

THE ENLARGEMENT OF THE EEC AND THE ASIAN COMMONWEALTH COUNTRIES*

I INTRODUCTION

The European Economic Community of six members was enlarged to nine on January 1, 1973, by the accession of UK, Denmark, and Ireland to the Treaty of Rome. After a transitional period, the new member states are required under the Treaty of Accession to align their external tariff and agricultural protection systems to those prevailing in the EEC. The enlargement of the EEC will have far-reaching economic consequences for the developing Commonwealth countries as UK harmonises her economic policies with those of the EEC. These consequences will be particularly marked in the field of trade, flow of private capital and development assistance from the UK to these countries, and the role of sterling in financing trade and as a reserve asset. This paper is concerned largely with the trade consequence of the enlargement of the EEC, though consequences for development assistance are also touched upon.

The Treaty of Accession envisages different commercial arrangements with different groups of developing Commonwealth countries. Those listed in Annex VI to the Act of Accession comprising the African, Caribbean and Pacific Ocean Commonwealth countries, are being offered three options in their relationship with the enlarged EEC: associate membership along the lines of the present members of the Yaounde Convention; conclusion of special conventions of association on the basis of Article 238 of the Treaty of Rome, of which the Arusha Agreement is one example; and the negotiation of special trade agreements designed to enhance trade between the two parties.

It is further stated that negotiations between these countries and the enlarged EEC should begin after 1 August, 1973, and in the case of countries choosing the first option, should be conducted simultaneously with the re-negotiation of the Yaounde Convention, which is due to expire on 31 January, 1975. In the intervening period, a standstill clause is to apply to any special trade relations which the old and the new EEC members have with the associate and associate countries. In other words the Commonwealth Preferences will continue to apply to imports into the UK from the Annex VI countries, and the provisions of the Yaounde Convention and Arusha Agreement to imports into the EEC of signatories to these treaties. However,

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imports from these countries will not benefit from the liberalisation of trade between the EEC and the new members.

The treaty of Accession envisages different treatment for the Asian Commonwealth countries of India, Bangladesh,¹ Singapore, Malaysia, and Sri Lanka. There is no standstill clause comparable to that applying to Annex VI countries: i. e. the application by UK in stages of the Common External Tariff (CET) and the Common Agricultural Policy (CAP) of the EEC will apply even in the transitional phase to the UK imports from the Asian Commonwealth countries. Nor does the Act of Accession propose any definite commercial arrangements with the Asian Commonwealth countries after the enlargement of the EEC. The joint Declaration of Intent, issued at the conclusion of the agreement on British accession to the EEC, merely states that "the European Economic Community is ready, from the date of accession, to examine with these countries such problems as may arise in the field of trade with a view to seeking appropriate solutions, taking into account the effect of the generalised tariff preference scheme and the situation of the other developing countries in the same geographical area".

The purpose of this paper is to identify the main problems in the field of trade that are likely to arise for the Commonwealth Asian countries as a result of the British membership of the EEC and to consider various proposals to solve them. The paper begins with an analysis of the direction and pattern of trade of each of the Asian Commonwealth countries, with a view to bringing out their main export markets and products. This is followed by a general discussion of the main factors determining the implications for them of the British entry into EEC. Among the factors considered are the scope of the Commonwealth Preferences, the British Generalized Scheme of Preferences, and the Common External Tariff, the Common Agricultural Policy and the Generalized Scheme of Preferences, of the European Economic Community. In the light of this analysis, a general assessment is made of the main problems likely to arise for the Asian Commonwealth countries following British entry into the EEC. There is then a more detailed discussion of the individual products likely to be adversely affected as well as of other specific problems likely to be faced by each country. The paper considers a number of proposals to meet the trading problems of the Asian Commonwealth countries. In the concluding section, reference is made to the implications for development assistance of the enlargement of the EEC.

¹ In the Treaty, the reference is to Pakistan. It is, however, assumed here that Bangladesh will be entitled to the same treatment as other Asian Commonwealth countries. Pakistan has not been included in this study as she is no longer a member of the Commonwealth.