

EEC, in order of importance, are tea, rubber, desiccated coconut, coir fibre and coconut oil.

**(f) Concluding Remarks**

A number of conclusions may be drawn from the preceding description of the direction and pattern of trade of the Asian Commonwealth countries. In the first place, the importance of the UK as an export market has declined steadily in the sixties; this is especially the case with India and Sri Lanka. On the other hand, the importance of Japan, the USSR, and USA has risen in most countries. Measured by the proportion of exports sold to the three most important trading partners, India shows the greatest diversification (39%), followed by Sri Lanka (44%), Singapore (non-entrepot exports - 48%), Bangladesh (58% including Pakistan) and Malaysia (67%). In terms of concentration of exports by products, the proportion of export earnings accounted for by three leading exports are: 27% for India, 30% for Singapore (all exports), 70% for Malaysia, 76% for Bangladesh (including exports to Pakistan), and 89% for Sri Lanka.

These are, however, rather general measures of the dependence of the ACCs on export markets and products. In order to assess the impact of the British entry into EEC, it is essential to evaluate the likely changes in access to various markets and their effect on individual exports from the ACCs.

**III FACTORS DETERMINING THE IMPLICATIONS OF THE EEC ENLARGEMENT**

A complete analysis of the implications for the ACCs of the enlargement of the EEC presents difficult and complex problems. This would require knowledge of the likely changes in the pattern of production and rate of growth of the economics of the member countries as a result of the enlarged Common Market; because it is these changes which in turn affect the pattern and volume of imports from outside the bloc. Another difficulty arises in assessing the impact on the direction of imports of the new member states of the elaborate network of special trade agreements which the EEC has negotiated with the third countries and to which the members will be required to subscribe.

There continue to be many imponderables as regards the future relationship of the EEC with the third countries: it is for example not known, what kind of special arrangements might be made with the Mediterranean countries with which the EEC has so far had no treaties; or the number of Commonwealth countries which might seek association with the enlarged EEC under the terms of the Treaty of Accession. There is also the uncertainty about the nature of the

association agreement that the present as well as the potential associates might be able to negotiate to replace the current Yaounde and Arusha Agreements. It is clear that the outcome of these issues will significantly affect the trading prospects of the ACCs in the enlarged EEC.

Even if the above difficulties could somehow be resolved, we would still be handicapped in making precise estimates of the effect of the EEC enlargement due to lack of information on the supply elasticities of exports from the ACCs. Nevertheless, it is possible to indicate in general terms the likely effects of the EEC enlargement on the basis of various assumptions and to specify the main products that are likely to be adversely affected.

The major changes associated with the British entry in the EEC relevant for this study are: the abolition of Commonwealth Preferences – as modified by the UK Generalized Scheme of Preferences (GSP) – currently enjoyed by the ACCs; the adoption by UK in stages of the Common External Tariff (CET), the Common Agricultural Policy (CAP), and the GSP of the European Economic Community; and the arrangements made by the EEC with the third countries.

Several consequences flow from these changes for the ACCs. In the British market, they are likely to face greater competition from a large number of countries which hitherto had either equal or less advantageous access. The first group of countries are the six members of the EEC which after the transitional arrangements will enjoy free access to the British market for all their products, while the ACCs will be faced with the CET and CAP of the Community, as modified by the GSP. Thus the current preferential access enjoyed by the ACCs in the British market in relation to the EEC will be replaced by a situation where they will be discriminated against in the same market. The greater European competition would affect a range of agricultural and manufactured exports from the ACCs.

The second group of countries is the Commonwealth developing countries which choose to seek association with the enlarged EEC. These countries have up till now enjoyed equal access to the UK market with the ACCs, but under the new arrangements their exports will enjoy a preferential treatment. The third group is the Yaounde Convention countries which after the transitional period will also enjoy preferential access to the UK market, whereas at the moment they are placed in a less favourable situation. The same sort of considerations apply to a number of countries in the fourth group with which the EEC currently has or may in the future have preferential trade agreements of various sorts, including Spain, Greece, Turkey, Israel, Morocco, Tunisia, as well as the EFTA and the other Mediterranean countries. The fifth group consists of all other countries which currently have less advantageous access to the UK market as compared with the ACCs, but will be treated on par after the British accession to the Community.

