugar quotas and the USSR/Cuba Agreement; the remainder is traded on the world free market, which thus bears the full effect of changes in world supply and demand. The free market is consequently very volatile, and changes in supply and demand give rise very quickly to large price fluctuations. Members of the CSA therefore value very highly their long-term guaranteed market under the Agreement, as they have to rely on this to form the basis of their export sales programme.

The current form of association has nothing to offer sugar producers, as no preferential treatment has yet been granted by the Community. The position is, however, negotiable within the framework laid down in the Treaty of Association.

In July 1973 the Commission stated that it would be in accordance with the spirit of decisions taken during the entry negotiations that developing CSA members should be guaranteed access identical to that enjoyed at present. The Commission therefore proposed that there should be some limitation on Community sugar production.

Oilseeds and vegetable oils

While some of the principal suppliers of groundnuts and groundnut oil derive a large proportion of their export revenue from these products, the general extent of export dependence is not nearly as acute as that experienced by sugar exporters.

Gambia stands out as the country with least diversification (97% of export earnings from oilseeds and oils). However in value terms Gambia's exports are minor compared to those of the large exporters. Nigeria, for instance, exports some $159m of these products as compared to Gambia's $14m; and this represents only 15% of Nigeria's export earnings. Senegal is another large exporter ($70m).

Association has in the past implied duty-free entry for vegetable oils from Associates as against duties of between 9% and 15% to third countries. There is no Community duty on whole oilseeds.

Beef

Botswana is the only country under consideration for which beef is a major contributor to export earnings.

Kenya has a growing interest in exporting frozen beef to Europe. The majority of its present exports are canned.

Duty-free access for beef has been granted in previous association agreements, but the levy under CAP has been retained. In recent

Table 21

i Associables

Country[1]	Total exports $	Agricultural $	Agricultural as % of total exports	CAP exports Commodity	CAP exports $m	As % of total exports	Notes on Agricultural Exports
Tanzania	255.1	192.0	75.3	Beans	2.7	1.1	Biggest agricultural export is coffee (16% of total exports). Also cotton and sisal
Uganda	251.8	210.2	83.5	Sugar	3.6	1.4	Biggest agricultural export is coffee (50% of total exports). Also cotton and tea
Zambia	1,032.0	7.5	0.7	Tobacco Groundnuts Maize	4.4 1.3 0.5	0.4 0.1 0.05	Low dependence on agricultural commodities
Fiji and Tonga	61.1	44.4	72.7	Sugar	33.0	54.0	Also exports some coconut oil and copra. Commonwealth Sugar Agreement
Barbados	28.7	22.4	78.0	Sugar	14.7	51.2	Commonwealth Sugar Agreement
Guyana				Sugar Rice	39.4 9.5		Commonwealth Sugar Agreement. Genera data not available.
Jamaica	297.9	76.1	25.5	Sugar Citrus	37.4 0.7	12.6 0.2	Commonwealth Sugar Agreement. Also *exports bananas (5% of total exports)*
Trinidad and Tobago	478.1	42.2	8.8	Sugar	24.6	5.1	Commonwealth Sugar Agreement. Low dependence on agricultural commodities. Also exports cocoa and coffee

(1) Information on Lesotho and W. Samoa excluded through insufficient information
(2) Estimated from Botswana Meat Commission Reports
(3) 1965-66 two-year average
(4) Estimated from sugar reports

Table 21

The significance of CAP products in the exports of Associates and Associables 1970
ii Associates

Country[1]	Total exports $	Agricultural $	Agricultural as % of total exports	CAP exports Commodity	CAP exports $m	As % of total exports	Notes on agricultural exports
Burundi	n.a.	n.a.	n.a.	—	—	—	Biggest agricultural export is coffee. Limited data available
Cameroon	227.0	164.4	72.4	Oilseeds	5.4	2.4	Biggest agricultural export is cocoa (26% of total exports). Also coffee (21%)
Central African Republic	34.4	13.7	39.8	—	—	—	Biggest agricultural exports are coffee (18%) and cotton (18%)
Chad[1]	25.4	23.8	93.7	—	—	—	Biggest agricultural export is cotton (78% of total exports)
Congo	37.6	6.7	17.8	Sugar	3.6	9.6	Also exports coffee
Gabon	131.6	2.5	1.9	—	—	—	Low dependence on agricultural commodities. Exports cocoa and coffee
Ivory Coast	463.5	288.7	62.3	—	—	—	Exports coffee (29% of total exports) cocoa (21%) and bananas (3%)
Madagascar	128.9	93.0	62.3	Rice Sugar Beans	10.0 6.0 3.3	7.8 4.7 2.7	Biggest agricultural export is coffee (28% of total exports)

Table 21
ii. Associates

Country[1]	Total Exports $	Agricultural $	Agricultural as % of total exports	CAP exports Commodity	CAP exports $m	As % of total exports	Notes on agricultural exports
Mali[2]	14.4	13.9	96.5	Groundnuts	1.9	13.2	Biggest exports are live animals and textile fibres
Niger	n.a.	n.a.	n.a.	Oilseeds and vegetable oils	16.5	—	Mainly groundnuts with some groundnut oil
Rwanda	n.a.	n.a.	n.a.	—	—	—	Biggest agricultural export is coffee. Also tea
Senegal	137.8	n.a.	n.a.	Oilseeds and vegetable oils	70.0	50.7	Very large exporter of groundnut oil
Somalia	31.9	29.7	93.0	—	—	—	Biggest agricultural export is live animals. Also bananas
Upper Volta	n.a.	n.a.	n.a.	Groundnuts	0.9	—	Limited data available
				Sesame seed	0.6	—	
				Beans	0.4	—	
Togo	49.5	32.9	66.4	Palm nuts	2.3	4.6	Biggest agricultural export is cocoa (39% of total exports). Also coffee
Zaïre	n.a.	n.a.	n.a.	Palm oil	19.2	n.a.	Biggest agricultural export is coffee
				Palm kernel Oil	11.7	n.a.	

