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

REPORT ON WOOD

PART ONE

THE FACTUAL POSITION UNDER THE TREATY OF ROME

1. The detailed information furnished by the Six is reproduced in Annex Table A. The following are the salient features as noted by the Working Party, any discussion of these matters being reported in Part Three of this Annex or in the Working Party’s main Report.

Present Import Duties of the Six

2. Logs (wood in the rough and roughly squared - Brussels T.N. 44.03 and 44.04).

(a) Fine wood, other than coniferous (Tables 1 and 3).

The legal tariff in Italy is from 5 to 8 per cent while the effective tariff is 4 per cent, with free entry from D.O.T’s. There are no tariffs in the other members of the Six.

(b) Common wood, other than coniferous (Tables 2 and 4).

France and Italy have legal tariff rates varying from 10 to 20 per cent. The French duties are fully suspended, while Italy applies a 7 per cent duty. There are no tariffs in the other members of the Six.

3. Lumber (wood, sawn, exceeding 5 mm. - Brussels T.N. 44.05)

(a) Fine wood, other than coniferous (Table 5).

The legal tariff in France varies from duty-free to 5 per cent, while in Italy it is 12 per cent. The legal rates are fully applied in France; Italy applies reduced rates from 8 to 11 per cent. In both countries entry is free from D.O.T’s. There are no tariffs in Benelux or Germany.
(b) Common wood, other than coniferous (Table 6).

The legal rates in France and Italy vary from 12 to 20 per cent. They are fully suspended in France, while Italy applies a uniform rate of 11 per cent. There are no tariffs in Benelux or Germany.

4. **Veneer sheets** - (Brussels T.N. 44,14) (Table 7).

The legal tariff rates on veneer sheets are 6 per cent in Benelux, 25 per cent (with the exception of sheets reinforced with paper or fabric) in France, 4 per cent in Germany and 25 per cent in Italy. While Benelux and France fully apply their legal rates, Germany and Italy use reduced rates of 3 per cent and 16 per cent respectively.

5. **Plywood** (Brussels T.N. 44,15) (No table attached)

The Benelux countries apply duty rates of 6 and 40 per cent and France of 10 and 20 per cent depending on the type of wood used. In Germany and Italy uniform rates of 15 and 20 per cent respectively are in force.

**The Establishment of the Common Tariff**

6. Logs and lumber are in List G and the tariff rates have not been announced. Veneer sheets and plywood are in List F at 10 per cent and 15 per cent respectively.

**The Elimination of Duties on Imports from the A.O.T's**

7. All imports of logs and lumber from A.O.T's will be duty-free. The duty rates on veneer sheets and plywood will be removed, as in the case of the other chargeable products, in three stages.

**Quantitative Restrictions**

8. The only quantitative restrictions on logs and lumber are those applied by France against imports not originating in A.O.T's. For veneer sheets and plywood the Benelux countries apply a liberal import policy, France and Italy have quantitative restrictions and only Germany has liberalized these imports.
PART TWO

BACKGROUND INFORMATION ON TRADE AND TRADE PATTERNS

General

9. The total export value of international trade in roundwood and sawn timber amounted to about $2.2 billion in 1955, or nearly 3 per cent of the world export value. Within this total value, exports of tropical timber were of the order of $450 million or one-fifth.

10. Tropical wood is of particular importance in the export trade of several GATT member countries, as shown in the following table:
### Wood and Timber Exports

**from Selected Hardwood producing Countries, in 1955 and 1956;**

**Value and value in per cent of total exports**

<table>
<thead>
<tr>
<th></th>
<th>1955</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>million</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
</tr>
<tr>
<td>million</td>
<td></td>
</tr>
</tbody>
</table>

1. **Associated Territories**

<table>
<thead>
<tr>
<th>Country</th>
<th>1955</th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>French Cameroons</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>French Equatorial Africa</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>French West Africa</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Belgian Congo</td>
<td>8</td>
<td>6</td>
</tr>
</tbody>
</table>

2. **Other GATT Members**

<table>
<thead>
<tr>
<th>Country</th>
<th>1955</th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>127</td>
<td>..</td>
</tr>
<tr>
<td>Chile</td>
<td>16</td>
<td>..</td>
</tr>
<tr>
<td>Honduras</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Nigeria</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>North Borneo</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>British Guiana</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Ghana</td>
<td>22</td>
<td>26</td>
</tr>
<tr>
<td>Burma</td>
<td>6</td>
<td>..</td>
</tr>
<tr>
<td>India</td>
<td>3</td>
<td>negl.</td>
</tr>
<tr>
<td>Japan</td>
<td>67</td>
<td>72</td>
</tr>
<tr>
<td>Malaya-Singapore</td>
<td>9</td>
<td>10</td>
</tr>
</tbody>
</table>

