

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## Committee on Trade and Development

### REPORT OF THE WORKING PARTY ON ECONOMIC PROBLEMS OF CHAD

1. At the eighth session of the Committee on Trade and Development, held at Punta del Este in January 1967, the delegation of Chad submitted a note (COM.TD/37) describing the impact of the recent developments in the international market for cotton on the economy of Chad. It covered the main features of the cotton production in Chad, the reasons for its reduced competitiveness in world markets and the remedial measures taken by the Government to reduce transport and financing costs. In the note the Government of Chad expressed concern regarding the effects on the cotton market of the new farm legislation recently adopted by the United States and called upon the GATT under the provisions of Part IV to consider its specific problems.

2. As stated in the records of that session (COM.TD/42), the Committee recognized the problem posed for the Chad by the recent developments in the international market for cotton and agreed to establish a working party<sup>1</sup> with the following terms of reference:

"Having regard to the provisions of Article XXXVIII to study the problems outlined by the Government of Chad and to make appropriate recommendations to the Committee by its next session."

3. The Working Party met from 24 to 26 May 1967. Part A below sets out the "Summary and Conclusions" adopted by the Working Party at the meeting. Part B contains notes on the discussions drawn up by the secretariat on the instructions of the Working Party.

#### A. SUMMARY AND CONCLUSIONS ADOPTED BY THE WORKING PARTY

4. The Working Party recognized the seriousness of the problems presented by Chad, having regard particularly to the country's special geographical position and other obstacles to a more rapid development of Chad's economy. To identify the main elements of the economic problem of Chad, the Working Party organized its discussion into three parts. The introductory part of the discussion was devoted to developments in the international cotton market. Subsequently, the Working Party

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<sup>1</sup>For the membership of the Working Party see Annex I.

discussed the efforts of the Government of Chad to improve productivity in cotton cultivation so as to make Chad cotton marketable without any subsidy, and the budgetary problem that has to be faced during this transitional period. The last part of the discussion focused on the longer-term aspects of development and diversification of the economy of Chad.

5. The Chad delegation wished to stress the value of the aid in the field of production which it had so far received from the European Economic Community and moreover from France. It expressed its gratitude in this regard and hoped that it would be continued and, if possible, augmented.

6. In the international context, Chad is only a marginal producer and exporter of cotton without influence on world cotton prices. To establish a basis for its discussion the Working Party first reviewed the present developments and tendencies of the international cotton market.

7. The Working Party noted the general conclusions of the secretariat paper concerning the future trend of international cotton prices. In the subsequent discussion the delegation of the United States drew attention to the recently observed strengthening of prices, particularly for longer than the strict middling (1 inch) varieties of staple, which suggests some improvement of the price prospects over the estimates made last year. The Working Party recognized the impossibility of making any firm price forecast for the long run but the view was expressed that continuing inter-governmental consultation and co-ordination of production policies, through the appropriate international institutions, would be helpful in ensuring a better equilibrium in international cotton markets.

8. The problem faced by the Government of Chad with respect to cotton has two distinct though inter-related aspects, technical and budgetary. To make Chad cotton competitive without a subsidy and at the same time to maintain the growers' receipt per kilogramme of cotton crop will require a substantial improvement in productivity in the per hectare yields of cotton and improvement in the staple length and quality of the cotton harvested. The Working Party noted the problem faced by Chad as a result of decline over recent years in international cotton prices, and the simultaneous decline in the level of external resources available to Chad for supporting producer prices. In the absence of additional external assistance, the Chad Government would be faced with the alternative of either reducing the price guaranteed to cotton growers or financing the cotton price stabilization programme from its ordinary budget. The Working Party recognized that a reduction of the guaranteed growers' price could endanger the whole productivity programme into which much effort had already been invested and which, in the most recent years, has given hopes for accelerated progress in the future. The Chad delegation pointed out that, on the other hand, to maintain the guaranteed growers' price by payments from the ordinary budget would imply that internally generated funds, originally foreseen for the financing of investment projects under the Five-Year Development Plan, have to be diverted to the Cotton Price Stabilization Fund.

9. In this connexion, the Working Party noted that the length of the period for which these subsidies might be required depends predominantly on two factors, the behaviour of international cotton prices and the rate of progress achieved in the cotton productivity improvement campaign conducted by the Chad authorities. The delegation of Chad explained that if the programme were extended so as to cover the whole acreage sown to cotton, the producer should benefit from a resulting increase in receipts.

10. The Working Party noted the present and future reliance of the Chad on appropriate international, financial and technical assistance to supplement its own resources devoted to the attainment of this objective.

11. The main difficulties experienced at present in the productivity improvement campaign, indicated by the Chad delegation, are the following:

- the need to extend the campaign to the entire cotton acreage;
- constant increases in the prices of insecticides and fertilizers imported from developed countries;
- difficulties encountered by the Government in training and providing competent personnel at all levels;
- the need to maintain a sufficient rate of growth.

The Chad delegation informed the Working Party that, if appropriate additional financial and technical assistance needed to correct these weaknesses became available, the Ministry of Agriculture would be confident of attaining the targets of the productivity improvement campaign within the stated period.

12. In the discussion of the problems encountered by Chad in the marketing of cotton lint, the Working Party took note of the concern, expressed by the delegation of Chad, over the pressure increasingly felt in certain importing markets where additional outlets for Chad cotton could be secured only through the medium of tied sales. These pressures imply a danger of a further deterioration of Chad's overall terms of trade. The Working Party considered that the importing countries should endeavour to ensure that access to their markets is provided on normal commercial conditions.

13. The Working Party then turned its attention to the possibilities of reducing Chad's dependence on cotton through diversification of its economy, and in particular its agriculture. The Government of Chad informed the Working Party in a special note that its own research, as well as studies undertaken by several

international and national organizations active in the field of economic development, indicated good possibilities for expanding the exports of meat and slaughter by-products, such as hides and skins, of simply preserved fish and fish products, and, in particular, of the products of intensive agriculture such as vegetables, fruit, wheat and other products to be established in the areas specified by the Five-Year Development Plan. For a rapid progress in export diversification along these lines, the Government of Chad would need financial assistance as well as technical assistance, which might include export market surveys and services of marketing experts.