(1) Dahomey and Mauritania excluded through insufficient information
(2) 1965–66 two-year average
Source: based on data from *FAO Trade Yearbook 1971.*

Chapter 4
Conclusion

The Common Agricultural Policy is designed to protect producers in what is a cool temperate part of the world and, as such, its adverse effects on world trade are most sharply experienced by other temperate countries. It is a complex structure in which the prices and market organizations for the various commodities are closely interlinked. It has its origins in farm problems going back considerably before the establishment of the Community. These features provide the background against which the evidence of this study must be assessed.

Chapter 2 described how a central function of the CAP was to establish common prices for European farmers at a level which was socially and politically acceptable; and how the pressures operating upon agriculture in the relatively wealthy countries of western Europe had led to these common prices bring set at levels well above those at which supplies were available from world markets. It has been argued elsewhere, first in academic circles,[1] but more recently by some journalists, bureaucrats and politicians,[2] that the system of attempting to support the incomes of small European farmers by manipulating market prices is against the interests of all member states of the Community. It is advocated that CAP prices should approximate more closely to the long-run trend of world prices for agricultural products and that specific measures should be introduced to aid small farmers and farmers in disadvantaged regions. Understandably, pressure for a reform of the CAP along these lines has come most strongly from the United Kingdom, which produces less of its food requirements than any other member of the Community, and where rising food prices have become a dominant political issue. At the meeting of the Council of Ministers in April 1973 it was agreed that there should be a detailed review of the CAP in the autumn.

However, it is quite clear that no major revision of the CAP is likely to come into effect before the conclusion of the negotiations between the Associables, the Associates, and the Community – these negotiations will take place against a background in which the CAP prices retain their role of income support. Equally, it is beyond the terms of reference of this study to prescribe ways in which the general structure of the CAP

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[1] See for example, Pierre Uri et al, '*A Future for European Agriculture*', The Atlantic Institute, 1970, or John Marsh and Christopher Ritson, '*Agricultural Policy and the Common Market*', Chatham House/PEP, 1971, pages 77–90.

[2] For example 'Recent EEC hill farming proposals offered something new—direct income support. "This idea has not up to now been so widely accepted on the Continent as in Britain. I hope we shall be able to carry this idea further in the Commission and consider extending it to new fields".' The *Farmers' Weekly* reporting a speech by Commissioner George Thompson, 30/3/73. 'The CAP is not fundamentally a bad system . . . What is chiefly wrong is the high level of support prices . . . But prices cannot be cut unless something is done to compensate some, at least, of Europe's farmers.' *The Sunday Times*, 8 April 1973.

might be altered. Such a discussion would need to take account of the influence of other temperate producer countries, soon to be expressed in a further round of the General Agreement for Tariffs and Trade (GATT); even more so, it would require a comprehensive discussion of the internal pressures for change, which will continue to have the most important influence on the development of the CAP.

Nevertheless, it cannot be stressed too strongly that it is only a major reversal of the present CAP's use of high market prices to protect the incomes of small European farmers that could appreciably improve the prospects for exports of CAP products to the Community from the Associates and Associables. The importance of this point is nowhere better illustrated than by the treatment of CAP products in past association agreements. The Community has been prepared to consider preferential treatment for Associates when this has been at the expense of other exporters, but not when it might mean that supplies from Associates come into conflict with supplies from the Community's own farmers. An important distinction emerges in this context between the preferential outcome of removing a customs duty on a CAP product and the effect of removing or reducing a levy. The removal of a duty implies only that Associates are given a competitive advantage over other third-country suppliers for the Community's residual market. No threat to Community producers (who continue for most CAP products to be protected by the variable levy) is implied. In contrast, removal or reduction of the levy allows the Associates to compete on price with European farmers. This would not, however, represent a problem for the Community if the Associates are unable (or indeed agree not) to meet the whole of the Community's residual market. As long as some imports are required from exporters who have to pay the full levy, the granting of levy reductions to Associates will not force internal Community prices beneath target levels.

This kind of distinction also appears (though in a somewhat disguised form) in a difference of wording between Article 1 and Protocol 1 of previous association agreements (described in Chapter 1). Article 1 grants duty-free access but makes no promise that such terms will not be extended to other third countries (for instance, the duty on tea has been suspended for all suppliers). By contrast, Protocol 1 states, quite explicitly, that the preferential treatment accorded to CAP products will be 'more favourable than the general treatment applied to like products originating in third countries'.

Scope for flexibility

Where it is apparent that the exports of the Associates and Associables are likely to come into conflict with supplies from European farmers, the concessions that will emerge for CAP products seem likely to be extremely limited. The high common price levels, by which the incomes of European farmers are protected, represent an extremely delicate political and economic balance. Policy proposals emerge from the Commission. These proposals may then be accepted, rejected, or substantially modified by the Council of Ministers before becoming Community policy. The chief features of Council meetings is that there is usually a trade-off of national interests, the outcome of which is that each Minister is able to return home claiming to have achieved a nationally desirable outcome. (This feature is particularly well illustrated by the politicial stances taken on the question of sugar access, described further on.)

Despite this delicate balance of the structure of CAP prices, it is evident that there is *some* flexibility with regard to the emphasis given to different products. For example, the Council of Ministers has in recent years attempted, with a certain amount of success, to alter the relative price structure between beef and dairy products in order to encourage more internal beef production and reduce surpluses of dairy products. This policy has marginal implications for exporters of beef and dairy products – it implies some relative reduction in Community imports of beef and exports of dairy produce. Similarly, there have been moves within the Community to increase the production of feed grains at the expense of wheat.

It would appear to be the case, therefore, that where the exports of the Associates and Associables come into direct conflict with Community supplies, the reliance of the CAP on the support of incomes via prices will mean that the Associables will be arguing for, in effect, a shift in the balance of CAP prices in such a way as to marginally reduce (or alternatively to prevent any increase in) the output of those products for which they possess an 'economic interest'. Such a shift in the emphasis of the CAP in favour of the Associates and Associables would appear to be constrained in three main ways:

(a) Although it might be possible to alter the structure of agricultural output in the Community, but still maintain approximately the same aggregate revenue to the farm sector, a problem of the distribution of this revenue would emerge. Part of the delicate balance of prices within the CAP is associated with hard-won compromise by the Council of Ministers over the distribution of benefits from the CAP. Some products have been included in the CAP system with the specific intention of solving the low-income problems of particular regions of the Community. For example the inclusion of rice and tobacco in the CAP was largely the result of pressure to give Italian farmers an opportunity to participate in the general improvement of living standards experienced by most other Comunity farmers. It would be little consolation to Italy's farmers if a reduction in the prices received for some of their products was to be compensated, say, by an increase in the milk price. In the case of sugar, however, it would be more difficult for the Community to argue that a shift in the balance of European prices away from sugar beet would be impossible because of its socially detrimental impact upon the distribution of CAP benefits. Sugar beet producers are not amongst the poorest of Europe's farmers.

