

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.

associable Commonwealth countries. At the same time, the elimination of the tariff advantages they enjoy over non-Commonwealth non-EFTA countries will also be phased out over a longer period.

The adverse effects flowing from the elimination of Commonwealth Preferences and the adoption of the CET will be considerably alleviated by the operation of the British GSP, which allows for unlimited duty-free importation of most industrial products and a substantial number of agricultural and processed goods. Although the ACCs will lose the advantage they enjoy over non-Commonwealth developing countries, they will have access to the British market in respect of the products covered by GSP on the same terms as the EEC, EFTA, and associable developing countries. But under the terms of the Treaty of Accession, the UK system will need to be harmonised with the Community GSP after January 1974. Since the latter is more restrictive, this will have further adverse effects on manufactured exports from the ACCs.

With respect to certain agricultural products, the consequences for the ACCs could be even more serious. This is because the EEC preferences here are restricted both in terms of products and the depth of tariff cuts. Furthermore, the level of protection for some of the relevant products is relatively high, and the main instrument for protection – the variable levies – are not covered by the preference scheme.

## V SPECIFIC PROBLEMS OF INDIVIDUAL ASIAN COMMONWEALTH COUNTRIES

We can now draw upon the earlier analysis to focus on the specific problems faced by individual Asian Commonwealth countries. The difficulties faced by them will depend on the extent to which enlargement of the EEC will affect the access to different markets of their current and potential exports. It was noted earlier that this will affect not only access to the markets of the new members but also to those of the Six and a number of third countries with which the EEC has preferential trade agreements.

There are individual products of special interest to specific countries, but there are also changes of a more general nature which affect them all in varying degrees. The replacement of the British GSP by that of the Community will adversely affect the export opportunities for a wide range of manufactured and some agricultural products of current or potential interest to all Asian countries. Likewise, the rules on origin of products under the general preference schemes of both the UK and the EEC are much less favourable than those prevailing under the Commonwealth Preference system. Singapore will be particularly affected by them, as discussed in detail in the section dealing with her, but other countries will also be affected.