Note on Timber and Plywood by the United Kingdom Delegation

The present position of these products under the Common Market proposals is as follows:

(a) **Timber**

1. This item is included in the list of tariff headings in respect of which duties under the common customs tariff are to be negotiated between Member States (List G). In addition it is understood that the possibility of bringing wood within the scope of the Agricultural Régime (i.e. including it in Annex II of the Treaty) has been suggested.

(b) **Plywood**

2. This item is to be subject to a common tariff of 15 per cent, although it may be noted that veneer sheets and sheets for plywood (B.N. No. 44.14) will be dutiable at 10 per cent.

3. The overseas territories of the Six are understood to produce about 2 million cubic metres of hard wood annually of which about 1 million cubic metres are exported. 666,000 cubic metres go to markets in the Six which also absorb 313,000 cubic metres of hard wood from British Commonwealth countries. Most of the latter comes from tropical territories, e.g. Ghana (200,000), Nigeria (88,000), Sarawak (19,000). Whatever duty is finally agreed under the common tariff (unless entry is free) these imports will face preferred competition in markets of the Six to which dependent territories of other member of the Six will now obtain free access. For example Nigerian exports to Western Germany amounting to two-thirds of her total exports of timber to the Six and valued at something like £1 million annually will face preferred competition from French West Africa and French Equatorial Africa which already have a considerable share of the West German market under present conditions. A diversion of trade will thus be caused.

4. The Six imported 1.3 million cubic metres of tropical wood in 1955 of which 956,000 cubic metres came from overseas territories of the Six whose total exports of logs and sawn timber were 1.5 million cubic metres. Any new preference
which is created in the markets of the Six is likely to stimulate increased extraction in the overseas territories of the Six in order to fill the favourable market. The potential for increase is believed to be considerable. French Equatorial Africa's exports have risen from 202,000 tons in 1946 (pre-war 455,000 tons) to 238,000 tons in 1949 and 653,000 tons in 1956. Although three-quarters of current output is Okoume, of which there are small prospects of increased production, a feature of recent years has been the development of exploitation of other species such as limba, wa wa and abushi. The Belgian Congo has great reserves of hardwood and exports have increased as follows: 1946 - 77,400 cubic metres; 1956 - 180,000 cubic metres. There is thus the strong possibility that, to the extent that the common tariff exceeds zero, a diversion of trade will arise to the detriment of other producers of timber. As production in the Associated Overseas Territories is still somewhat below current demands in the Six's markets, any preference would seem likely to result in a price premium for timber from the overseas territories. This would expose such timber to competition from substitutes in the wide range of uses in which this is possible, and this, in turn might lead to a diminution in demand, especially in Benelux and Western Germany where imports are at present free. The effects of this could be damaging to third countries whose exports of timber would be displaced from European markets, and who would be forced to expand their sales in other markets.

5. In the case of plywood similar considerations apply. The plywood manufacturing industry in Nigeria doubled its output between 1950 and 1956 and in the latter year £27,000 worth of plywood was exported to the Six. Under the proposed common tariff substantial new preferences for the overseas territories of the Six would be established in markets to which the latter would obtain free access under the Treaty of Rome. There would also apparently be a doubling in the level of the tariff in the Netherlands which is the largest market in the Six for Nigerian exports of plywood — indeed it was the sole market in 1956. There are large exports of plywood from French Equatorial Africa and the Belgian Congo which would enjoy preferred competition in this market.

6. The result would seem inevitably to be the stimulation of plywood production in the overseas territories of the Six which in turn would displace other producers from their present markets within the Six. Whether there is likely to be increased consumption within the Six is problematical in view of the possible effects of the new preference on prices. But even if there is an increase it will probably be supplied either from preferred sources in the Six's overseas territories, or by the stimulus given to the production of plywood within the metropolitan countries of the Six (from wood imported under preference) as a result of the creation of a Common Market.
7. In both wood (timber) and plywood the creation of preferences, either by way of tariff or by the use of the provisions of Annex II of the Treaty to create non-tariff preferences for the products of the Associated Overseas Territories will almost certainly have the effect of forcing products of other countries to seek other markets. This, coupled with the fact that additional production is likely to be stimulated in the Associated Overseas Territories implies pressure on the price of these products on the world market with consequent damage to producers and potential loss of production.

8. The effect on producing countries may be severe. For example Nigeria sends 34 per cent of her timber exports to the Six and hardwood represents 3.6 per cent of her total exports. The extraction of timber is of prime importance in certain parts of the territory. Similarly, 8.5 per cent of the timber exported from British Guiana at present finds its market in the Six, and in the case of Sarawak the corresponding percentage is 6.5 per cent.