

GENERAL AGREEMENT ON TARIFFS AND TRADE

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REPORT OF THE WORKING PARTY ON THE ASSOCIATION OF OVERSEAS TERRITORIES WITH THE EUROPEAN ECONOMIC COMMUNITY

REPORT ON COFFEE

Corrigendum to PART THREE

It is indicated on Pages 15 and 16 of the Report that paragraphs 41 to 44 might be expanded in a corrigendum. The following paragraphs have now been submitted by the representatives of producing countries other than the Six and by the representatives of the Six to replace paragraphs 41, 42, 43 and 44.

41. Representatives of producing countries other than the Six were of the opinion that a guarantee of a large market was always the greatest stimulus of all towards increased production. It would have its effect, not only on the farmers themselves, but also on the officials and others whose responsibility it was to guide and promote agricultural activities, encourage disease control, develop new varieties, organize the opening up of new areas of production and advise on the choice of crops. Under their guidance the expansion of production could be very rapid indeed. This would still happen even if producers only received the world price for their products. However, in this case exporters of A.O.T.'s coffee to the Community would receive premium prices, which would presumably be largely passed on to producers, since, unlike temporary upswings of market prices, they would be permanent. This guarantee of a price above that received by other producers would also foster production, especially in the introduction of higher yielding cultivation practices and the opening up of new areas. Costs of establishment and of production of coffee were known to be low in Africa. Evidence on British East Africa gave costs of production of robusta at about £50 per ton and arabica at £150 per ton (in the new high yielding areas). Costs of production in French territories were at present perhaps higher, but they should come down when cheaper goods became available from other Member States of the Community. Costs in the Belgian territories are considered not to be higher than in the British territories. It was clear, therefore, that production was generally already profitable at present prices and since the premiums would give an additional substantial return to A.O.T. producers the stimulus would be substantial. The prospects should prove very attractive to new private capital, including German capital which would henceforth have full rights of establishment in the French and Belgian territories. The steady decline provided for in the duty free quotas fixed for Italy and the Benelux indicated a presumption in the mind of the drafters of the Treaty that A.O.T. production was going to increase substantially.

41. (a) These representatives had carefully considered the evidence on whether sufficient land, labour and capital would be available to permit further substantial increases in the A.O.T's. Land and labour in any case need not be a problem, since methods of pest and disease control and other improved agricultural techniques could increase yields on existing land and with existing labour very considerably. Experiments had shown that the adoption of these methods could lead to substantial results. The experience of the A.O.T's themselves and of neighbouring British and other territories in Africa showed that sufficient suitable land should be available in the A.O.T's for substantial further increases in production. FAO statistics showed that substantial quantities of forest land were available in these territories which, subject to other conditions being suitable, could be opened up for coffee production. In large parts of Africa soil and climate were well suited to coffee which was a popular crop with African peasant farmers. This was especially true of robusta coffee, but also of arabica, although the latter needed land at higher altitudes and great care under African conditions. The anticipated rise in production of arabica coffee in the Belgian territories from 18,000 tons in 1954 to 35,000 tons in 1959 (i.e. almost double in five years) showed the potentialities for arabica in those territories. As to labour, evidence from the British territories in Africa showed that there was considerable under-employment of Africans at present and that appropriate stimuli could bring forward substantial additions to the labour force. There were also large movements of labour from the A.O.T's into neighbouring countries which in time might stop or even be reversed. Moreover, population was growing steadily in the A.O.T's as a result of rapid improvements in living conditions so that the labour force should be substantially greater in fifteen to twenty years' time than it is today.

41. (b) As to capital, there had in recent years been very heavy French Government investments in Africa which, it was understood, would be continued at the rate of \$200 million per annum. The Investment Fund set up by the Treaty, which had been fixed for the first five years at \$500 million would contribute to the construction of those basic services, including transport, which were a prior condition to the opening up of African territories. Moreover, efforts were being made to attract private capital from Germany and Benelux into the French overseas territories. These countries had considerable experience of tropical agricultural development and the new preferential arrangements would attract that experience and the necessary capital into the A.O.T's.