The result of these developments will be that whereas until now many imports from the ACCs to the UK have enjoyed preferential treatment over imports from countries in groups one, three and four, the position will be reversed after the transitional period following UK entry in the EEC. With respect to group two countries, parity of access will be replaced by favourable treatment for those which choose to seek association. Finally with respect to the fifth group of countries, the current preferential access will give way to parity of access.

The ACCs will also be placed in a less advantageous position in the EEC. In the first place, they will face greater competition in the old EEC market from the new members – UK, Denmark, and Ireland. Secondly the other EFTA countries which until now have been treated on par with the ACCs will enjoy preferential access for their industrial goods. Thirdly, the Commonwealth developing countries which opt for association will enjoy a favourable position in the EEC as compared with the current parity of treatment with the ACCs. Finally, there is the group of countries with which the EEC is currently negotiating or may in the future negotiate trade arrangements.

The ACCs may be discriminated against by the countries which enter into special arrangements with the enlarged EEC. If the Yaounde and the Arusha countries continue to offer reverse preferences, and these are adopted by the new associates, the markets in the latter countries will be accessible to the ACCs on a less favourable basis than to members of the enlarged EEC. The same applies to those countries such as the remaining members of EFTA and some Mediterranean countries which may develop free trade in industrial goods or enter other preferential trade arrangements with the EEC.

The effect of all these developments will be to adversely affect the access of the ACCs to markets in a large number of countries in relation to one group of countries or another, and hence their export earnings. However, the magnitude of this effect as also the individual products affected will depend on the details of the present Commonwealth Preferences, the GSP implemented by UK, the CET, CAP and GSP of the European Community and the number and nature of the special agreements with the third countries.

#### **(a) Commonwealth Preferences**

The general features and evolution of the Commonwealth Preferences are well-known and have been treated in detail elsewhere.<sup>1</sup> It is, therefore, necessary to summarise only those features which are relevant to this study. Under the Commonwealth Preferences, most of the exports from the ACCs enter the UK duty-free. There are,

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<sup>1</sup> Most notably in "*Commonwealth and Generalized Preferences*", Commonwealth Secretariat (June, 1972).

however, some exceptions, the main ones being; jute manufactures and cotton textiles which are subject to quotas from individual ACCs, which have entered into bilateral arrangements; carpets, on which the preferential rate is lower than the most favoured nation rate (mfn); certain products subject to revenue duties like tobacco, on which there is a small Commonwealth Preference. Apart from tariff preferences, the Commonwealth countries have also benefited from quota restrictions on certain imports from non-Commonwealth sources, the most important being sugar, bananas, rum, cigars, apples and pears, and certain citrus products.

The ACCs in turn accord preferences on selected items of imports from the UK, usually in the form of duties lower than the mfn rates. Preferences granted by Malaysia and Singapore are minor, following the substantial curtailment of their preferential schedules in 1966 and subsequent years.

The real value of the preferences granted by UK to the ACCs has been steadily eroded in the post-war period by a number of factors. The general rise of prices has lowered the preferential margin on products subject to specific duties. The successive rounds of multilateral tariff negotiations conducted under the auspices of GATT, starting in 1947 and culminating in the Kennedy Round, have reduced preferential margins, particularly on manufactured goods. Likewise the formation of EFTA which resulted in the removal of protective tariffs on industrial and some agricultural goods among members states further reduced the scope of benefits from the preferences. Finally, the implementation of the GSP from 1 January, 1972, has eliminated the advantages of Commonwealth Preferences on manufactured and semi-manufactured goods in relation to other developing countries.