3. **Other Countries**

<table>
<thead>
<tr>
<th>Country</th>
<th>1955</th>
<th>1956</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>39</td>
<td>..</td>
</tr>
<tr>
<td>Thailand</td>
<td>28</td>
<td>18</td>
</tr>
</tbody>
</table>

**Sources:**
- FAO, *Yearbook of Forest Products Statistics, 1957*
- IMF, *International Financial Statistics*
- UN, *Yearbook of International Trade Statistics, 1956*
- Bulletin Mensuel de Statistique d'Outro-Mer, Ministère de la France d'Outro-Mer.
11. It is apparent that tropical timber is an important item in the economies of a number of countries and territories represented in the GATT, particularly British Honduras, British Guiana, North Borneo, Ghana, Nigeria and Brazil. Exports from Malaya - Singapore are of sawn timber only so it follows that the conversion industry is of some importance to them.

12. The Six are important in world timber trade. An indication is provided by the fact that of the total world imports by quantity in 1956 of hardwood sawlogs and veneerlogs, the Six took about 28 per cent, compared with 5 per cent for the United Kingdom and 8 per cent for the United States. Also in sawn hardwood imports the Six were important with 17 per cent of the total quantity, against 20 per cent for the United Kingdom and 18 per cent for the United States.

13. The market of the Six is of special direct importance to certain countries represented in the GATT, such as Nigeria, which in 1956 sent about 45 per cent of the total value of its timber exports to the Six, while Ghana's percentage (referring to non-coniferous sawlogs) was 56.

14. The general pattern of trade of the Six Member States in 1956 was that of their total imports of non-coniferous round timber of about 1,900,000 m$^3$ (a rise by 300,000 m$^3$ since 1955), about 900,000 m$^3$, or 48 per cent, were supplied by the A.O.T's.

15. Within this overall picture France took about 96 per cent of her imports from the A.O.T's, (wholly its own), Germany 46 per cent, Belgium-Luxembourg 25 per cent, the Netherlands 41 per cent and Italy 9 per cent.

Annex Table B shows imports into the Six and the United Kingdom of non-coniferous roundwood from main supplying countries in 1955 and 1956. Annex Table C shows the same trade for non-coniferous sawn timber.

Varieties

16. The number of species and varieties of tropical woods is very great and the trade highly complex. In some cases trade patterns are entirely under the influence of consumer demand; this applies particularly to the furniture trade, which is so important in this context. Consumer demand in this trade is not only critical but also fickle, as is instance by the
recent remarkable recovery in the demand for Mansonia, which was for many months unsaleable in Germany. On the other hand, Wawa from Ghana which is exported almost exclusively to Germany and the Netherlands, has been in demand purely and simply because of its low price. Obocho from West African countries, became established when supplies of other timber from America and the Far East were cut off and the timber is now in general demand; it is, however, highly sensitive to price movements. About one-half of all timber exports from the French A.O.T's in 1955 consisted of Okoumé.

Substitutes

17. It is thought that the tropical wood trade is more vulnerable to competition from substitutes than almost any other trade. In the major consumer countries (Europe and North America) not only are artificial and fabricated substitutes a constant threat but in addition indigenous hard wood is often given preference over tropical timbers for a number of reasons, among which freight rates.

Semi-manufactured and manufactured products

18. Veneer sheets and plywood are manufactured in a number of producer countries both among the Six and elsewhere, in Europe especially in Sweden and Finland. The capital investment is considerable and production, although not very great, is increasing. In Nigeria, for example, there is a substantial capital investment that produces an annual output of some $3 million, most of which has been exported to the United Kingdom. However, Nigeria, in trying to reduce dependence on a single market has been making strenuous efforts elsewhere and a small but growing and valuable trade has been built up with the Netherlands.