41. (c) The representatives took note of the estimates put forward by representatives of France as the maximum possible increase in production in the French overseas territories. They considered, however, that these estimates, although they indicated substantial increases, were too pessimistic in that they did not take sufficient account of the cumulative effect of the important influences arising from the establishment of the Community mentioned above which would tend to stimulate production. In addition, it was felt that the estimates given by the French representatives would not be such as would satisfy the political and social aspirations of the peoples in the A.O.T's. It was also noted that the estimates for increases in production

in the Belgian Congo and Ruanda-Urundi were substantial and it was believed that these rapidly developing territories with their wealth and considerable resources of agricultural and technical skill would maintain these high rates of development. They considered that their views on the potentiality of Africa were fully supported by many independent observers as well as by statements, made in other contexts, of experts of the Member States.

41. (d) Production increases in recent years in other parts of Africa illustrated the potentialities in the A.O.T's. For example, in British East Africa between 1953 and 1956 robusta exports increased by 33 per cent and arabica exports by 50 per cent. It was estimated that exports would increase, on the basis of present development plans, by at least a further 60 per cent by 1968. Similarly in the British Cameroons arabica exports had increased from 100 to 1,000 tons in the last three years and this rate of increase was expected to continue for some time.

42. Production had risen fifteen times in French West Africa in the past twenty years. It was therefore a conservative estimate to assume that with the stimuli indicated output would increase three or four times during the next fifteen to twenty years provided a market could be found for such a large production. It was, however, sufficient for the purposes of the argument to assume that production of robusta coffee would not more than double in the next twenty years in the A.O.T's as a result of these stimuli. Somewhat greater increases in arabica coffee were assumed since the quantities were smaller and there was no possible marketing problem. These conservative estimates would give a total annual production of at least an additional 150,000 - 250,000 tons of robusta coffee and 40,000 - 80,000 tons of arabica by the end of that period, over and above what would have been produced in these territories if it had not been for the Treaty of Rome, making a total production by that time of at least 450,000 - 550,000 tons of robusta coffee and 80,000 - 120,000 tons of arabica coffee per annum in the A.O.T's.

43. The representatives of the Six could not concur in these views. While production in the Overseas Territories would expand in the near future - as indeed it would in most countries growing coffee - a number of factors, including physical and human limitations as well as financial considerations, would prevent this expansion from occurring at the rate envisaged by certain members of the Working Party. These members had also expressed the view that the guarantee of a large market was always the greatest stimulus of all towards increased production. While it was true that assured sales on a large market were indeed a valuable advantage for producers anywhere, it was doubtful whether the existence of this assurance was in itself likely to make producers increase the area which they had under cultivation. Decisions by producers to extend cultivation were the result of many factors, among which the assurance of a market was not of decisive importance.

43. (a) Moreover, the cultivation of coffee, particularly of arabica, was possible in Africa only under certain climatic and geographical conditions. Many years of efforts in the field of research recently had led to the perfection of efficient methods for combatting plant diseases and to cultivation methods which brought better returns; however, these results had, as a rule, been attained on demonstration grounds and were hardly typical of what could be achieved by the actual producer. It was also obvious that the planting of the new land called for considerable investments. Nothing indicated that the figures of production costs quoted by some members of the Working Party could apply in situations other than those obtaining in certain large-scale undertakings. The concept of production cost seemed difficult to apply when dealing, as in the case of coffee in the associated territories, with plantations of family type. Furthermore, recent studies had contradicted the view, which it is true was widely held, that production costs were generally low in Africa. Finally, it was well known that coffee growing was a labour intensive occupation; while it was true that certain regions of Africa were fairly well provided with manpower, everyone knew that densely populated areas were exceptional in tropical Africa. Evidence of all these difficulties - lack of manpower, comparative scarcity of suitable land and shortage of capital - could be seen in the trend of arabica production in the French overseas territories, which had not increased for several years.

44. Referring to the effects which the Treaty might have on production these representatives observed that the additional production which was expected to be forthcoming in 1961 would come from plantings made before the Treaty had been signed for it took coffee trees four to six years to come into full bearing. Consequently such additional supplies could not be considered as being in response to the provisions of the Treaty. Production of robusta in the French O.T's had continued to expand recently and plans for a further extension of plantings had been implemented notwithstanding the fact that coffee output already exceeded import requirements in the metropolitan country. There would accordingly, be no justification for attributing all future increases in production to the formation of the free trade area. As regards the reason for the steady decline in the duty-free quotas fixed for the Benelux countries and Italy these quotas were part of the transitional arrangements towards the institution of a real and complete customs union; once the Common Market was fully established tariff quotas would, as it is normal in a customs union, require the approval of the authorities of the Community. Furthermore, it was very difficult to see how producers in the A.O.T's could be insulated from any decline in world coffee prices by the agricultural provisions of the Treaty.