(b) An increase in the output of those CAP products for which Associates and Associables do not possess an economic interest would face two connected problems. It would increase the financial embarrassment of intervention and export restitution, where the Community is in surplus for the products in question (e.g. dairy products and wheat) and it would bring the Community into sharper conflict with other temperate suppliers (for example, the USA). Changes in the CAP, no matter how small, cannot be divorced from the general structure of world trade. The association negotiations will be influenced by other international negotiations proceeding simultaneously. Agricultural support policies are on the agenda for the next round of GATT due to commence in Tokyo towards the end of 1973. There will also be negotiations for a new international sugar agreement in which the Community has expressed a desire to participate.

(c) The response of farmers, in a system of generally high prices, to a small change in relative price of some commodities is bound to be complex. As has become evident with respect to the Community's attempts to encourage beef production, quite substantial price changes are required before output is affected to any appreciable extent, and the income constraint may prevent this. The alternative of restricting the Community's output of certain products by quota is unlikely to be acceptable to the Community, except for sugar.

There are, therefore, two rather different areas in which the Associates and Associables might negotiate for concessions on CAP products against a background in which the present function of the CAP as an income support mechanism is retained. One is preferences for the associated states as against third countries. Such concessions are restricted only by the Community's approach to relations with these third countries. Second, the Associates and Associables might argue for some shift in the balance of emphasis given by the CAP away from the products for which they possess an 'economic interest'. Such a shift is severely restricted, as explained above.

A third possibility would appear if the Council of Ministers were to adopt the Commission proposals for export revenue stabilization agreements (described in Chapter 1). In its initial form the scheme guaranteed Associates export revenue rather than market access; as such it could be compatible with a high-price CAP.

The absence of a guarantee of access, however, would pose a number of problems. It is evident that the export of a certain physical volume of a particular commodity is a determinant of such factors as the number of processing plants in operation, the amount of capital tied up in plant and machinery, and the amount of employment generated by that particular export activity. Fluctuations in price will affect the returns to these factors of production, but will not necessarily affect their employment in the short term. By contrast, a reduction in volume might very rapidly render a particular plant inefficient through the absence of scale economies, and also result in a reduction of the labour force involved.

These considerations are particularly pertinent to countries in which the sugar industry is a major employer of labour, both in sugar factories and in the field. A reduction in the volume of sugar required for export might result in sugar production being confined to fewer factories, those factories taking cane from fewer smallholdings. This might happen, given a drop in export volume, even if total receipts are guaranteed.

The Commission no doubt had these considerations in mind, as well as the Protocol 22 commitments, in formulating its subsequent proposal for guaranteed access for Associates' sugar (see p. 17). Neither this nor the revenue stabilization scheme have, however, been approved by EEC member governments.

The major products

The analysis of Chapter 3 demonstrated that the agricultural products affected by the CAP of major concern to the Associables and Associates are sugar, oilseeds and vegetable oils, tobacco, and beef. Some countries also derive a certain percentage of their export earnings from other CAP commodities (maize, rice, dairy products, fruit and vegetables). In addition many countries have the production potential to increase their exports of these commodities. In considering what might emerge for CAP products in the association negotiations, sight should not be lost of the general terms of association. For instance, duty-free access is of particular relevance to exporters of non-competing agricultural commodities (for example, cocoa, coffee, and tea).

Without doubt the most sensitive issue to emerge from the study is the question of future markets for cane sugar. Sugar constitutes a major exception to the general observation that CAP has its greatest effect only on temperate-zone trade. The analysis reveals a number of reasons why sugar may be regarded as a special case:

(a) The long-term security of access and price which the sugar exporters have become accustomed to under the Commonwealth Sugar Agreement is quite unlike any features which regulate trade in other commodities (although not unlike other international sugar arrangements). Under the terms of the Treaty of Accession the

CSA will be discontinued after 31 December 1974. The negotiation of an alternative arrangement giving equivalent long-term assurances is therefore a primary goal of these countries, quite apart from their general attitude towards association.

(b) The problems are particularly acute for those countries which are among the least diversified in the developing world (for example, Mauritius, Barbados, Fiji). Sugar is not only the chief earner of export revenue but also provides a major part of their employment, and generates a large proportion of their national income.

(c) India, although not an Associable, has been assured of the same terms for sugar as those agreed for other developing country CSA members. This special circumstance would seem to imply that some distinction will be made between the negotiations for sugar and those for association.

(d) It is clear from the analysis of European production and consumption that unless effective limits on sugar production are introduced, there will be very rapid progress towards self-sufficiency in the enlarged Community. Present constraints under the CAP relate only to having a lower price for quantities in excess of a basic quota. Neither the quantities themselves, nor the acreage, are controlled.

(e) Increasing doubt surrounds the accuracy of earlier predictions concerning the size of deficit that might result from Community enlargement. Later estimates suggest a maximum deficit of about 750,000 tons in 1975 – considerably lower than the 1.4m tons of exports hoped for by Associables.

Unless the Community acts to restrict beet sugar production – whether or not in the context of an international sugar agreement – there is a danger of the build-up of additional Community surpluses which will be disposed of on the residual world market. All Associable sugar exporters depend on this market to some extent.

The repeated assurances by the UK, both after the enlargement negotiations and in the Lancaster House Agreements, have not committed the Community (as opposed to the UK) to guaranteeing access of 1.4m tons to the sugar producers. While the UK has been championing the cause of the Commonwealth sugar exporters, the French, under pressure from their beet lobby, have equally been supporting the claims of European beet growers. The UK has also to protect the interests of its own beet producers against demands for increased continental production. The outcome for negotiations in the Council of Ministers is that the UK is in the somewhat embarrassing position of supporting two causes which are basically in conflict (UK production versus Commonwealth access) against a single cause (continental production). The desire of continental farmers to replace Commonwealth sugar in the UK market has naturally aroused interest in greater self-sufficiency in Britain.

