

GENERAL AGREEMENT ON TARIFFS AND TRADE

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Sub-Group "D" of the Committee on the ROME TREATY

ASSOCIATION OF THE OVERSEAS TERRITORIES OF THE SIX WITH THE EUROPEAN COMMON MARKET

Note by the Ghana Delegation

1. During the Intersessional Committee last April, when the subject of the Rome Treaty was first discussed, Ghana appears to have been the only country to express "alarm" at the implications of the Treaty for her trade. Other countries spoke of "concern" or "apprehension", but the alarm expressed by Ghana was, we believe, a true indication of the relative importance of the Rome Treaty to us, and its threat to our vital cocoa trade, on which we depend for two thirds of our export earnings.
2. We think it is time to pass from the case made in this sub-group, that the Association of the Dependent Overseas Territories of the Six with the Common Market contravenes the strict wording of the General Agreement, although we remain convinced that this is so. At the same time, there are limits to the legalistic approach, and as we appear agreed that we have no wish to upset the broad concept of the Rome Treaty, or the Association of the Dependent Territories with it, we believe the time has arrived when we should turn to an examination of the means whereby the potential damage to the economies of third countries can best be alleviated.
3. For this purpose it is necessary to establish the nature of our apprehensions, and to name some of the points which cause us concern. The Chairman of the GATT Committee on the Rome Treaty agreed to our request that Ghana should be permitted to deal with all the points at issue within the scope of this sub-group, and in the paper which follows we have tried to place these in logical sequence. We would add that this note has perforce had to be prepared hastily and without prior reference to our Government whom we would have wished to consult. It is therefore submitted in good faith, but without prejudice to any additions or amendments which our Government might wish to put forward at a later stage in the negotiations.
4. The Extent of our Trade with the Six. Our cocoa export trade to the Six, and particularly to Western Germany and the Netherlands, is traditional in its origins, but has built up sharply in recent years. The following are details of the export trade in cocoa from Ghana to the Six for the year 1956:

	<u>Quantity (Tons)</u>	<u>Value (£)</u>
Western Germany	59,772	13,052,548
France	5,624	1,045,092
Italy	5,364	1,149,270
Netherlands	37,151	8,022,522
Belgium)	1,525	342,691
Luxemburg)		
	<hr/> 109,436 <hr/>	<hr/> 23,612,123 <hr/>

These are important figures by any standard, and in fact our sales of cocoa to the Six account for no less than a quarter by value of Ghana's export trade in all commodities.

Our imports from the Six are growing too, and in 1956 were valued at £16,712,401 - of which goods to the value of £7,359,852 derived from the Netherlands and £4,512,357 from Western Germany. In this connexion we would emphasize the almost total liberalization of Ghana's import trade. With very few exceptions, open general licensing is the rule, and goods from all sources enter without discrimination for duty purposes. There is no Imperial Preference for goods imported into Ghana from Commonwealth sources, and indeed the modest preference by which our cocoa benefits on entry into the United Kingdom market is worth no more than one per cent to us.

5. The Common Tariff. The common tariff on cocoa has been fixed at 9 per cent, although the arithmetical average in GATT document L/736 of 7 November (item 18-01) is computed at 2.5 per cent - deriving from the tariffs applicable at 1 January 1957. These were 10 per cent in the case of Western Germany and nil for all the others. It has been claimed that the French nominal duty of 25 per cent (which has not been in force since 1947) should be included, and in arriving at an average figure of over 13 per cent in their document MGT/151/57 of 13 November, the Secretariat of the Interim Committee also added 10 per cent each for Benelux and Italy. None of these duties was in fact applicable at the relevant date of 1 January 1957. The first of three notes on this last document states that "no account (had) been taken of totally or partly suspended duties" but we cannot reconcile this in the case of the cocoa duty. It is believed that the common tariff of 9 per cent proposed for cocoa, and particularly its preferential character, is opposed by the cocoa importing trade in the Netherlands and Western Germany who wish to maintain their imports of cocoa from traditional sources. We confess that we can find no justification for a common tariff at a higher level than $2\frac{1}{2}$ per cent, which is the true arithmetical average of the duties actually in force at 1 January 1957. We should not of course be unduly concerned at the proposed level of the common tariff if this were common to all sources of supply.

6. The Artificial Stimulus of the Common Tariff. With a preferential tariff of 9 per cent on cocoa from which the overseas territories of the Six would be exempt, we are seriously concerned as to the possibility of over-production of cocoa in the favoured areas, leading to a threat to the world price level of cocoa. Cocoa is more dependent than most commodities on a state of balance

between supply and demand, and the addition of say 50,000 tons of cocoa a year to the stocks available could seriously upset the pattern, and might well have a disastrous effect on the world price, to the disadvantage of all producer countries.

7. Quantitative Restrictions. We subscribe to the views expressed by the Canadian delegate in Committee as to the danger of the application of quantitative restrictions where agricultural commodities are concerned. We have no reason at present to expect that the Six would enter into a long-term contract for the purchase of Ghana cocoa, and we could therefore get the least degree of protection from the application of that trade policy to the dangers of which the Canadian delegate drew attention. Any quantitative restrictions resorted to by the Six on a percentage basis would similarly harm our position in absolute terms, having regard to our major stake in the cocoa trade with the Six.

8. Preferential Treatment. Our most serious concern lies in the preferential treatment which is to be accorded to our competitors - the dependent overseas territories of the Six - in regard to their shipments of cocoa to the vast actual and potential market of the Messina countries - a market in which we have already established our traditional and vital interest. The fact that these dependent overseas territories will have their cocoa admitted into this market duty-free, while we in common with other cocoa producing countries, are subjected to a duty of 9 per cent must mean the weakening of our competitive position, and a reduction in the out-turn from such shipments of cocoa as we make to this market. Even at last year's figures, when the world price of cocoa was relatively low, we should have suffered a loss of some two million pounds had the Rome Treaty been fully in force at that time. With the best of goodwill towards our French Colonial neighbours who also produce cocoa, we cannot afford to have our competitive position weakened for their benefit, especially with so many of our own embryo developments in a state of uncertainty.

9. Other Exports. At this stage we shall do no more than mention that we have other interests jeopardised - for instance our trade in logs to the Six - on which the common tariff has not yet been negotiated - and which was worth over three million pounds to us last year.

10. Mitigation. Our primary concern is however at present with cocoa, and we would like to explore with the Six, what mitigation can be offered to enable us to preserve our vital trade in this commodity. For our part, we will engage to examine any reasonable proposals in a spirit of understanding and goodwill.

11. Possible Solutions. As we have earlier indicated, the ideal solution for us would be the removal of the preferential element in the common tariff for cocoa, which would enable the trade to continue under conditions of fair competition. But, short of this, we would be interested in any alternative proposals the Six may have to offer, such as a radical reduction in the level of the tariff, or the grant of generous duty-free quotas without limitation of time for cocoa, or both.