It is extremely difficult to assess the impact of these preferences on exports from the Commonwealth developing countries, and there continues to be controversy about it.<sup>1</sup> Nevertheless, it would seem that the existence of the tariff preferences and of non-tariff advantages such as quotas, special historical links, marketing and monetary connections, have conferred considerable advantages on exports from the ACCs to the UK. A number of important agricultural exports have benefited in relation to competitors from other developing countries. And the preferences have enabled these countries to establish manu-

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<sup>1</sup> See D. Wall, "The Commonwealth Preference System and its Effects on the United Kingdom's Imports from Latin America", *Journal of Development Studies*, (January 1971); and John Naranjo and Richard C. Porter, "The Impact of the Commonwealth Preference System on the Export of Latin America to the United Kingdom", *Discussion Paper No. 18, Centre for Research on Economic Development*, University of Michigan.

factured exports in a substantial way and often at the expense of other countries which did not enjoy them.<sup>1</sup>

### **(b) The British Generalized Scheme of Preferences**

In order to assess the implications for the ACCs of the enlargement of the EEC, it is necessary to see what is left of the Commonwealth Preferences since the implementation of the British GSP. A detailed discussion of the individual products of export interest to the ACCs will be found in a subsequent section. Here it is intended to describe the general features of the scheme.<sup>2</sup>

The British scheme applies to all the member countries of the Group of 77 and dependent countries with the exception of Bhutan and Cuba. It provides for duty-free imports from these countries of all products included in the Brussels Tariff Nomenclature (BTN) chapters 25-99 with the exception of most textiles, casein, other kinds of leather, pig iron and unwrought zinc. Also excluded are products subject to revenue duties such as perfumed spirits, matches, portable lighters and hydrocarbon oils.

Within the BTN chapters 1-24, i. e. agricultural and processed goods, the UK scheme gives preferences on 65 items, including roasted chicory; extracts of coffee, tea, or mate; mustard, sauces, soups, products of the milling industries, malt and starches and preparations of cereals, flour or starch. Products covered only to a certain extent include preparations of vegetables, fruit and residues and waste from food industries. Most of these products are admitted duty-free but a few bear the Commonwealth preferential rate or a 50% rate of the full duty.<sup>3</sup>

As a safeguard clause, the United Kingdom reserves the right to withdraw or modify the preferential tariff treatment if a product is imported "in such increased quantities and under such conditions, as a result of the preference, as to cause or threaten in the opinion of the United Kingdom serious injuries to domestic producers of like or directly competitive products".

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<sup>1</sup> Naranjo and Porter, op. cit., estimate that total exports from Latin America would have been higher by US \$280-570 million in 1968 but for deflections caused by tariff and non-tariff advantages in favour of Commonwealth developing countries.

<sup>2</sup> For more details on the UK GSP, readers are referred to: UNCTAD, *Generalized System of Preferences: Scheme of the United Kingdom* (TD/B 373/Add. 8/Annex III, January, 1972). Summaries of the GSP of various countries are contained in the Commonwealth Secretariat publication, *Commonwealth and Generalized Preferences*, op. cit. and also in UNCTAD, *Operational Guide to the Generalized System of Preferences*, (TD/B/AC.5/41, May, 1972).

<sup>3</sup> Commonwealth preferential rates apply to coffee, dried chicory roots, roasted chicory and other extracts; essences and extracts of coffee; while 50% of the full rates apply to meat extracts and canned tuna.

The implementation of the British GSP has thus eliminated the preferences enjoyed by the Commonwealth countries vis-a-vis other developing countries in manufactures and semi-manufactures and a wide range of raw and processed agricultural goods. Manufactured products which are excluded from the GSP such as cotton textiles were already subject to various restrictions in the UK. The losses in export earnings likely to be experienced by the ACCs as a result of the British GSP due to increased competition from other developing countries cannot clearly be attributed to the UK entry into EEC. They would have occurred anyway. Nevertheless, the ACCs would have continued to enjoy the benefits of these preferences vis-a-vis non-Commonwealth countries outside the Group of 77 and for manufactured goods, outside EFTA countries. British entry into the EEC would result in the erosion of these benefits by the adoption by Britain of the CET and CAP of the Community.