An additional force is the Commission. The Commission Directorate responsible for agriculture has decided in favour of granting access to the Commonwealth sugar exporters. It has drafted a proposal (July 1973) in which it has suggested both that existing Commonwealth Sugar Agreement quotas should be guaranteed in full for a five-year period from the end of 1974, and that more effective constraints should be placed on European beet production. This latter suggestion will undoubtedly be resisted strongly by the French, and will be treated cautiously by the UK because of beet-grower pressures.

Much has so far been done by Associables in presenting a strong common front on the question of quantity access. There is danger, however, in placing too much emphasis on the single objective. Price is also important (in spite of international forecasts), as is the duration of whatever agreement emerges. The Community has expressed its willingness to take part in the next International Sugar Agreement. Whatever emerges in the direction of a Community export quota under that negotiation will directly affect the access prospects for Associables. In these conditions of separate but simultaneous international negotiations, it might be more fruitful for Associables to present a complete sugar scheme in which quantities, prices, and duration were specified, such specifications being suitably backed up by well-informed argument relating to the world sugar market, European production, and the International Sugar Agreement. Alternative arguments could then be traded off in the search for an acceptable outcome. The Commission proposal to limit Community production is the most that is likely to be achieved as far as the CAP is concerned. Other aspects of the sugar regime (namely the price levels, import levies, and export subsidies) are an integral part of the Community system.

The other commodity group of major concern to Associates and Associables is oilseeds and vegetable oils. The direct implications of the CAP regime for these products are minimal. Whole oilseeds are permitted to enter the Community duty-free from all countries, and Associates have consistently been granted exemption from the duties on oils. Community production is encouraged through a subsidy on rapeseed and sunflowerseed. Though the increase in production of these seeds has been spectacular, they still make only a minor contribution to total Community consumption. In the case of rapeseed, consumption is unlikely to become a very large proportion of the total because of certain chemical properties of both the oil and the meal which put a ceiling on their use in human food and animal feed respectively.

The more important effects of the CAP have been indirect. The high level of cereal prices in the Community encourages producers of animal feed to use substitutes. One important substitute is soya, which produces a high protein meal particularly well suited for mixing with high energy feeds such as tapioca to produce balanced feed. The growth of soya mports has resulted not only in extra meal becoming available, but also additional oil. Hence substitution has to some extent been encouraged in the vegetable oil market because of the increased availability of soya oil. It also seems likely that a shift in the preferences of vegetable oil users (e.g. margarine manufacturers) has occurred in the last few years which has contributed to the poor growth of tropical oil imports.

The outcome of these considerations is that nothing substantial can be done to improve access for oilseeds and vegetable oils of tropical origin, short either of a complete revision of CAP, or of entry under very special terms. In view of this, the Commission's proposals for export stabilization agreements might be of some interest for producers of oilseeds and vegetable oils.

For other CAP products exported by the Associates and Associables the effect of the Common Agricultural Policy is somewhat less acute because the size of the market is not in question, only the terms of access. For tobacco, rice and tinned fruit, for example, the Community produces only a small proportion of its total requirement.

An exception is beef where the health regulations of the Community have in the past prohibited imports into the Six of beef from Africa. A particular negotiating issue here could be the provision by the Community (perhaps under the aid provisions of association) of the necessary meat inspection facilities required to bring the product up to Community standards.

It might be appropriate to end this study with a word of caution. The argument for trade is one of mutual advantage. The more widespread the area of trade, the greater will be the advantage. The timing of the association negotiations is such that, in a world of agricultural protection, the Associates and Associables can do little more than argue for a privileged position for their agricultural goods in the Community's market. The possession of special access might well convey considerable immediate benefits. In the long run, however, the Associates and Associables are more likely to benefit from a world in which all countries adopt a more liberal approach to agricultural trade.

Appendix A
Glossary of terms used in the CAP regulations

Basic price	The price by reference to which member states may carry out support buying of fruits and vegetables.
Common Market organization	Rules developed under CAP for a particular product or group of products.
Community preference	The preference given by the CAP to member country production against imports from non-members.
Deficiency payments	The payments made to honour target prices in the case of oilseeds.
Export subsidies	Often referred to as restitutions. Subsidies paid to enable Community producers to export on world markets at world prices. Normally they are about equal to the levy on imports.
Guide price	The target price for beef, cattle and calves.
Intervention price	Its exact meaning depends on the regulation for the commodity concerned, but generally speaking it is the price at which the Community undertakes to support the market.
Derived intervention	Calculated for a number of centres at varying distances from the area of greatest deficit (in the case of cereals, Duisburg). The level of these prices is, as a general rule, lower than the basic intervention price by the cost of transport to the deficit area.
Monthly increments	Amounts added to the basic prices over the crop year to compensate for the costs of financing and handling storage.
Regulations	Community laws adopted by the Council of Ministers. They have direct force of law over and above national law in every member country.
Reference price	The minimum import price for fruit and vegetables. Produce entering a member country from a non-member country at a cif price below the reference price may be charged a countervailing duty.
Target price	A prescribed or indicative price, usually at the wholesale level, at which the Community is

aiming in operating its arrangements for the commodity in question. A target price is not a guaranteed price. It may relate to particular marketing centres (cereals), or to all Community produce (milk). It is a price objective. It is supported by import levies, export subsidies, and intervention measures.

Threshold price	The lowest price at which imports can cross the Community's threshold (frontier) without undermining the target price. When the lowest offer price of imports is below the threshold price a levy, representing the difference, is chargeable.
Variable levy	A levy on imports varied according to the price at which they are offered. It may be the sole means of protection against imports (for cereals), or it may be used to supplement a tariff (beef). It is usually calculated by reference to a threshold price.

Appendix B

Country-by-country analysis of the agricultural trade situation of Associates and Associables and dependence on the enlarged Community as a market

The intention of this Appendix is to provide an easy guide to the position of Common Agricultural Policy products in the trade composition of each associable and associate country. The importance of the enlarged Community in the destination of those products is also given. The notes on each country contain observations on the degree of dependence on particular commodities, and the possibilities for diversification within individual countries.