14. In this context the Working Party took note of the statement of the representative of the Food and Agriculture Organization to the effect that his organization agreed with the analysis presented in the background document and that the Chad was in need of substantial, financial and technical assistance, and would give careful consideration in the planning and execution of their technical assistance activities in Central Africa to any recommendations that may be made by this Working Party. The delegation of Chad expressed the view that the assistance of the GATT International Trade Centre could significantly contribute to the success of Chad's export diversification plans by helping to identify new marketing possibilities and advising on the organization of new lines of export. The Working Party noted that the GATT/ITC could make a useful contribution in this area.

15. The Working Party noted that development and diversification to the economy of Chad depend basically on a substantial improvement of the existing infrastructure. In this area, a further development of both internal and external transport facilities is a need of first priority. The improvement of Chad's external links to the sea is, of course, a matter of long-term transport development programme for West and Central Africa as a whole. In the view of Chad Government it was indispensable to accelerate the measures taken to improve the country's access to the sea; in this context the proposed prolongation of the Trans-Cameroon Railway to Fort Archambault was of the utmost importance. More immediately, the average cost of exported lint, as well as of the other actual and potential exports, could be reduced through further development of the internal transportation system of Chad. This would not only reduce the direct transportation charges, but would also have favourable effects on other cost elements. Improvement in the internal transportation system would enable ginning mills to be more efficiently utilized and thereby reducing average ginning charges per ton. Similarly, commercial utilization of cottonseed would be greatly advanced by an improvement of internal transport possibilities.

16. The Working Party expressed the hope that the governments and international agencies concerned would give appropriate consideration to the contributions which external assistance in the areas mentioned in this report would make to the alleviation of the difficulties experienced by Chad and to its economic growth and development.

17. The delegation of Chad indicated its intention to present to the Committee on Trade and Development a draft resolution in this regard. For lack of time it was not possible for the delegation of Chad to present the text of this proposal to the Working Party for its consideration. The delegations of the Central African Republic and Nigeria, nevertheless, indicated their desire to be associated with it. At the request of the delegation of Chad, the text of the proposal is attached as Annex VI.

## B. NOTES ON THE DISCUSSION

### Introduction

18. When the Working Party met on 24-26 May 1967, it had before it a secretariat background paper (COM.TD/W/57) on international trade in cotton and the economy of Chad. Supplementary papers were also circulated by the Chad delegation at the meeting on possibilities for agricultural diversification, cotton problems, and livestock raising (see Annexes III, IV and V). In an introductory statement, the leader of the Chad delegation reiterated the satisfaction of his Government that the GATT had agreed to study the particular economic problems of the Chad. He stressed that the difficulties faced by the Chad were those over which it had no control and he hoped that some suggestions would emerge on how the Chad could deal with the difficult situation in which it had found itself. The exercise which was being carried out would be useful not only to Chad but could also assist in giving greater insight into the problems of developing countries generally. In outlining the main concerns of the Chad, he mentioned that the price support system which would operate until 1969 was insufficient and hoped that adequate corrective measures could be taken in good time. He also hoped that further aid would be granted to the Chad to enable it to develop its transport system. This would be an infrastructural development which could be beneficial to the whole of Africa since Chad was in the very centre of the continent. Similarly, Chad would welcome assistance in increasing productivity and in promoting diversification of its economy because it would continue to be dependent on exports of cotton for a long time to come. (The full statement of the representative of Chad is reproduced in Annex II.)

### Recent developments in the international market for cotton

19. The Working Party took note of the points made in the secretariat paper on recent developments in the international market for cotton and of the effects of the United States cotton policy on the world cotton market (COM.TD/W/57). The paper included a summary of developments leading to the situation in mid-1956 when the United States as a residual supplier of cotton to the world had built up large cotton stocks. The paper also outlined the efforts of the United States since mid-1958 to reduce its cotton acreage and stocks. With relatively stable

United States export prices from 1958 to 1964, exports from other producing countries increased at the expense of the United States exports, and that country again accumulated stocks to the extent that in 1965 it held 51 per cent of the world's total.

20. On the question of developments in the near future and in the long term, the secretariat paper underlined, inter alia, the increasing importance of man-made fibres. It expressed the view that synthetic fibres would continue to increase their share of the textile fibre market and that their prices would continue to decline. At the same time, this development could be expected to stimulate demand for those types of cotton lint which were particularly suited for blending with synthetic fibres. Whilst no reliable long-term forecast of cotton prices was possible, the firm prices which had existed at the end of 1966 were expected to continue throughout 1967 and possibly in 1968. Nevertheless, according to an estimate cited by the secretariat, a 10 to 14 per cent decline in cotton prices between 1966 and 1970 might be anticipated. Such a decline in cotton prices, to the extent that it was not offset by further increases in export volume would result in loss of export revenue to producers in all countries. Many such countries had been able to achieve increases in cotton export revenues during the past six or seven years despite falling prices by increasing export volume and improving the quality of cotton.

21. The representatives of the United States and the Chad provided clarifications and explanations in reply to various questions put by members of the Working Party on the assessment of the world cotton market. The United States representative explained the factors which had led to the building up of surplus stocks in the United States and the methods which his Government had been employing to overcome the surplus problem without unfavourably influencing the world cotton market, with special reference to the Food and Agriculture Act of 1965 and to the progress made so far in reducing domestic plantings of cotton and cotton stocks held in the United States. In the United States' view, the reduction of the United States stocks, and therefore of world stocks, had resulted in higher prices for the longer staple lengths which were the main types shipped by many other exporting countries, thus encouraging a substantial upward pressure abroad in cotton production. Further increases in world production could, however, negate the efforts of the United States to reduce world surplus stocks and hurt world cotton prices.

22. On the question of future prices, the United States representative noted that the secretariat paper had referred to certain estimates published in Volume XIII of the International Monetary Fund Staff Papers, in which it had been envisaged that there would be a 10 to 14 per cent decline in cotton prices between 1966 and 1970. This estimate appeared somewhat pessimistic in the light of events which have occurred since December 1965 when it was published. Anticipated price declines had not occurred and prices for most growths and qualities were better in 1967 than in 1966. Tight supplies of certain qualities were likely for at least another season, and strict conditions on United States production were being continued.