Prospects of World Supply and Demand for Tropical Woods

19. Over the last decade this trade has fluctuated widely. At present demand seems to be definitely on the upgrade, but because of the great variety of tropical timbers, the multifarious uses, the fickleness of the consumer demand and the competition from substitutes, it is not possible to make reasonably accurate estimates of the demand for tropical timbers.
20. As regards supply it may reasonably be said that the careful conservation and reafforestation measures practised in producing countries, are an assurance of future supplies. The French delegate quoted an article which anticipated increased extraction in French West Africa because of access to additional timber stands, but it should be noted the French A.O.T's are normally importers of hardwood. Efforts to develop the local sawmill industry for the processing of domestic timber meet with many difficulties in those territories.
PART THREE

THE SHORT AND LONG-TERM PROBLEMS WHICH THE ASSOCIATION OF THE A.O.T.s RAISES FOR THE TRADE OF OTHER GATT MEMBERS

I. The New Tariff Regime

A. Effects within the Community and the A.O.T.s

21. The Working Party recognized that the association of the A.O.T.s to the Common Market would involve an element of discrimination. Logs and lumber are on List G and tariffs have not yet been announced. On veneer sheets and plywood tariffs are 10 per cent and 15 per cent respectively.

(i) Effects on price levels in the Community and the A.O.T.s

22. Representatives of the producing countries other than the Six, having demonstrated how sensitive and highly specialized the tropical timber market is, emphasized that even a small external protective tariff would raise prices and thus might seriously unbalance the market; with far-reaching consequences.

23. The representatives of the Six held that as far as the effects of the common tariff are concerned, one can only make assumptions. In any case, any tariff protection which might be established will be very limited and could hardly have any impact on prices. Such protection will perhaps give some measure of priority to supplies produced in the A.O.T.s, but will not result in any price increase corresponding to the amount of duty. While the effect of a customs duty can be determined in the case of a speculative item in a rising market, this is not the case in a stable sector such as wood in which consumer preference for certain types and sources plays a predominant part.

In recent years, users have shown a fairly marked preference for light-coloured wood for peeling, such as Wewe and Abushi from Ghana and Nigeria, to the detriment of Okoumé, which is a darker type of wood. In any case, any customs
duty which might be introduced in favour of Okoumé could contribute only to a small extent to reducing the price margin between these different types. They stressed that, without prejudging the various aspects of the problems relating to the wood market as a whole, and not merely those relating to tropical wood, there is no doubt that the eventual common external tariff level for these products must be fairly low. As France is the only country of the Six with an existing duty (10 per cent) the arithmetical average of existing rates would be 2.5 per cent. It should also be noted that the common-tariff duty on veneer sheets (which are processed items) does not exceed 10 per cent, and there is therefore every likelihood that the common external tariff duty on logs and lumber will be lower.

(ii) Effects on consumption in the Community

24. Representatives of producing countries other than the Six considered that in the case of tropical timbers, a price increase is so fickle and vulnerable a market would have immediate and serious effects on consumption in the Community. For example as has been stated already Wawa from Ghana has made a market for itself entirely by its low price and there can be no reasonable doubt that a new tariff would close the market to this important trade item. It was also pointed out that a new tariff discriminating in favour of the A.O.T's would immediately give the timber of French overseas territories an advantage over that of other West African territories and result in a trading advantage (particularly in Germany, Holland and Italy) which might well shut out the timber of non-Six territories from the Community.

25. Similar arguments apply in the case of veneer sheets and plywood.
(iii) Effects on production in the A.O.T.s

26. Representatives of producing countries other than the Six held the view that if a new tariff were to be introduced on logs and lumber, the members of the Community would in future tend to turn first to the A.O.T.s for their supplies and that this tendency would certainly be seen in the case of veneer sheets and plywood. It seemed logical to conclude that the additional supplies of timber mentioned by the French delegate as coming available, would pass automatically to the markets of the Six if a preferential tariff were to be introduced.

27. Similarly the protection afforded to veneer sheets and plywood by the new tariffs must encourage A.O.T. producers to increase production from existing plant and to install new factories. It seemed inevitable that production in other tropical hard wood countries must suffer correspondingly.

28. The representatives of the Six stated that the slight intake priority which might thus be granted could only have a minor impact in the case of a product for which it seems unlikely that from now on potentialities in the A.O.T.s cannot be increased. In Gaboon especially, where the economy is largely dependent on trade in Okoumé, there is already great concern over the question of available resources, and timber deliveries have been steadily declining already. Between 1953 and 1956, the proportion of high-grade (fair average quality) logs fell from 30 to 17 per cent, while the proportion of "second" grade logs rose from 48 to 56 per cent, and all other inferior grades rose from 22 to 27 per cent. This situation has arisen from a fact which is now well-established: supplies of easily accessible Okoumé are gradually being exhausted, and in order to find stands suitable for sound
exploitation, one has to go farther and farther inland and away from the natural waterways used for removal. The forestry costs are therefore increasing progressively.