Notes on Tables

(a) The tables for each country give the following information (where it is available):
  (1) Total exports.
  (2) Agricultural exports.
  (3) Agricultural exports as a % of total exports.
  (4) The most important agricultural exports.
  (5) Exports to the enlarged Community of CAP products listed in (4).

The tables are designed to be mostly self-explanatory.

(b) Sources: *FAO Yearbook* for statistics (1) — (4). *OECD Trade by Commodities* for (5) supplemented by national data.

(c) FAO statistics are valued fob, and OECD cif. This means that comparison between the figures in (4) and (5) could be misleading. A shipment will have a higher value at point of destination (cif) than at origin (fob), and the two valuations might be in different years.

Associables—Africa

Botswana

There is no statistical table for this country because information is not sufficient to give a total picture of the country's trade position.

Botswana is characterized by its very high dependence on beef for exports (some 80% of the country's total exports are currently beef or by-products of the meat industry). This is due to the geographical features and climate of the country which make for only a very small area being suitable for crop growing. More recently the country has an expanding export potential in metals (nickel, copper) and diamonds. Agriculturally, however, beef is likely to remain the most important export for many decades to come.

The major problems with exporting beef to Europe are the health regulations which exclude meat coming from certain countries. Beef originating from Botswana has been passed by the UK authorities as conforming to UK health standards, and the UK has purchased about 30% of Botswana's total beef exports. South Africa takes most of the remainder. The future of Botswana beef in Europe depends almost entirely on whether negotiations can successfully remove the barrier imposed by Community health regulations.

There would be room within the re-negotaiation of association for Botswana to put its case for a European outlet for its beef production. Whether the same would be true if the country opted to stay out of association is rather doubtful. A further problem for Botswana to consider is the effect of association on the future of the South African Customs Union.

Gambia

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	14,250	n.a.	n.a.
(2) Agricultural exports	13,850	15,650	4.2
(3) (2) as % of (1)	97.2	n.a.	
(4) Most important agricultural exports			
(a) Groundnuts: Value	6,792	7,200	
As % of (2)	49	46	
(b) Groundnut oil: Value	4,114	4,688	
(c) Palm nuts: Value	311	3,955	
(d) Oilseed cake: Value	2,500	1,873	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Groundnuts	2,680	4,680	Six
(b) Groundnut oil	4,350	5,310	UK

Agricultural exports provide Gambia with nearly all its export earnings. In addition, these exports are almost exclusively oilseeds and vegetable oils (with the highest dependence on groundnuts and groundnut oil). It appears from the table that there has been little diversification in the five years covered. The enlarged Community provides both an important and increasing outlet for Gambia's exports, and these exports are affected by the CAP regulations on oils and fats. Gains from current association would be the zero duty for vegetable oils.

Ghana

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	266,650	374,000	13.4
(2) Agricultural exports	190,650	283,800	16.4
(3) (2) as % of (1)	71.5	75.9	
(4) Most important agricultural exports			
(a) Cocoa: Value	167,694	224,776	
As % of (2)	88	79	
(b) Coffee: Value	1,950	1,290	
(c) Fruit & veg: Value	1,600	950	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Bananas	210	130	UK

Ghana is characterised by its continuing high dependency on cocoa as the chief export commodity. The only exports likely to be affected by the operation of CAP are fruit and vegetables, the export volume of which appears to have fallen fairly sharply between 1965 and 1970.

Kenya

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	241,750	288,700	6.5
(2) Agricultural exports	140,800	166,000	5.9
(3) (2) as % of (1)	58.3	58.5	
(4) Most important agricultural exports			
(a) Coffee: Value	46,190	54,850	
As % of (2)	33	33	
(b) Tea: Value	26,599	37,433	
(c) Maize: Value	240	5,205	
(d) Sisal: Value	10,105	5,040	
(e) Beef: Value	2,080	1,907	
(f) Dried milk & cream	573	1,077	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Maize	60	3,190	Various
(b) Dried milk and cream	210	80	,,
(c) Dried beans	—	1,020	,,

High dependence on coffee and tea, coupled with a fair degree of diversification, are the chief features of Kenya's agricultural trade position. Exports which are affected by the operation of CAP are maize, dried dairy products, and beef. All of these, except dairy products for which the Community is in surplus, would have an expanded export potential if preferences were negotiated on CAP products under association.

Lesotho

No information available

Malawi

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	44,500	52,800	6.2
(2) Agricultural exports	41,150	47,000	4.7
(3) (2) as % of (1)	92.5	89.0	
(4) Most important agricultural exports			
(a) Tobacco: Value	17,000	22,990	
As % of (2)	41	49	
(b) Tea: Value	11,505	12,265	
(c) Groundnuts: Value	4,097	5,455	
(d) Maize: Value	1,125	2,560	
(e) Beans: Value	2,176	1,226	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Tobacco	9,970	13,510	Various
(b) Groundnuts	4,320	7,100	UK
(c) Maize	1,010	690	Various
(d) Beans	—	260	Various

Tobacco is Malawi's most important agricultural export in a situation of high dependence on agricultural exports in general. It is also a product affected directly by the tobacco regulations of the Common Agricultural Policy. Much of Malawi's tobacco exports go to Europe. The main negotiating point for this country would be for the removal of the normal CET on tobacco.

Nigeria

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	758,800	1,062,900	13.3
(2) Agricultural exports	448,100	438,600	—0.7
(3) (2) as % of (1)	59.1	41.3	
(4) Most important agricultural exports			
(a) Cocoa: Value	99,332	166,787	
As % of (2)	22	38	
(b) Groundnuts: Value	110,067	80,557	
(c) Groundnut oil: Value	27,551	31,562	
(d) Palm nuts: Value	68,560	28,876	
(e) Palm oils: Value	39,142	18,025	
(5) Export to enlarged Community of CAP products in (4)			Destination in Europe
(a) Groundnuts	69,400	60,260	Six
(b) Groundnut oil	25,100	13,140	UK
(c) Palm oil	28,830	2,720	Six

Nigeria has undergone considerable change in the balance between agricultural and other commodities for export, considerably reducing its export dependence on agricultural commodities. It is also well diversified within the agricultural sector, though it appears to have recently increased cocoa production considerably. Exports affected by the Common Agricultural Policy are oilseeds and vegetable oils – mainly groundnut and groundnut oil in which there is a high dependence on the enlarged Community as a market. The chief benefit of association for CAP products would be the removal of the vegetable oil tariff under Protocol 1.