23. In answer to a question the United States representative expressed the view that it would be difficult to give a precise indication as to whether, and when, the United States stocks would be liquidated since this would depend not only on United States production and consumption but also on world supply and demand. In this connexion, the United States was most interested in further studies to deal with the problem of bringing world production in line with consumption at price levels which would render cotton attractive in competition with man-made fibres. The situation did not appear to be discouraging, however, since reports on the world cotton market indicated that recent developments were towards a general improvement. Perhaps cotton producing countries participating in the International Cotton Advisory Committee could improve their understanding of market forces and supply factors and adapt their production plans accordingly so that a better balance between long-run supply and demand for the various grades of cotton could be achieved.

#### The economy of the Chad

24. On the basis of the secretariat paper and the supplementary written submission by the Chad delegation (see Annexes III-V), the Working Party also discussed the position of cotton and problems relating to it in the economy of Chad. At the suggestion of the Chairman, the Working Party focused its attention on three broad areas:

- (a) the additional measures which may be taken by Chad to increase its export earnings from cotton, given the trend in international prices and the demand for cotton;
- (b) the extent of, and the reasons for, the reliance of the Chad cotton economy on external financial assistance for maintaining income returns to cotton producers and for increasing cotton productivity including infrastructural improvements;
- (c) the measures of diversification open to Chad to reduce its reliance on cotton, the problems to be faced thereby and the degree to which outside assistance can assist the Government in this process.

25. The Working Party was advised by the representative of the Food and Agriculture Organization that his organization was in broad agreement with the interpretation of the international cotton market situation given in the secretariat paper. Since the Chad, for many years to come, would remain heavily dependent on receipts from cotton, there was a continuing need on the part of the Chad to maintain the competitiveness of its product which, however, also depended on the extent to which reasonably remunerative prices could be maintained externally, coupled with continued market access abroad. As cotton

could not be expected to generate all the financial resources required by Chad, there was a corresponding need to develop new export lines which, among other things, would depend on the development of ancillary infrastructural requirements, especially the transportation system. As far as the problem of livestock raising was concerned, the Chad would require not only financial assistance in the field of watering facilities, ranching and processing industries but also substantial technical assistance to help in the transformation of this industry. Finally, further detailed studies would have to be made to ascertain the feasibility of, and detailed requirements for, diversification. The FAO would, within its field of competence, give sympathetic consideration to any recommendations by the Working Party.

26. In reply to questions, the Chad delegation described the effects that changes in cotton receipts had had on the national budget. It was pointed out, for example, that if Chad's cotton had been sold under the same conditions as in 1950 but with the production volume and cost price of the 1966/67 crop year, the present Five-Year Plan could have been financed for a three-and-a-half-year period until 1969 without any external aid whatsoever. The Government of Chad was concerned over the deterioration in cotton prices since 1950. In terms of constant 1965 prices, the cost price of Chad cotton, for a typical crop of 100,000 tons of seed cotton, had fallen from CFAF 346.34 per kg. (lint) f.o.b. in 1950 to CFAF 145.04 per kg. (lint) f.o.b. in 1967. Over the same period, the selling price had suffered a drastic decline from CFAF 438.82 per kg. (lint) f.o.b. to CFAF 129.00 per kg. (lint) f.o.b. From the point of view of the cotton farmer, all the efforts undertaken or carried out in Chad to make cotton competitive had, in the final resort, proved beneficial only to the consumer and not to the producer. Admittedly this was but an illustration of a development which had in general marked the evolution of the world economy. It was, nevertheless, regrettable that the benefits resulting from this evolution could not have been better apportioned between producers and consumers. Because of the diminution in the real income of the Chad cotton farmer, it would be necessary to restore Chad's financial situation to at least that which had existed in 1957 when the purchase price of seed cotton from the producer was set at CFAF 37 per kg. as compared to CFAF 26 during the current season.

27. The delegation of Chad stressed the continued need of Chad for financial assistance. It was stated that the recent decline in cotton prices, combined with a declining level of external price support, had created serious budgetary problems for the Government which, in the absence of additional external assistance, could be solved only by reducing the price guaranteed to cotton growers. The latter step would endanger the whole productivity programme into which much effort had already been invested and which, in recent years had given hopes of accelerated progress in the future. By way of illustration the Chad representative referred to the fact that up until 1962-1963 France had maintained

prices of Chad cotton at a level, when expressed in terms of 1965 francs, of CFAF 176.75 per kg. (lint) f.o.b. for a crop of 100,000 tons of seed cotton. This situation had been terminated in 1964 in the context of the Yaoundé Convention and the European Economic Community had succeeded France in supporting Chad cotton according to principles which aimed at making Chad cotton competitive in the world market by 1968-69.

28. The Chad delegation stated that the support subsidy provided for in the Yaoundé Convention had not been sufficient because the decline in the selling price of cotton had been very much greater than had been expected (CFAF 129 instead of CFAF 141 in 1967-68). While the Community had sought other means to remedy the additional deficit that such a substantial decline in the selling price implied for Chad, any current solution could only remedy the deficit until the 1968/69 crop year. Thereafter, the situation would be serious unless the Community and other interested parties were prepared to view the Chad situation with the sympathy and understanding which they had manifested in the past. In support of this statement, the delegate of Chad referred to a series of calculations and hypothetical projections to illustrate the situation (see Annex IV).

29. Members of the Working Party discussed with the Chad delegation the cost structure of Chad cotton, in particular the breakdown of processing and marketing costs as detailed in Table 16 of COM.TD/W/57. The delegation of Chad explained that the cost price of cotton was a function of the volume produced so that, depending on the success of the crop year, considerable fluctuations could be expected in the variable costs. The breakdown referred to f.o.b. prices and was thus inclusive of external transit charges from the Chad frontier to port of shipment.

30. As regards the projections given in the tables in Annex IV, the Chad delegation explained the various underlying assumptions. The increase in seed cotton production was to be achieved through a substantial improvement in productivity and not through an increase in area under cultivation; it was the intention of the Chad Government to raise yields from an average of 400 kgs. of seed cotton per hectare to one ton of seed cotton per hectare. At present, the greater part of Chad cotton culture was produced in the traditional manner. As a result, yields were low, 400 kgs. per hectare as contrasted with the 1,000 kgs. per hectare levels reached on cotton farms using modern intensive methods of cultivation. Of a total of roughly 300,000 hectares, only 20,000 were at present being cultivated by modern methods. Under the current development plan, it was intended to extend intensive cultivation to the remaining areas. Part of the increase in productivity would be due to a spread in the use of pesticides and fertilizers and part due to the replacement of existing varieties of cotton by

higher yielding strains producing stronger fibres and longer staples. At the Research Institute new varieties of cotton had been developed which were superior to the Allen varieties now in use. Several examples were given of the percentage increases expected from the more extended cultivation of these varieties.