Furthermore, some important agricultural and processed goods of export interest to the ACCs have not been included in the British GSP, such as sugar, tobacco, vegetable oils and fats, spices and certain processed fruits and vegetables. Exports of some of these products, as shown below, will be adversely affected by the British entry unless special arrangements are made for them. In order to see how these will be affected, we now turn to a discussion of the CET, CAP and GSP of the European Community.

**(c) Alignment of the British Tariff to the Common External Tariff of the EEC**

The Treaty of Accession sets out the stages and the conditions under which the UK and other new members will adopt the external commercial system of the EEC. In the first place, it should be noted that the preferential arrangements entered into by the UK with the Commonwealth associate countries and by the EEC with the Yaounde and Arusha countries will continue in their existing form until January, 1975. In other words, goods entering the UK from such Commonwealth countries will continue to benefit from the Commonwealth Preferences but will not circulate freely in the EEC. The same provisions apply to countries which have association agreements with the EEC. However, there are two qualifications: firstly, should any of the associate countries decide to seek association under the terms of the Treaty of Accession before 1975, their commercial relationship to the enlarged EEC will be governed by the provisions of the association agreement. Secondly, the new member states will apply the EEC policy on products subject to the CAP even if they originate from the Commonwealth Annex VI countries. This, however, does not apply to the customs duty levied on such imports into the EEC from the third countries. However, the Treaty provides for continuation of the old arrangements even in respect of agricultural products provided it is so decided by the majority of the Council.

The Treaty also states that the new member countries, taking into account the transitional measures, will be expected to apply the EEC agreements with the third countries such as Greece, Turkey, Israel, Spain and Malta, and any other agreements which the Community might negotiate with the Mediterranean countries prior to the enlargement of the EEC.

The process of alignment to the CET is quite complex and subject to many qualifications and exceptions for individual products, but the main points can be summarised here. Two steps are involved in the formation of the common market: the elimination of customs duties, quantitative restrictions and other charges having equivalent effect between the new members and the EEC; and the unification of the external tariff.

As far as the industrial products are concerned, the customs duties between the new member states and the EEC will be reduced to 80% of the basic duty on 1 April, 1973, and by 20% in each of the following four years, starting on 1 January, 1974, with all tariff barriers being eliminated by July, 1977. Charges other than the customs duties are to be reduced by 40% on 1 January, 1974, to be followed by annual reductions of 20% over the next three years, with all charges being eliminated by July, 1977. The quantitative restrictions are to be lifted from the date of accession, and other measures having equivalent effect by January, 1975.

The unification of the external tariff of the new member states with the CET of the Community will also be completed by July, 1977. For certain products listed in Annex III of the Treaty, and for those products where duties do not differ by more than 15% in either direction, the CET will apply after 1 January, 1974. In all other cases, the difference between the national duties and the CET will be reduced by 40% on 1 January, 1974, to be followed by annual reductions of 20%, with the complete unification being achieved by 1 July, 1977, to coincide with the elimination of all tariff and non-tariff barriers between the EEC and the new member states.

#### **(d) Adoption of the Common Agricultural Policy**

The adoption by the member states of the CAP involves three sorts of changes: the elimination of customs duties on trade among the member countries, the harmonisation of external tariff, and the alignment with the agricultural prices prevailing in the EEC. Customs duties on agricultural products will be reduced to 80% of the basic duty beginning 1 July, 1973, for most products, to be followed by annual reductions of 20% over the next four years. The move towards unification of the external tariff is also to be completed over a five year period with annual reductions of 20% of the difference between the national rates and the EEC rates. Where these rates do not differ by more than 15% in either direction, unification is to be achieved at the time of the first

move towards alignment. Thus the new member states will have to adopt the external tariff of the EEC in respect of agricultural products and all tariff barriers on trade in agriculture among the member countries will have been eliminated by 1 January, 1978.

