1. The present duties on pyrethrum extract are:

- Benelux: Free
- France: 15 per cent
- Western Germany: Free
- Italy: 4 per cent

Pyrethrum extract appears in List C and the common tariff is to be fixed at not over 10 per cent. The item is not included in Annex II to the Treaty of Rome.

2. The present duties on pyrethrum flowers are not known, nor has the common tariff yet been fixed. The commodity appears on none of the lists in Annex I to the Treaty and the duty will presumably, therefore, be the arithmetical average. It would be useful if the Six could provide information on these points. It is noted however that pyrethrum flowers are included in Annex II to the Treaty of Rome.

3. Information about the production of pyrethrum indicates that it is largely limited at present to Japan, the Belgian Congo and East Africa. It is understood that virtually the whole of Japan's production is consumed internally: in addition considerable exports of pyrethrum flowers are made from East Africa to Japan.

4. The production in the Belgian Congo and Ruanda-Urundi is understood to be of the order of 2,600 metric tons of flowers and is expected to rise to a figure of something over 3,000 tons in the comparatively near future.

5. Production in East Africa amounts to rather less than 5,000 tons of flowers, but is expected to increase at a rate of about 10 per cent per annum, principally as a result of the encouragement of this crop among African peasant farmers. Provided that the market can absorb the additional...
quantities total East African production might be expected, within the next twelve to fifteen years, to rise to something of the order of 12,000 metric tons of flowers. The crop is an attractive one, since its price is high enough to bear the heavy transport charges from the interior of East Africa to the coast and from thence to consuming markets.

6. The greater proportion (approximately two thirds of the pyrethrum exported from East Africa is however sent out in the form of pyrethrum extract. Total exports of both flowers and extract from Kenya in 1956 amounted to £1,209,590 or 4 per cent of Kenya's total domestic exports for that year.

7. For Tanganyika the exports amounted to £88,702, representing only 0.2 per cent of Tanganyika's total domestic exports. For East Africa as a whole, however, exports of pyrethrum flowers and extracts represented 1.14 per cent of the domestic exports of the region.

8. The following were the exports to the countries of the Six in 1956:

<table>
<thead>
<tr>
<th></th>
<th>Extracts</th>
<th>Flowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>£7,000</td>
<td>£3,768</td>
</tr>
<tr>
<td>Western Germany</td>
<td>9,000</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>61,000</td>
<td></td>
</tr>
</tbody>
</table>

or about 8 per cent of the total value of pyrethrum exports.

9. A proportion of the Belgian Congo exports take the form of pyrethrum extract. It is understood that one plant is already in operation and another is planned.

10. As far as is known virtually the whole of the world exports of pyrethrum comes from the Belgian Congo and East Africa. The territories border each other and in relation to this commodity, share an obvious common interest. The outcome of this interest is that for some time past there has been an increasing degree of co-operation in the processing and marketing of pyrethrum and in research. The Pyrethrum Board of Kenya markets, not only the Tanganyika and Kenya crops, but also almost all of the Belgian Congo production. At present it is understood that discussions have been taking place concerning the formation of a joint marketing pool between the Belgian Congo on the one hand and East Africa on the other. The Belgian Congo pays a proportion of the expenses of the Kenya Board and of the research laboratories. In accordance with the arrangements arrived at and on account of currency difficulties, it has been the accepted joint policy that virtually the whole of the Congo production goes to the United States for dollars, whereas the other markets are supplied from the East African production. As a result of this, in 1957, virtually the whole of the Congo production went to the United States.
11. From the figures quoted earlier the present market in the countries of the Six is not very large. Nevertheless, 8 per cent of total East African exports of pyrethrum could not lightly be cast aside. When it is considered that of this amount the largest part went to Italy where the present rate of duty on pyrethrum extract is only 4 per cent, it is clear that a rate of duty of 10 per cent (if that is the rate of duty finally fixed) will provide a substantial measure of preference to the Belgian Congo producer and will, apart from the complications relating to joint marketing, make it almost certain that East Africa's export trade in pyrethrum to Italy and to the other countries of the Six will be diverted in favour of the Belgian Congo.

12. A complicating factor, though to what extent is uncertain, is the fact that pyrethrum flowers are included in Annex II to the Treaty of Rome. Both the Belgian Congo and the East African producers are making every effort to ensure that their production of pyrethrum is exported in the form of extract and not as flowers and it is expected that, provided development were not influenced by the Treaty of Rome, virtually the whole of the production in both areas would, in due course, be exported in the form of extract. The implications of the inclusion of pyrethrum flowers in Annex II to the Treaty are far from clear, but this might well lead to the establishment of additional non-tariff preferences to the Belgian Congo producer.

13. In addition it is not to be overlooked that this crop might well be one which African peasant farmers in other associated overseas territories will be encouraged to produce, though the limitations of the market and competition from synthetic insecticides may be limiting factors in any such development.

14. It is clear that a number of possible dangers to East Africa's exports of pyrethrum arise as a result of the Treaty of Rome, not the least of which lie in the possibilities of the application of the agricultural provisions of the Treaty to produce a tie-up between pyrethrum and synthetic insecticides. On the other hand, the close association in production, research and marketing between the Belgian Congo (including Ruanda-Urundi) and East Africa and the fact that these territories are virtually the sole exporters of pyrethrum to the world's markets, would all appear to indicate that further thought might well be given to the level of the common tariff to be imposed and to the continued inclusion of pyrethrum flowers in Annex II to the Treaty of Rome.