31. In answer to a question, the representative of Chad gave a brief explanation of the basic system under which cotton was produced and sold in Chad. Production, processing and marketing of Chad cotton was in the hands of two organizations: the Cotton Stabilization Fund and the Société Cotonnière Franco-Tchadienne (COTONFRAN). The Stabilization Fund was responsible for overseeing cotton production in the Chad in broad terms: this involved the stabilization of seed cotton purchase prices, the setting of economic incentives, the partial financing of the income gap before planting and harvesting and the execution of cotton development programmes. The processing and marketing of Chad cotton, on the other hand, according to a ten-year Convention signed in 1960 between the Chad and COTONFRAN, was the sole monopoly of that company. Under the Convention, the company was obliged to purchase all the cotton made available for sale at a guaranteed producer price which was established each season by the Government. In turn, COTONFRAN was reimbursed by the Stabilization Fund for the difference in payment between the purchase price of the raw material and the final contractual price, which was a function of the actual selling price. The Stabilization Fund obtains its funds (a) from the Chad budget, (b) from the French aid programme, FAC (Fonds d'Aide et de Coopération) and (c) from the FED (Fonds européen de développement), the development fund of the European Economic Community. Each year a "prix de réalisation" was established based on the average f.o.b. price for cotton lint in the previous year. From this figure the amount due in export taxes was deducted; the remainder being termed the "prix conventionnel". The latter amount was considered sufficient to enable COTONFRAN to defray its working, production and transport costs while paying, in turn, a fixed producer price ("prix achat contractuel"); the latter was a function of the "prix conventionnel". According to the Convention, the price paid to the producer was set at a constant rate of 17 per cent of the average f.o.b. price after deduction of export taxes; in other words, at 17 per cent of the "prix conventionnel". The difference between the Government guaranteed price to the farmer, which has remained stable since 1957-1958 at CFAF 26 per kg. and the calculated farm producer price was reimbursed to COTONFRAN by the Stabilization Fund. The delegate of Chad stressed the flexibility of the system and, by way of illustration, gave various examples of the levels of profit obtained by COTONFRAN depending upon the success of the crop season and their sales activities.

32. The representative of the Commission of the EEC also commented on the operation of the Community's development fund, the FED. The FED had granted 5.7 million accounting units (US dollars) to the Chad by way of aid for diversification and production for the duration of the Yaoundé Convention.

75 per cent of the total was scheduled for aid to production, and the remaining quarter for aid to diversification efforts. In assuring the Working Party of the Community's concern over the problems faced by Chad, he pointed out that, apart from other forms of aid to stimulate the country's economic development such as the establishment of textile mills, infrastructural projects and help in transportation improvements, the FED had allowed the full 75 per cent of the aid previously referred to, to be devoted to cotton price support rather than to the production programme as a whole.

33. The representative of the Central African Republic stressed the interest of his country in the subject under discussion. Being a contiguous land-locked neighbour of the Chad, both countries faced similar problems in the production, transportation and marketing of cotton. He emphasized the continued need for external support to the cotton cultivation of Chad and suggested that aid and assistance could be profitable to the Chad in the commercialization and the production of cotton. In the processing of cotton lint production costs could be reduced if by-products from cottonseed could be commercially exploited. The GATT International Trade Centre should follow up its previous studies on oilcakes and timber by studying the market for cottonseed and cottonseed oil. Other market studies to aid diversification could profitably include sesame - a suitable crop for production in the southern region of Chad - and tobacco. A comparative study of cotton production and marketing in such countries as the Cameroon, the Central African Republic, Nigeria, the Democratic Republic of the Congo, Kenya, Malawi, etc. would enable Chad to benefit from the collective experience of other West and Central African producers.

34. In discussing the Chad productivity programme, the delegation of Chad stated that a minimum period of four years was needed to raise yields from their present average of 400 kgs./ha to the target level of 1,000 kgs./ha. Approximately one local expert would be needed per 300 hectares to assist in the implementation and co-ordination of the programme. As a minimum estimate, costs would approximate to CFAF 17,498 per hectare or CFAF 5.3 billion in total; this was a measure of the financial needs of Chad to implement the cotton productivity programme.

35. Some members of the group suggested the establishment of common procurement agencies and/or programmes among neighbouring States for such commodities as fertilizers, pesticides, etc. Representatives from member countries of the Central African Economic and Customs Union present at the meeting drew the attention of the Working Party to the Treaty setting up the Union and to the relevant articles ensuring a system of co-ordination among member governments for activities and projects of a common interest.

36. In the course of the Working Party's examination of the possibilities of reducing Chad's dependence on cotton through the diversification of its agriculture, particularly in the export sector of the industry, the representative of Chad informed the Working Party that its own research, as well as studies undertaken by several international and national organizations active in the field of economic development, indicated good possibilities for expanding the exports of meat and slaughter, by-products such as hides and skins, of simply preserved fish and fish products and, in particular, of the products of intensive agriculture, such as vegetables, fruit, wheat and other products to be established in the area specified by the Five-Year Development Plan. Details were also provided on the development and prospects of the Lake Chad Co-operative Project.

37. Several members of the group were of the opinion that, in order to promote more rapid progress in the export diversification programme, the Chad Government would require technical assistance not only through export marketing surveys alluded to in the remarks made previously by the representative of the Central African Republic but, even more importantly, in the form of personnel able to handle the practical export arrangements of what would be new lines of development for the Chad. Members of the Working Party felt that the development and diversification of the economy of Chad were inextricably bound up with a substantial improvement of the existing infrastructure, especially transport.

#### General observations

38. At the close of the discussion the Working Party agreed to the "Summary and Conclusions" set out in Part A above.

39. The leader of the Chad delegation thanked the Working Party for the valuable work it had accomplished and expressed appreciation for the atmosphere of understanding which had prevailed throughout the discussions. He hoped that the Committee on Trade and Development would find, in the documents transmitted by the Working Party, all the elements which will enable it to take decisions for follow-up work. He was confident that the same support which Chad had found in the Working Party would be manifested in the Committee on Trade and Development.