Likewise, the new member states are required to align their prices of agricultural products covered by the CAP to those prevailing in the EEC by 1 January, 1978, at the latest. This is to be achieved in five steps by annual reductions of the difference between the national and the EEC prices by one-sixth, one-fifth, one-fourth, one-third and one-half in each of the following five years. Where, however, there is a "minimal" difference between the Community and the national prices, these will be aligned by a decision of the Council of the EEC. During the transitional period, arrangements will be devised to compensate for the difference in price levels – fixed levies on new members' exports to the other Community countries and fixed compensatory payments on their exports to the new members. The levies and export payments will be gradually reduced by six steps over the five years as prices come into line.

#### **(e) The Generalized Scheme of Preferences of the EEC**

The EEC scheme of preferences came into operation in June, 1971. It has a two fold significance from the point of view of the ACCs. Firstly, it offers improved market access for their exports, along with those of other developing countries. Secondly, according to Protocol No. 23 of the Treaty of Accession, the UK and other new members are to apply the EEC scheme after 1 January, 1974.

The EEC scheme of preferences offers differential concessions on different groups of products.<sup>1</sup> The products on which concessions are offered are divided into five groups: -

- (i) BTN 25-99 manufactures and semi-manufactures, except those listed below;
- (ii) Items covered by the Long Term Arrangement (LTA) on Cotton Textiles;
- (iii) Other textiles and footwear;
- (iv) Certain agricultural products in BTN 1-24;
- (v) Iron and steel products in the European Coal and Steel Community regime.

In principle all manufactures and semi-manufactures are subject to tariff quotas, but in actual practice these will be enforced strictly with

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<sup>1</sup> Full details of the scheme can be found in UNCTAD, *Generalized System of Preferences: Scheme of European Economic Community for 1972*. (TD/B 396, February, 1972). A useful summary can be found in Peter Tulloch, *Developing Countries and the Enlargement of the EEC*, in Overseas Development Institute Review 5.

respect only to certain sensitive products in groups (i), (ii), (iii) and (v). The tariff quotas on products in group (i) are equal to the 1968 cif imports by value from beneficiaries, excluding those countries with which the Community has preferential trade arrangements, plus 5% of imports in the most recent year for which figures are available from all other extra Community sources, including countries with preferential trade arrangements. For 1972, the most recent year taken was 1969. The products on which quotas will be enforced strictly cover a wide range of goods in which developing countries are substantial exporters.<sup>1</sup>

These tariff quotas will be distributed among the member states of the EEC according to a pre-determined proportion,<sup>2</sup> and are not transferable. If the allocation for any member state is exceeded, subsequent imports in the same year carry the full duty. The scheme also provides for export ceilings for the countries benefiting from the GSP. In general, the ceiling for any country is 50% of the tariff quotas for a given product. However, there are also lower country ceilings, ranging from 10 to 30%, for certain sensitive products.<sup>3</sup>

For products included in group (ii), the beneficiaries are the less developed members of the GATT LTA on Cotton Textiles (Colombia, India, Jamaica, South Korea, Pakistan, Mexico and Egypt). The tariff quotas are calculated on the same basis as for group (i) products for non-sensitive items.<sup>4</sup> For other items, duty-free imports from the beneficiary countries will be equal to the quantities delivered of various products in 1968 by these countries.<sup>5</sup> The country ceilings in respect of these products are 30% except for undergarments. The

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<sup>1</sup> These include various items in the following product groups: petroleum, fertilizers, rubber tyres, leather, travel goods, articles of apparel and clothing, wood products, paper and paperboard, wigs, bricks and tiles, tableware, glassware, imitation jewellery, tubes and pipes; wrought bars, rods, angles of iron; wrought plates, sheets and strips of zinc; locks and padlocks; sewing machines; various electrical goods; generators, motors, transformers, batteries, radiotelegraphic and radiotelephonic transmission equipment, valves and tubes, transistors; cycles, telescopes, microscopes, gramophones, dictating machines, record players, records, toys, carnival articles, vacuum flasks, chairs and other seats.

<sup>2</sup> For 1972, the shares are: Germany—37.5%, Benelux—15.1%, France—27.1%, Italy—20.3%.