29. The same phenomenon can be noticed in other producing territories, such as the Cameroons and the Ivory Coast, where it is becoming increasingly necessary to exploit stands in distant outlying areas in the western part of the country. While timber output in the A.O.T's has recovered to some extent from the 1952 decline, increases in Ghana and Nigeria have been much more rapid. Between 1953 and 1955, exports from the A.O.T's to the Federal Republic of Germany rose by 68 per cent, while deliveries from Ghana and Nigeria rose by 331 per cent during the same period. In 1953, West German imports of wood were supplied by the following countries and territories: French territories (49 per cent), Ghana and Nigeria (12.7 per cent), Belgian Congo (20.2 per cent), Portuguese territories (11.7 per cent), other (5.5 per cent). In the first eleven months of 1957, the breakdown was as follows: French Dependent Overseas Territories 45.6 per cent, Ghana and Nigeria 41.3 per cent, Belgian Congo 7.1 per cent, Portuguese Dependent Overseas Territories 1.6 per cent, other 4.4 per cent. While imports from the French territories dropped from 50 to 45 per cent and those from the Belgian Congo fell from 20 to 7 per cent, imports from Ghana and Nigeria rose from 12 to 41 per cent during the same period. The trade flows which have thus been established are becoming stronger and stronger every year, and such a trend cannot possibly be hindered by the modest tariff protection which might be granted to the wood industry of the A.O.T's, particularly if one compares the price of Okoumé with that of Wawa and Abushi.
B. Effects on Trade of Third Countries

(i) Effects on new tariff regime on trade patterns over short and long term

30. The representatives of producing countries other than the Six considered that the introduction of a protective tariff on tropical woods would dislocate existing patterns of trade by making supplies from A.O.T.s more attractive to the Six and by stimulating production of substitutes within the Six. It would also stimulate extraction in A.O.T.s at the expense of neighbouring territories who are also represented in the GATT.

31. In the case of veneer sheets and plywood, the new tariffs would endanger the existing small markets in the Community and make it even more difficult than at present to gain reasonable access to other members of the Community. Certain third countries in Europe, e.g. Sweden had recently been able to increase the exports of these products to Community countries.

(ii) Effects on world markets

32. Any increase in the incidence of tariffs in the Community would be reflected in price levels and, the timber market being particularly sensitive as has already been established, price increases would almost certainly result in consumption reductions and a consequent shrinkage in the world hardwood trade.

33. Third countries, whose trade would be displaced in this way, would be thrown together in increased competition for the trade of the rest of the world and in these products, for which there are so many substitutes, the result could be serious indeed.
34. It is clear that the existing pattern of trade would be disturbed, with consequent adverse effects on production in third countries and unsettling effects on the world market.

II. Non-Tariff Questions

(i) Quantitative Restrictions

35. The Working Party noted that timber imports of all categories were in France subject to a system of import controls. The non-Six producers feared that the justification at present advanced for the imposition of French quantitative restrictions and the interests vested in the ensuing pattern of trade, would be resistant to the liberalizing policies to which the Treaty of Rome gives expression.

36. The representatives of the Six emphasized that under the provisions of the Treaty of Rome, France should in the normal course of events progressively relax its quantitative restrictions on imports of wood from third countries. This is probably the most tangible result that can be expected from the application to wood of the Treaty provisions.

(ii) Agricultural Provisions

37. Although tropical wood is not now in Annex II of the Treaty its addition to the list is a possibility and it could then be used to give non-tariff preferences to the A.O.T's.

38. The representatives of the Six pointed out that as wood is obviously a product of the soil, it would have been logical to include it in the list under Annex II. Wood was omitted, no doubt because it was regarded primarily
as an industrial raw material. Article 38 of the Treaty provides that within a period of two years after the date of entry into force of the Treaty the Council, acting by means of a qualified majority vote on a proposal of the Commission, shall decide as to the products to be added to that list. It seemed highly hypothetical, however, that wood will be added.

III. Summary of Views

39. Views of the representatives of producing countries other than the Six

40. Views of the representatives of the Six