ANNEX I

Membership of the Working Party

Chairman: Mr. D.S. McPHAIL (CANADA)

Belgium

Brazil

Central African Republic

Chad

Japan

Nigeria

Pakistan

Peru

United Arab Republic

United Kingdom

United States

The Commission of the European Economic Community also participated in the work of the Working Party.

ANNEX III

Opening Statement by H.E. Ambassador Adoume Aganaye,  
Head of the Chad Delegation

First of all, I must thank you and the members of the Working Party for the invaluable assistance you have given us in the study of our economic problems.

I should also like to extend my gratitude to the large number of delegations who have made the establishment of this Working Party possible, and of course to the GATT secretariat who are to be congratulated on the very excellent work they have accomplished.

For many months now, we have had several occasions at the meetings of GATT bodies to speak of the urgency of the situation that faces us and of the impossibility of our solving single-handed the problems that persistent misfortune continues to bring upon our country. On each of these occasions, we have been encouraged and heartened by evidence on all sides of sympathy and understanding and have reason to believe, therefore, that in time GATT will be able to turn its attention to solving some of the special problems with which we are faced.

The new Part IV of the General Agreement provides an opportunity for this, as you saw fit to mention last January at Punta del Este. Indeed, beyond the broader principles of policy inspired by a spirit of generosity, Part IV contains certain provisions - in particular, sub-paragraph (c) of paragraph 2 of Article XXVIII - which authorizes the CONTRACTING PARTIES to study the problems of individual less-developed countries.

May we say again how grateful we are to the GATT secretariat for the work it has done in preparing this meeting. Document COM.TD/W/57, the product of its labours, throws a very clear light on each of our problems, their seriousness and the manner in which they are inter-related, and shows how impossible is the task of directing events over which we ourselves exercise no control. This excellent document, we are sure, will greatly assist you in deciding upon the steps to be taken for remedying the unenviable situation prevailing in our country.

I should like to dwell briefly on, to praise, the very new procedure provided for in paragraph 2(c) of Article XXVIII. Under-development is, alas, a disease which in varying degrees affects many regions of the world. It is, therefore, fit that doctors should turn their attention towards it in an endeavour to find as soon as possible an effective form of general treatment. These efforts to discover a way of treating the disease, on the basis of the symptoms common to those who have fallen victims to it, are doubtless worthy of praise. But - if I may extend the comparison - it is also common knowledge also

that startling progress can be made by adopting another approach, by examining and clinically treating particularly characteristic cases. The experience gained in curing such cases has proved invaluable in discovering an effective form of general treatment.

Our case, unfortunately, is of the particularly characteristic kind; but need I add that the trusting patient is ready to put himself in the hands of his doctors for a cure?

Chad, as you know, is one of the African and Malagasy States associated with the European Economic Community. As such, together with its co-associates, it benefits from the aid that the latter provides. Indeed, the Community has always and in all circumstances shown a special concern and understanding for the difficulties we have had to face. Its very participation here on your Working Party is further proof of that persistent desire to help us out of our present state of economic stagnation. I am delighted, therefore, to have this opportunity of paying a warm tribute to the Community for the generosity it has shown us; and in doing so, I would also mention the substantial amount of complementary aid given to us by one of the member countries, France, to whom we are joined by many affinities.

But the answer to your problems is therefore being found, I hear you objecting. That is unfortunately far from being the case, despite the positive goodwill which has been the object of our tribute today. The Community has shown deep concern for the problems affecting a large number of States; it would, we are sure, provide each with the aid it so urgently requires, if such were possible. This positive spirit of goodwill, however, is limited in what it can achieve because it must move in many directions. We fully understand these things and this is why we turn with confidence to a larger audience.

The people of Chad long to be able to do its best endeavours towards a better future, to be able to make their own contribution to international trade, to the formidable task of bringing about world prosperity. The obstacles barring their advance however unassailable they may appear at present, have not weakened their hopes in a better future where each, whatever land he happens to inhabit, will be able to make his full contribution to the common good.

These dynamics of expectancy can only materialize through similar dynamics of aid or rather assistance.

There is still so much to be done, but so much also would be feasible if this co-operation could be achieved. Document COM.TD/W/57 takes stock of all these things, of both what is necessary and of what is possible, and leaves no obstacle or prospect uncharted.

We might well be content, therefore, to have it speak for us. And yet we feel it would be useful to point to the bottlenecks which in our opinion will be most difficult to overcome, and to those which experience and reflection have led us to believe should be given priority.

We would not wish to prolong our discussion of this matter unduly, and have prepared for your consideration a document which we hoped to be able to give you today. Unavoidable delays in drafting, translation and printing have unfortunately made this impossible, but we trust it will be available tomorrow.

Briefly then we will outline for you the main areas that cause us concern.

Since the price support which we have been granted until 1969 has proved to be insufficient, we would hope that adequate remedial measures will be taken at the appropriate moment.

Since it is also clear that our cotton will not be competitive in the world market before 1969, we should also be pleased if note were taken of this fact and a solution sought as soon as possible.

We should like the extended period of price support - and it is difficult to assess what its duration would be - to be reduced to an absolute minimum. To this end, in addition to basic improvements in the field of transport costs, intensification of action in the field of productivity will be necessary. The latter will only be possible through increased assistance in the various sectors on which the successful achievement of our productivity plan hinges.

Although we are well aware of the fact that for some time cotton will remain the mainstay of the Chad economy, we hope that the best advantage will be made of every opportunity for diversification open to us. And there again, this will only be possible if the aid we require is given to us.

In the field of diversification, the development of animal husbandry and of the meat industry are, clearly, of particular importance.

Our Five-Year Development Plan is a modest one, but realistic; if it is carried out within the fixed time-limits it will enable us to establish the structures essential to economic progress in our country. We hope that the financial aid we require will be given to us at the appropriate time, especially in view of the fact that our present economic difficulties have enormously reduced our capacity for self-financing.