<sup>3</sup> For instance, 20% on petroleum, fertilizers, rubber tyres, travel goods, articles of apparel and clothing, tableware, paper and paper-board, and most electrical goods; 10% for basketware, and 30% for sewing machines and glassware.

<sup>4</sup> These include certain items of cotton yarn, knitted or crocheted fabric, gloves, outer-garments, undergarments, handkerchiefs, travelling rugs and blankets, sacks and bags used for packing of goods, tarpaulins, tents and camping goods.

<sup>5</sup> These include certain items of cotton yarn, other woven fabrics of cotton, yarn of man-made fabrics, woven fabrics of man-made fibres; stockings etc., knitted or crocheted; undergarments; bed, toilet, kitchen and table linen; certain categories of sacks and bags.

tariff quotas for EEC members will be in the same proportion as for products in group (i).

Group (iii) includes other textiles and footwear. Preferences in respect of these products consist of tariff quotas calculated in accordance with the formula for group (i) products and will be extended to all developing countries except for Hong Kong. As with group (ii) products, the ceilings are fixed at 30% except for certain items where these are fixed at 20% and 50%.<sup>1</sup>

For other types of non-sensitive items of textiles and footwear, the quantities to be imported duty-free are not specified and the country ceilings are fixed at 50%.

Group (iv) includes agricultural and processed goods in BTN 1-24. A total of 50 items are included under the scheme.<sup>2</sup> Preferences consist of reductions in duties amounting to an unweighted average of about one-third. There are no quotas but as with preferences on other products, there is an escape clause which allows the reintroduction of the full tariff in the interests of either associates or domestic producers.

Group (v) contains certain iron and steel products which are admitted duty free from the developing countries. The tariff quota for sensitive products is specified, along with country ceilings, for certain items.<sup>3</sup> The quota is calculated on the same basis as for products in group (i). Non-sensitive items carry a country ceiling of 50% but no quantities are specified.<sup>4</sup>

It is clear from the above description of the GSP of the European Community that it is considerably less generous than the UK scheme, which

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<sup>1</sup> The sensitive list includes certain items of yarn of man-made fibres, woven fabrics of man-made fibres, carpets, carpeting and rugs, twine, cordage, ropes and cables, stockings, certain types of undergarments, outer garments, corsets, and footwear with outsoles of rubber, leather or artificial plastic material. The 20% country ceilings apply to garments, certain types of footwear and carpets and rugs, and 50% to certain types of twine, cordage, ropes and cables.

<sup>2</sup> These include various items of meat, bird skins; dried, dehydrated or evaporated vegetables; frozen and preserved fruit; flours of fruits and vegetables, plants, trees etc., vegetable saps and extracts, lard, fats and oils of fish, meat extracts and meat juices, prepared or preserved fish, sugar confectionery, chocolate and other preparations containing cocoa, foods prepared from cereals; preparations of flour, starch or malt extract; preserved or frozen vegetables and fruit, fruit juices and vegetable juices, roasted chicory and other roasted coffee substitutes; extracts, essences or concentrates of tea or mate; mustard flour and prepared mustard; soups and broths, natural yeasts; and lemonated and aerated waters.

<sup>3</sup> These include items of iron and steel coils, bars and rods; angles, shapes and sections, sheets and plates, various products of alloy steel. The country ceiling is 50% except for 30% on sheets and plates.

<sup>4</sup> Items include blooms, billets, slabs and sheet bars; plates of iron and steel; hoop and strip, railway and tramway track construction material.

allows, with relatively few exceptions, for duty free imports of manufactures and semi-manufactures from developing countries without any restriction on quantities. Furthermore, it covers a large number of items in BTN 1-24, and in most cases preferences amount to complete abolition of duties. The EEC scheme includes preferences on textiles, unlike the UK scheme, but its system of tariff quotas and member country quotas for sensitive products and substantial import duties on agricultural and processed goods in respect of which preferences are given, makes it altogether much more complex and restrictive than the UK scheme.