Sierra Leone

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	85,600	103,900	7.1
(2) Agricultural exports	14,350	14,050	—0.4
(3) (2) as % of (1)	16.8	13.5	
(4) Most important agricultural exports			
(a) Palm nuts: Value	7,549	7,779	
As % of (2)	52	55	
(b) Cocoa: Value	1,673	3,543	
(c) Coffee: Value	3,690	610*	

* 1969 only

Sierra Leone is characterized by unusually low dependence on agricultural exports for export earnings. Palm nuts are the chief agricultural export, and as these attract zero duty if exported to the Community, there is no particular trade advantage in association, as far as CAP commodities are concerned. There might well be considerable advantages of association in regard to Sierra Leone's other exports.

Swaziland

There are few details available on the economy of Swaziland. The main export is sugar under the Commonwealth Sugar Agreement, to the UK. Sugar accounts for some 23% of Swaziland's total export earnings. In addition, Swaziland has considerable export interest in citrus fruit (particularly oranges). It would be within the re-negotiation of the Convention that Swaziland could make a case for special preferences on oranges. Another factor which Swaziland will need to take into account is its present trading relationship with South Africa under the South African Customs Union.

Tanzania

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	222,950	255,100	4.8
(2) Agricultural exports	173,400	192,000	3.6
(3) (2) as % of (1)	77.8	75.3	
(4) Most important agricultural exports			
(a) Coffee: Value	33,230	39,930	
As % of (2)	19	21	
(b) Cotton: Value	41,590	33,760	
(c) Sisal: Value	36,483	23,695	
(d) Cloves: Value	—	18,319	
(e) Cashew nuts: Value	12,776	16,387	
(f) Tea: Value	5,381	6,426	
(g) Beans: Value	2,695	2,666	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Beans	—	1,880	Six

Tanzania has a generally high dependence on agricultural exports for export earnings but is agriculturally fairly diversified. The main product of interest in connection with the Common Agricultural Policy is dried beans, and this could be a negotiating point under Protocol 1 of association.

Uganda

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	211,750	251,750	6.3
(2) Agricultural exports	170,950	210,200	7.6
(3) (2) as % of (1)	80.7	83.5	
(4) Most important agricultural exports			
(a) Coffee: Value	91,300	125,610	
As % of (2)	54	60	
(b) Cotton: Value	42,970	35,130	
(c) Tea: Value	5,385	5,923	
(d) Sugar: Value	1,630	3,580	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Sugar	—	480	Various

Uganda is another country very much dependent on agricultural exports, but with some degree of diversification in that dependence. Most of the sugar produced is sold in neighbouring markets. Consequently there is no product of any significance likely to be affected by the Common Agricultural Policy.

Zambia

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	609,450	1,032,000	23.2
(2) Agricultural exports	13,650	7,500	—15.0
(3) (2) as % of (1)	2.2	0.7	
(4) Most important agricultural exports			
(a) Tobacco: Value	6,650	4,400	
As % of (2)	49	59	
(b) Groundnuts: Value	952	1,268	
(c) Maize: Value	2,585	520	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Tobacco	7,350	2,640	Various
(b) Groundnuts	860	1,140	Various

Zambia is very low indeed in its dependence on agricultural exports, and is becoming less dependent as time goes on. However, from the viewpoint of this study, its agricultural exports are interesting because they are all affected by CAP (tobacco, groundnuts, and maize). There would be room within the re-negotiation of association to put the case for preferential access in these products.

Associables—Pacific

Fiji and Tonga

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	47,450	61,100	9.5
(2) Agricultural exports	38,000	44,400	5.6
(3) (2) as % of (1)	80.1	72.7	
(4) Most important agricultural exports			
(a) Sugar: Value	29,950	33,000	
As % of (2)	79	74	
(b) Coconut oil: Value	4,110	4,894	
(c) Copra: Value	799	234	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Sugar (Fiji and Tonga)	21,570	20,930	UK
(b) Copra (Fiji and Tonga)	5,790	3,890	Various

Fiji is highly dependent on cane sugar as its main export commodity. Most of Fiji's sugar is exported to the UK under the Commonwealth Sugar Agreement. As with many sugar-producing countries, there appears to be little room for diversification within the agricultural sector. However, the country does seem to be moving in the direction of less dependence on agricultural commodities in general.

Tonga's only significant exports are copra and bananas. Other information about the island is unavailable, but one imagines that it will be little affected by Community enlargement or the operation of CAP.

W. Samoa

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(4) Most important agricultural exports			
(a) Copra: Value	2,310	2,199	
(b) Cocoa: Value	1,458	1,695	
(c) Bananas: Value	958	794	

Figures on the general economic situation of W. Samoa are unavailable. Agricultural exports are not large, but may be significant in terms of other (unknown) economic variables. It would not seem that W. Samoa is likely to be greatly affected by Community enlargement or the operation of CAP.

Associables—Caribbean

Barbados

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	39,150	28,700*	—
(2) Agricultural exports	28,500	22,400	—7.1
(3) (2) as % of (1)	72.8	78.0	
(4) Most important agricultural exports			
(a) Sugar: Value	21,180	14,690*	
As % of (2)	76	69	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Sugar	—	16,760	UK

* 1969 only

Barbados has a high degree of dependence on sugar, nearly all of which is exported to the UK under the Commonwealth Sugar Agreement.

Guyana

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(4) Most important agricultural exports			
(a) Sugar: Value	26,940	39,350	
(b) Rice: Value	13,545	9,490	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Sugar	14,080	24,860	UK
(b) Rice	330	160	UK

The most important agricultural export is sugar, sold mainly to the UK under the Commonwealth Sugar Agreement. Rice is an important second export and is also affected by the operation of the CAP in so far as the country might wish to export to Europe. There would be room during the re-negotiation of association to raise the rice question.