It is clear that in our case a road and rail infra-structure is the main prerequisite of future development. We do not hold with the theory which states that infra-structure may follow development instead of preceding it. This is contrary to the most fundamental principles of logic and not only applies to

developing countries. Indeed, when a municipal council or a chamber of commerce is establishing an industrial zone the first task it must tackle is that of making this zone viable, or providing a network of telephone lines, power transformers and railway lines, etc. It is only when this industrial complex has been put in place that the fact may be publicized so as to enable industrialists to make their choice with a full knowledge of the factors involved. It is clear, therefore, that without a previously established infrastructure economic development is not feasible.

In this connexion, the extension of the trans-Cameroon railway from N'Gaoundere to Fort-Archambault is essential to the economic development of our country.

Furthermore, by improving and extending the existing road and rail infrastructure in Chad we will be bringing benefits to Africa as a whole. Indeed, our country, because of its geographical location, is the natural crossing place of tracks and routes which lead into and across our territory. Clearly, then, replacing these tracks by passable roads will be of advantage to the economy of Africa.

Is there anything for me to add which might be new to you? We place our hope and confidence in the response you will make to our request. And for our part we shall do all we can to ensure that the complementary aid we have asked for proves effective in solving our problems. I must apologise, Mr. Chairman, if I have unduly prolonged my discussion of them.

ANNEX III

Possibilities for Agricultural Diversification

Supplementary Statement by the Chad Delegation

Because of its geographical situation, Chad can cultivate only a relatively limited range of crops.

As regards crops for industrial processing, farm experiments have shown that other plants can be cultivated in Chad in addition to cotton and gum arabic - for example, sugar cane, tobacco, rosella, and groundnuts.

It has also been shown that a certain number of food crops can be cultivated in Chad, including groundnuts, maize, wheat, potatoes, rice, sesamum, and others.

Of all the crops mentioned above, only cotton and, to a limited extent, gum arabic and groundnuts are at present exported.

The other crops mentioned are still at the stage of subsistence cultivation, either because no attempt has yet been made to find out whether demand exists, or because their present volume is too small for export trade to be envisaged seriously.

For these reasons, if one wishes to expand cultivation of these crops, economic studies must first be made in order to determine the level of prices and, above all, the size of demand. Because of the large territorial area of Chad, such studies would take a considerable time, in order first to evaluate supplies within Chad, and then to search for potential markets.

It would therefore appear that the assistance that Chad will have to request in order to diversify agricultural production will comprise three stages:

- (a) in the first place, assistance for carrying out market research;
- (b) secondly, manpower reinforcements and increased resources will be essential in order to expand production;
- (c) additional personnel and resources will be required to organize marketing.

In any case, it has already been established that there is potential demand for sesamum and rosella. For lack of the necessary means, it has unfortunately not been possible to develop these crops in response to demand.

At first sight, it does not seem, however, that trade in any of the crops mentioned above could yield substantial earnings for Chad.

It should be pointed out that although great production possibilities exist, export potentialities are considerably reduced by extremely high transport costs. It will be necessary either to develop production only of items having a high value per unit of volume, or to begin by improving transport facilities before developing exportable commodities. It is therefore clear that, in the immediate future, the major obstacle to export diversification is the cost of transport.

ANNEX IVProblems Relating to CottonSupplementary Statement by the Chad Delegation

1. For numerous reasons, the most important of which are referred to in document COM.TD/W/57 of the Committee on Trade and Development, the economy of Chad is and will remain dependent on cotton.
2. Logically speaking, this product should make it possible for Chad to achieve an adequate level of economic development.

To judge if this is so, it is sufficient to realize that, if Chad's cotton had been sold in the same conditions as in 1950 but with the production volume and cost price of the 1966/67 crop year, net earnings from this product would have been CFAF 13,500 million, at the level of the stabilization fund, in addition to the CFAF 784 million of State revenue in the form of export duties.

In other words, cotton receipts would have made it possible to establish a higher equipment budget than the current operational budget (10,500 million). The Five-Year Plan (47,000 million) could have been financed in three and a half years without any external aid. Not only recurring expenditures but also amortization of installations covered by the Plan could have been paid for out of cotton earnings.

3. Now, for numerous reasons, some of which are set forth in document COM.TD/W/57, the deterioration in cotton prices since 1950 has far exceeded the compression of cotton cost prices in Chad.

In terms of 1965 constant francs, the cost price of Chad cotton, for a typical crop of 100,000 tons of seed cotton, has fallen from CFAF 346.34 per kg. of lint f.o.b. in 1950 to CFAF 145.04 in 1967.

But simultaneously, over the same period, the selling price has fallen from CFAF 438.82 f.o.b. to CFAF 129.00.

It is therefore clear that, viewed from the angle of the producers, the indications are that all the efforts undertaken or carried out in Chad to make cotton competitive have in the final resort proved beneficial only to the consumer, not to the producer.

Admittedly, this is an illustration of the progress which has in general marked the evolution of the world economy, but one may find it regrettable that the benefits resulting from this evolution have not been better apportioned between producers and consumers.

It was indeed in order to remedy this shocking and serious situation that, up until 1962/63, France maintained prices of Chad cotton at an equitable level. By way of indication, expressed in terms of 1965 francs, the price guaranteed by France in 1962, inclusive of all premiums and subsidies, was CFAF 176.75 f.o.b. per kg. of lint for a crop of 100,000 tons of seed cotton.

4. Since 1964, in the context of the Yaoundé Convention, the European Economic Community has succeeded France in supporting Chad cotton, but according to very different principles and which aim at making Chad cotton competitive by 1968/69.

In order to achieve this, Chad carried out a drastic compression in the cost price of its cotton, going even beyond what it had undertaken to do in order to balance its accounts in the context of the support subsidy provided for in the Yaoundé Convention.

I do not think it would be useful to revert here to the economies achieved in regard to Chad cotton, which are mainly at the expense of the planter. These economies have been considerable and commendable. But they have not been sufficient because of a decline in the selling price that was much greater than had been expected (CFAF 129 instead of CFAF 141 in 1967/68).

Taking into account the very special situation in which Chad found itself because of this, the European Economic Community undertook to seek the means of remedying the additional deficit that such a substantial decline in the selling price implied for Chad. But any such solution, if one is found, will remedy the deficit only until the 1968/69 crop year. Thereafter, the situation will remain as serious as before.

One may therefore ask what conditions are necessary in order to permit a satisfactory solution of the problems caused for Chad's economy by cotton in a special way, and the problems of the country's chronic under-development in general.