Because of the nature of tariff quotas, an essential feature of the EEC scheme is "that it is most generous for those products in which the developing countries are least competitive, and the most generous quotas of all are for those products, such as jet aircraft and advanced computers, which the developing countries have little hope of exporting for many years, duties or not. In contrast, it offers little incentive, or none at all, to expand exports of those products which are currently of greatest interest to the developing countries, for such exports must pay, or expect soon to pay, the full tariff duty,"<sup>1</sup> Richard Cooper has estimated that if the scheme had been in operation in 1970, the unused quotas of manufactures and semi-manufactures would have amounted to \$338 million which compares with total imports by the EEC from the developing countries of \$1,459 million, or 23% of the total. However, if we exclude machinery and transport, the unused quotas would have amounted to \$121 million, or about 9% of the total EEC imports from the developing countries in these categories.

In actual practice, the quotas will be enforced strictly with respect only to sensitive products, and thus the actual situation may be more favourable than indicated above. But it is precisely in these sensitive products that the developing countries are the most competitive and have the best prospects of substantially increasing their exports. Of the 75 categories in which manufactured imports from the developing countries were divided by Cooper, no less than 25 would have exhausted their quotas by 1970 if the scheme had been in operation, as compared with 18 in 1969.<sup>2</sup> In 1971 the number of items with unused quotas would have been even smaller.

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<sup>1</sup> Richard N. Cooper, "The European Community's System of Generalized Tariff Preferences: A Critique", in the *Journal of Development Studies*, (July, 1972), p.381.

<sup>2</sup> Items for which quotas would have been exhausted in 1970, include leather manufacturers, worked woods, paper and paper board, cutlery, travelling goods, handbags, clothing, footwear, toys, sports goods, jewellery, etc. It should be noted that the categories used by Cooper are derived from the Standard International Trade Classification (SITC), and are not, therefore, strictly comparable with the BTN items used in the Community's GSP. They are also more aggregative than the classification used in the preference scheme.

The analysis has so far assumed the existence of global quotas, but the fact that tariff quotas are apportioned among countries and are not transferable, further reduces the number of items with unused quotas.

It might be argued that even if in respect of certain categories of goods actual imports have reached or exceeded the tariff quotas, the developing countries will still benefit from the tariff revenue foregone from the goods up to the level of the quota. This outcome, however, is most unlikely. Where actual imports exceed the quotas, the competition among exporters in developing countries is likely to bid down the sales price even on duty-free imports to the same point prevailing on dutiable products. Thus under these circumstances, "the real beneficiaries of the Community's generalized tariff preference scheme will be the European importers lucky enough to get duty-free quotas",<sup>1</sup> and not exporters from developing countries.

#### IV IMPACT OF THE HARMONISATION OF BRITISH COMMERCIAL POLICY WITH THE EEC

Before coming to the details of the individual products that might be adversely affected from the ACCs, it is useful to consider in general terms the impact of the harmonisation of the external commercial policy of the UK with the EEC. The Treaty of Accession does not spell out clearly the transitional arrangements for the phasing out of the Commonwealth Preferences for "non-associables"; there is also the possibility of modification in the EEC scheme of preferences when it is merged with those of the new members. The prospects for ACCs will be substantially affected by the outcome in respect of these issues.

As for the phasing out of the Commonwealth Preferences, one interpretation might be that these will be replaced by mfn duties at the time of the first move towards alignment with the CET i.e. in January, 1974, and in the subsequent steps the non-associable Commonwealth countries will be treated on par with the non-Commonwealth, non-EFTA countries. This gives the ACCs only one year to adjust to the new situation. The other interpretation which is more favourable to the ACCs and is more in accord with the Treaty is to assume that the alignment with the CET will proceed in parallel for Commonwealth and non-Commonwealth countries but in the former case it will involve a gradual increase in tariffs, starting from a position of zero tariffs for most products, so as to reach CET at the end of the transitional period. This is clearly preferable from the point of view of the ACCs as it will enable them to adjust more gradually to greater competition in the British market from producers in the UK, EEC, EFTA and the

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<sup>1</sup> Cooper, op. cit., p.382.