Jamaica

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	221,350	297,900	11.5
(2) Agricultural exports	80,350	76,100	—1.8
(3) (2) as % of (1)	36.3	25.5	
(4) Most important agricultural exports			
(a) Sugar: Value	47,350	37,450	
As % of (2)	59	49	
(b) Bananas: Value	17,886	14,575	
(c) Citrus: Value	1,242	710	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Sugar	34,060	28,880	UK
(b) Bananas	31,930	23,240	UK
(c) Citrus	620	260	

Jamaica is not highly dependent on agricultural exports; nevertheless those agricultural products it does export are all affected, directly or indirectly, by the enlargement of the Community. The main destination of its sugar exports is the UK, which is the only market for its bananas.

Trinidad and Tobago

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	413,950	478,050	5.2
(2) Agricultural exports	38,100	42,200	3.6
(3) (2) as % of (1)	9.2	8.8	
(4) Most important agricultural exports			
(a) Sugar: Value	23,500	24,650	
As % of (2)	62	58	
(b) Cocoa: Value	2,496	3,860	
(c) Coffee: Value	1,670	1,530	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Sugar	18,740	18,100	UK

Exports are characterised by a generally very low dependence on agricultural commodities, but sugar is of considerable importance within the agricultural sector. Most of this sugar is destined for the UK under the Commonwealth Sugar Agreement.

Associates

Burundi

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(4) Most important agricultural exports			
Coffee: Value	10,830	5,730	

There are no comprehensive economic data available on Burundi. The country's main export is coffee; even that appears to have fallen off sharply in the five years under review. There does not appear to be any reason why Burundi should be greatly affected by the extension of association.

Cameroon

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	135,300	227,000	24.0
(2) Agricultural exports	99,450	164,450	21.8
(3) (2) as % of (1)	73.5	72.4	
(4) Most important agricultural exports			
(a) Cocoa: Value	31,299	59,010	
As % of (2)	31	28	
(b) Coffee: Value	38,320	49,160	
(c) Groundnuts: Value	1,434	2,717	
(d) Palm nuts: Value	2,476	2,701	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Groundnuts	1,660	2,100	Six

Cameroon has undergone a major expansion in exports in the period under review. This expansion is not however attributable to any particular commodity, and appears to have taken place across the whole range of output. The contribution of agricultural exports to total export earnings has remained roughly the same at 72%, about one-third of which is composed of cocoa (the chief agricultural export). The only commodities affected by CAP are groundnuts and palm nuts, which carry a zero duty into the Community. These products, as well as cocoa, may be affected by any new arrangements made for commodities in the framework of the new association.

Central African Republic

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	28,600	34,450	6.8
(2) Agricultural exports	12,350	13,700	3.6
(3) (2) as % of (1)	43.2	39.8	
(4) Most important agricultural exports			
(a) Coffee: Value	5,580	6,070	
As % of (2)	46	45	
(b) Cotton: Value	4,750	6,150	

The chief agriculatural exports of this country are coffee and cotton, both at some 45% of total agricultural exports. No other agricultural commodities of any significance appear in trade statistics. The dependence of the country on agricultural exports for total export earnings appears to have fallen slightly in the period under review (from 43%

to 40%). As neither of the agricultural exports are subject to the CAP, it is unlikely that Community enlargement will have a great affect on the country's position, except in so far as cotton may become a subject of discussion within the context of regional export revenue stabilisation agreements in the forthcoming association negotiations.

Chad

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	25,450	29,900	5.9
(2) Agricultural exports	23,850	n.a.	—
(3) (2) as % of (1)	93.7	n.a.	
(4) Most important agricultural exports			
Cotton: Value	19,700	19,600*	
As % of (2)	83		

* 1970 only

From the figures available, Chad is dependent on agricultural commodities for about 94% of its exports earnings. Most of this dependence (83% of agricultural exports) is cotton. This commodity is not affected by the Common Agricultural Policy, but could be included in any special commodity arrangements in the enlarged association negotiations.

Congo

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	44,900	37,550	—5.4
(2) Agricultural exports	2,650	6,700	38.3
(3) (2) as % of (1)	5.9	17.8*	
(4) Most important agricultural exports			
(a) Sugar: Value	200	3,600*	
As % of (2)	8	54	
(b) Coffee: Value	340	620	

* 1969 only

Congo has a very low dependence on agricultural commodities, exporting a small volume of coffee and sugar. The sugar exports are for refining and re-exporting by the Community. There appears to have been a drop in the total export receipts of the country in the period under review, though this drop is not attributable to agricultural exports, the value of which has risen considerably. The result is that Congo's dependence on agriculture appears to be increasing.

Gabon

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	98,400	131,650	11.2
(2) Agricultural exports	2,300	2,500*	2.9
(3) (2) as % of (1)	2.3	1.9	
(4) Most important agricultural exports			
(a) Cocoa: Value	1,180	1,753	
As % of (2)	51	51	
(b) Coffee: Value	480	300	

* 1969 only

Gabon is characterised by virtually negligible dependence on agricultural exports for export earnings (1.9% in 1969/70). Total exports have risen markedly in the period under review (34%). The chief agricultural export is cocoa, which may be affected by any new commodity arrangements agreed in the negotiations for the new association. The CAP has no effects on Gabon's exports.

Ivory Coast

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	293,850	463,550	19.3
(2) Agricultural exports	201,000	288,700*	14.5
(3) (2) as % of (1)	68.4	62.3	
(4) Most important agricultural exports			
(a) Coffee: Value	113,700	136,210	
As % of (2)	57		
(b) Cocoa: Value	48,732	97,243	
(c) Bananas: Value	11,174	11,599	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
Bananas	22,070	22,400	Six

* 1969 only

Among Associates, this country is the chief supplier of bananas to the Six: bananas only rate as a low third in the total agricultural exports of the country.