5. At this juncture, several preliminary considerations must be taken into account:

First of all, it must be realized that, leaving aside costs due to the great distance from ports of embarkation, and the exit duties which are absolutely essential for the equilibrium of a budget that is kept to a minimum level, the conditions in which cotton is produced in Chad are the most competitive of all Africa. A demonstration of this can be provided if required.

Chad cannot go any further in the direction of feasible economies, other than by systematically increasing its production by raising productivity. It seems reasonable that in nine crop years the Chad farmer should be able to

achieve an average yield of 1,000 kg. of seed cotton per hectare (409 in 1966/67), which would boost production to approximately 300,000 tons, representing a 10 per cent increase from one crop year to the next.

In order better to grasp the problem raised in the preceding point, we shall try to estimate what the various selling prices and support levels for cotton should be if there were no incidental external aid to be taken into consideration.

Lastly, this problem must be considered at several levels, so that the estimates would serve to indicate precisely what the situation would be in each of the following hypotheses:

- (a) maintenance of the present situation (producer price of CFAF 26 per kg. of seed cotton);
- (b) establishment of the planter's situation as in 1957 (purchasing price of cotton - CFAF 37 per kg.);
- (c) financing out of the cotton account of structural improvement costs, after crediting to that account all exit duties charged over and above the level of 122,500 tons of seed cotton (1966/67 crop year);
- (d) financing out of the cotton account of recurring annual charges under the Five-Year Plan with respect to cotton (157 million for agriculture, 168 million for roads, 55 million miscellaneous);
- (e) by deliberately amplifying the basic data of the problem, financing out of the cotton account of amortization of expenditure under the Five-Year Plan (47,000 million in twenty years). It is then assumed that cotton has to be the motive element in Chad's economy, even if this is reflected in an extremely modest Five-Year Plan.

6. The results that would be obtained, in each of these five hypotheses, crop year by crop year, are indicated in the table.

They should not be considered as being exaggerated. It should be realized, indeed, that the maximum support - CFAF 72.32 for the 1970/71 crop year in the fifth hypothesis - could be financed by levying a compensatory charge, according to modalities which would have to be determined, in the amount of approximately F 0.50 on each cotton shirt produced.

UNITS: 1966 constant CFAF - metric tons ('000)

Crop years:	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77
Seed cotton production	132	146	160	176	194	213	224	257	283	311
Average ginning yield %	37	37.1	37.2	37.3	37.4	37.5	37.6	37.7	37.8	37.9
Lint production	49.2	57.5	59.5	65.6	72.6	79.9	88	97	107	118
(a) Maintenance 1966/67 situation (planter's price CFAF 26/kg. SC) Cost, selling or support price	129.77	139.74	138.19	136.35	133.52	132.30	121.30	130.12	129.13	127.02
(b) Re-establishment of planter's price at 1957 level, i.e. CFAF 37/kg. SC Increase to be provided for Cost, selling or support price	29.73	29.68	29.62	29.57	29.52	29.45	29.41	29.36	29.31	29.25
(c) Taking over by cotton fund of structural improvement costs after crediting that account with additional revenue over and above 122,500 tons SC Increase to be provided for Cost, selling or support price	169.50	169.42	167.81	165.92	163.04	161.75	160.71	159.46	158.44	156.27
	4.81	2.89	2.70	1.73	0.69	--	--	--	--	--
	174.31	172.31	170.51	167.65	163.73	161.75	160.71	159.48	158.44	156.27

UNITS: 1966 constant CFAF - metric tons ('000) (cont'd)

Crop years:	1967/68	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77
(d) Financing out of cotton account of recurring expenses of Five-Year Plan after crediting that account with availabilities from additional revenue over and above 122,500 tons SC	4.63	5.37	6.32	5.72	5.23	4.09	2.84	1.59	0.67	0.47
Increase to be provided for	178.94	177.68	176.90	173.44	168.96	165.84	163.55	161.07	159.11	156.74
Cost, selling or support price										
(c) Financing out of cotton account of amortization under the Five-Year Plan	6.72	14.50	24.13	29.58	32.36	29.41	26.70	24.22	21.96	19.91
Increase to be provided for	185.66	192.18	201.03	203.02	201.32	195.25	190.25	185.29	181.07	176.65
Cost, selling or support price										

ANNEX V

Livestock Raising

Supplementary Statement by the Chad Delegation

Present situation

1. At the present time, annual earnings from livestock products (meat, hides and skins, milk) amount to CFAF 5,500 million (i.e. 18 per cent of agricultural earnings, and 12 per cent of gross national product).

The share of these products in Chad's total exports is larger than indicated in document COM.TD/W/57 of 26 April 1967 (table on page 23). Export statistics for the past few years are as follows:

Cattle Exports

Year		Quantity <sup>1</sup>	Value <sup>2</sup>
1965	Recorded exports	12,450	3,108
	Actual exports	22,400	5,600
1966	Recorded exports	16,320	4,080
	Actual exports	27,200	6,800

Meat Exports

Year	Quantity <sup>1</sup>	Value <sup>2</sup>
1964	4,433	1,600
1965	4,453	1,600
1966	4,727	1,700

If one includes hides and skins, exports of livestock products reached \$7.7 million in 1965, i.e. 37 per cent of the value of cotton exports for that year.

<sup>1</sup>In metric tons.

<sup>2</sup>In thousand US\$.

2. Livestock raising in Chad presents the same characteristics as in areas of the Sahara type:

- meat productivity is low because of substantial losses (among young animals in particular), slow growth and low unit weight. The annual utilization rate for cattle is not more than 9 per cent at the present time. In these circumstances, the average cattle herd of 1,000 head in Chad does not yield more meat than a herd of 150 animals in a developed country;
- utilization of hides and skins is unsatisfactory;
- milk utilization does not go beyond traditional circuits (manufacture of melted butter, barter as against other agricultural products);
- modernization programmes come up against the nomadic habits of livestock raisers and their traditionalist attitude;
- the herd is subjected to very hard living conditions (in particular, lack of watering facilities).

3. At the present time, livestock utilization is as follows:

		<u>Head</u>
- Domestic consumption		180,000
- Exports on the hoof (live animals)	170,000	
- Exports of dried meat	25,000	
- Exports of chilled meat	<u>25,000</u>	
		<u>220,000</u>
	Total	<u>400,000</u>

These 400,000 head represent 9 per cent of the total herd (4,500,000).