Madagascar

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	94,750	128,900	12.0
(2) Agricultural exports	87,450	93,000*	2.1
(3) (2) as % of (1)	68.4	62.3	
(4) Most important agricultural exports			
(a) Coffee: Value	29,830	35,730	
As % of (2)	34		
(b) Vanilla: Value	9,424	11.924	
(c) Rice: Value	3,500	10,050	
(d) Cloves: Value	2,679	9,190	
(e) Sugar: Value	7,030	6,000	
(f) Beans: Value	3,281	3,343	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Rice	3,210	2,820	Six
(b) Sugar	2,510	1,430	Six
(c) Beans	—	2,010	Six

* 1969 only

Coffee is the chief agricultural export of Madagascar, accounting for 18% of total exports. The markets for rice, sugar, and beans in the Community are affected by the operation of the Common Agricultural Policy, but there is a special concession on rice within the framework of the current Yaounde Convention which enables Madagascan rice to compete with other rices. The re-negotiation of association should improve the position of Madagascar, rather than the reverse, in view of the interest that Associables have in securing markets for these products.

Mali

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	14,400	17,300*	6.7
(2) Agricultural exports	13,900	23,500	23.0
(3) (2) as % of (1)	96·5	—	
(4) Most important agricultural exports			
(a) Live animals: Value	4,350	10,350	
As % of (2)	31	44	
(b) Textile fibres: Value	3,100	4,500	
(c) Groundnuts: Value	1,732	1,897	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
Groundnuts	70	760	Six

* 1969 only

Mali is characterized by virtually total export dependence on agricultural commodities. Of these between a third and a half are exports of live animals to surrounding countries. The others are cotton and groundnuts.

Mauritius

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	68,350	67,450	—0.5
(2) Agricultural exports	64,700	64,600	—0.5
(3) (2) as % of (1)	94.7	95.8	
(4) Most important agricultural exports			
(a) Sugar: Value	62,950	61,800	
As % of (2)	97	96	
(b) Tea: Value	1,299	2,583	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
Sugar	61,630	52,150	UK

Mauritius is a Commonwealth country, but has recently joined the Yaoundé Convention and is therefore listed here as an Associate. It is a country that is very often cited in discusssion relating to export dependence on a single commodity. The introduction of tea is a comparatively recent feature, planted to try and diversify the economy. The majority of sugar exports are to the UK under the Commonwealth Sugar Agreement. Association has so far shown nothing for Mauritius in the field of trade, but this situation might be improved during the next round of negotiations due to the number of Associables who have an interest in achieving an agreement on sugar.

Niger

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(4) Most important agricultural exports			
(a) Groundnuts: Value	16,994	13,908	
(b) Groundnut oil: Value	1,954	2,550	
(c) Beans: Value	858	448	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Groundnuts	18,270	26,040	Six
(b) Groundnut oil	1,310	3,170	Six

No figures are available on Niger's total exports, but in terms of agricultural exports the country is characterized by very high dependence on groundnuts. The majority of these groundnuts are exported whole to the Six; there do not seem to be very large facilities for crushing the seeds in order to export groundnut oil. There appears to be little diversification in the economy at the present.

Rwanda

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(4) Most important agricultural exports			
(a) Coffee: Value	6,960	10,210	
(b) Tea: Value	241	827	

Rwanda's main export is coffee, followed by a small volume of tea. No other information about the country is available from trade statistics.

Senegal

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	138,700	137,800	—0.2
(2) Agricultural exports	121,600	n.a.	—
(3) (2) as % of (1)	87.7	n.a.	
(4) Most important agricultural exports			
(a) Groundnut oil: Value	53,364	41,142	
As % of (2)	44		
(b) Oilseed cakes: Value	10,229	15,766	
(c) Groundnuts: Value	44,780	13,136	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
(a) Groundnut oil	29,140	40,070	Six
(b) Groundnuts	42,410	14,850	Six

Senegal is characterized by very high dependence on oilseeds, oilseed cake, and vegetable oils, chiefly groundnuts and groundnut products, as source of export earnings. The majority of Senegal's groundnuts are crushed domestically, and it is the oil which is the most valuable export. The country is some 87% dependent on agricultural commodities for export earnings, with little diversification within the agricultural setor. Negotiations on special arrangements for groundnuts and groundnut oil should be of central interest to this country in the next association Convention.

Somalia

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	32,950	31,950	—1.0
(2) Agricultural exports	28,750	29,700	1.2
(3) (2) as % of (1)	87.3	93.0	
(4) Most important agricultural exports			
(a) Live animals: Value	11,450	17,600	
As % of (2)	40	59	
(b) Bananas: Value	14,433	8,265	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
Bananas	20,710	12,220	Six

Somalia is very highly dependent on agricultural exports as a source of export earnings, and this dependence increased between 1965 and 1970.

Togo

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(1) Total exports	31,500	49,550	19.1
(2) Agricultural exports	18,000	32,900	27.6
(3) (2) as % of (1)	57.1	66.4	
(4) Most important agricultural exports			
(a) Cocoa: Value	6,834	19,282	
As % of (2)	37	59	
(b) Coffee: Value	6,720	8,170	
(c) Palm nuts: Value	2,285	2 305	

A country which has undergone considerable expansion of exports in the period under consideration (58% between 1965/66 and 1969/70), Togo is chiefly dependent on cocoa as a source of export revenue. Cocoa exports have risen considerably in the period under review.

Upper Volta

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(4) Most important agricultural exports			
(a) Groundnuts: Value	745	948	
(b) Beans: Value	177	398	
(c) Sesame seed: Value	308	591	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
Groundnuts	830	930	Six

The only agricultural trade data available for Upper Volta are that it exports groundnuts, beans, and sesame seed. The quantities of trade in these products are very small in comparion with their trade from other developing countries.

Zaire

EXPORTS	1965–66 Value $ '000:	1969–70 annual average	Growth % per annum
(4) Most important agricultural exports			
(a) Coffee: Value	18,490	31,050	
(b) Palm oil: Value	16,975	19,185	
(c) Palm kernel oil: Value	7,875	11,742	
(5) Exports to enlarged Community of CAP products in (4)			Destination in Europe
Palm oils	20,800	22,240	UK

Coffee is the main agricultural export of Zaïre, though there is insufficient information to gauge its importance relative to other sources of export earnings. Zaïre is also the chief supplier of palm oils to the Six. The latter products could be the subject of special commodity agreements in the framework of the new association.

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