4. As may be seen from the above figures, exports consist mainly of consignments of live animals to neighbouring States (Nigeria, Cameroon, Central African Republic, Sudan). Because of the lack of strict frontier supervision it is difficult for Chad to supervise these exports, which are often clandestine.

Exports of chilled meat began around 1950, and since 1960 have been at a level between 4,000 and 5,000 tons annually. These exports are limited by the cost of transport, which has to be by air. Consignments are mainly to States in the equatorial zone.

Whatever the method of consignment (on the hoof or by air), consumption centres are at a great distance and the producer price (CFAF 20 to 30 per kg. live weight) is one of the lowest in Africa.

5. Markets that would be of interest, for example European markets, are closed to Chad meat because of sanitary restrictions and prohibitions.

6. Substantial progress has been made, however, over the past twenty years as a result of a coherent development programme, based essentially on:

- better disease prevention,
- improved watering facilities,
- introduction of a ranching system,
- establishment of processing industries and development of exports of chilled meat.

Chad is the largest meat exporter among the Central and West African States.

7. Action to develop livestock raising is still limited to the traditional production area (Sahara area) which is situated north of the eleventh parallel. The cotton-producing area has only 7 per cent of the total cattle herd and 22 per cent of the country's sheep and goats.

#### Future prospects - improvement and development programmes

8. Prospects for expanding the African market for meat are considerable and can be realized rapidly if the standard of living rises fast. Urbanization brings greater demand for beef.

Chad is well placed to be one of the most important suppliers - if not the most important supplier - for countries in Central Africa.

Export possibilities to other continents - in particular Europe - can be envisaged if the present reasons for import prohibitions are eliminated.

9. In brief, Chad's policy is as follows:

- to increase export availabilities, particularly of beef;
- to transform export trade in such a way that meat exports can gradually replace exports of live animals (in the first case, one animal yields CFAF 17,000 for Chad whereas in the second case the return is only CFAF 10,000);
- to improve the preparation and collection of hides and skins;
- to organize the utilization of slaughtering by-products.

10. The principal fields of intervention are the following:

- better health control of the herd as a whole and creation of "disease-free areas" which might make it possible to open up markets that are at present closed because of the existence of certain contagious diseases;

- continuing improvement of watering facilities: establishment of a network of watering points in producing areas, so as to permit rational use of grazing-land, and provision of wells along communication routes.

(These two activities are absolutely fundamental, and no genetic amelioration of the herd can be undertaken until after they have been carried out.)

- intensification of the ranching system, which is the terminal phase of production of animals for slaughter;
- rationalization of marketing, by introducing and tightening supervision of cattle markets and communication routes;
- development of processing industries, slaughterhouses, preserving plants, tanneries;
- reduction of meat transport costs: use of large-capacity aircraft (35 tons), refrigerated lorries, etc.

11. A special effort is to be made in the cotton-producing area to introduce and develop farms based on a combination of crop cultivation and livestock raising. It will be based on:

- greater use of animal-drawn implements;
- introduction of cattle-breeding centres;
- promotion of small-scale livestock raising.

The use of animal-drawn equipment is one of the decisive elements for improving cotton productivity. Moreover, the development of livestock raising in the cotton-producing area will make it possible to utilize by-products (in particular cottonseed), and will help to diversify the activities of farmers and to increase export availabilities.

12. The 1966-1970 development plan makes provision for the following:

	<u>CFAF million</u>
- improvement of animal husbandry service infra-structure	251
- improvement of disease prevention	1,020
- improvement of production	1,632
- improvement of marketing and processing	1,083
Total	<u>3,986</u>

13. This financial effort will have to be increased substantially after 1970. Having regard to the increase in demand, meat exports can be expected to rise to a level that will call for costly investments, particularly in respect of watering facilities (wells with pumping stations), ranching and processing industries. Substantial investments will also be required for the establishment of intensive livestock farms in the Lake Chad area.

ANNEX VI

Draft Conclusions for Adoption by  
the Committee on Trade and Development

Presented by the Delegation of Chad

The Committee on Trade and Development, having examined the report of the Working Party on Economic Problems of Chad (COM.TD/44), considers that this report, together with the other documentation pertaining to the Working Party, has brought out the following points:

1. That the Working Party was unanimous in recognizing the value of the documents submitted to it, which describe very precisely the situation of Chad's economy, and the reasons underlying that situation.
2. That the Working Party appreciated the high level of the discussion and the frankness with which the opinions of each of the parties had been expressed.
3. That the economy of Chad is dependent on cotton and will remain so for a period that it is still impossible to define.
4. That the progress achieved at world level with respect to the production and marketing of cotton has led to a deterioration in prices to such an extent as to preclude any economic advancement for a country so underdeveloped and so dependent on cotton as Chad.
5. That so far as Chad is concerned there is not only the problem of facilitating the take-off of its economic expansion, based on its only export product - cotton, but also that of first remedying in a fair manner an economic situation that is excessively unfavourable, even for an underdeveloped country.
6. That the means required in order to ensure Chad's economic recovery, and then to permit the take-off of its economic expansion, are substantially beyond those at its disposal, particularly as regards finance, technical assistance, and the co-ordination of external aid programmes.
7. That careful consideration should be given to the economic programmes to be carried out in Chad, having regard to this nation's very special situation as one of the poorest in Africa, and one of the least favoured from the geographical aspect.

8. That the best means of first remedying and then improving Chad's economic situation would be to carry out without delay all appropriate measures that can ensure an equitable return for that country's efforts, even though these are expressed through such a marginal product as cotton.
9. That in any case, the fact that cotton production is marginal is due to production of man-made fibres and to the situation of world stocks, that this situation can recur, and that in these circumstances there is urgent need to diversify Chad's economy.
10. That the world market situation is such that, in the first instance and at least for the next ten years, it is necessary to support Chad's cotton and at the same time to diversify the economy in such a way as to free it, as soon as possible, from its dependence on a product as marginal as cotton.
11. That the execution of the Five-Year Plan is the first element that could contribute towards attainment of economic diversification and support for cotton, particularly as regards infra-structure and internal/external transport.

