

Enlargement of the EEC

European Commonwealth countries

The negotiations between Britain and the EEC on the terms of accession were completed in mid-1971, and on 1 January 1973 Britain, along with Denmark and the Irish Republic, acceded to the EEC. For the most part the new members accepted the pre-existing rules of the Community, and a five-year transitional period was established. At the end of this period both tariff and non-tariff barriers on industrial products traded between the old and new member states will have been abolished completely, and the new member states will have aligned their tariff schedules with the Common Customs Tariff (CCT) of the EEC. Tariffs on trade in industrial products between the old and the new member states of the EEC are to be reduced in five equal steps of 20 per cent, the first of which took effect on 1 April 1973 and the last will be due on 1 July 1977; the three intermediate cuts will be made on 1 July of 1974, 1975 and 1976. The adoption of the CCT on industrial products by Britain will proceed in four stages; – by 40 per cent on 1 January 1974 and by 20 per cent on 1 January 1975 and 1976 and 1 July 1977. It should be pointed out that this process will involve a systematic phasing-out of Commonwealth preferences between Britain and the rest of the Commonwealth: these preferences will cease to exist after 1 July 1977.

As regards trade in agricultural products, Britain is fully to implement the common agricultural policy of the EEC by the end of 1977, the differences between the British and CAP agricultural prices being successively reduced in six annual stages commencing on various dates after 1 February 1973 according to commodity. As long as differences in price levels remain between member states of the enlarged Community, and in trade with third countries, levies or export refunds are to be applied at the necessary levels to ensure progress towards price harmonisation and to allow trade between member states. Customs duties are to be abolished between old and new member countries in five stages of 20 per cent, and for agricultural products for which the Community has a common external tariff the difference between the CCT and the basic customs duty of each member country will be eliminated in stages by the end of 1977.

As well as Britain, the other independent Commonwealth countries in Europe have already forged close trading links with the EEC. Future provisions for the economic interests of Cyprus and Malta, both of which have association agreements with the EEC, may be expected to be made within the context of the latter's overall Mediterranean policy. The agreement with Malta came into force on 1 April 1971, when the Six cut by 70 per cent the customs duties on imports of Maltese industrial goods (excluding petroleum products which do not yet play an important part in the Maltese economy). The Community abolished all quantitative restrictions on imports of Maltese industrial products apart from petroleum products and some products of the Maltese textile industry for which tariff reductions were granted only within quotas. The tariff system applicable to products supplied by the Community and imported into Malta was established on terms not less favourable than those applied to products from the most favoured third party. Until the end of the fourth year of the Agreement, Commonwealth goods on which Malta already granted preferences were excepted. However, subsequently the Maltese Government called for a renegotiation of its association agreement, seeking tariff preferences for Maltese agricultural produce, financial help and expert assistance for industrialisation. The Commission indicated that, while Malta was considered as a priority case, it was impossible to negotiate before the contents of the EEC policy for the Mediterranean were defined.

The agreement with Cyprus was signed in December 1972 and came into effect on 1 February 1973. The agreement involves two stages, the first of which will run until 30 June 1977 and the second of which will in principal last a further five years. From the start of the agreement, the Community will cut its customs duties on Cypriot produce by 70 per cent for industrial goods, by 40 per cent for citrus fruit, and will grant exemption for carob beans. Britain and Ireland will keep their lower tariffs under Commonwealth preference on Cypriot exports of industrial products until the first phase of the agreement is completed. After much dispute a compromise was worked out allowing special terms for the entry of Cypriot sherry into Britain and Ireland. Cyprus, whose sherry producers rely heavily on the British market, was given two years grace before the Community's minimum reference price is imposed on its sherry exports to Britain and Ireland. The effect of the compromise will be to allow Cyprus to ship 200,000 hectolitres of sherry per year to Britain and Ireland at normal prices until the last of the 1974 vintage is sold. This is expected to give time for arrangements to be made for exporting this sherry as a quality wine and so avoid the reference price.

Varying measures have been proposed under the Treaty of Accession to help to meet the problems other independent Commonwealth countries will face as a result of their loss of Commonwealth preferences. These measures fall into three major categories, according as they relate to (a) countries considered eligible for Yaounde type association with the EEC, (b) Commonwealth countries in Asia to which a joint Declaration of Intent applies, or (c) the more affluent members of the old Commonwealth. These are considered in their respective order below, starting with the (a) category of "associables".

Commonwealth "associables"

Under the terms of the Treaty of Accession, the choice of three types of linkage with the enlarged Community was offered to the "associables" listed in Annex VI: association under a renewed Yaounde Convention; some other form of association under Article 238 of the Rome Treaty; or a commercial arrangement to facilitate and expand trade with the Community. The countries concerned are Barbados, Botswana, Fiji, The Gambia, Ghana, Guyana, Jamaica, Kenya, Lesotho, Malawi, Mauritius, Nigeria, Sierra Leone, Swaziland, Tanzania, Trinidad & Tobago, Tonga, Uganda, Western Samoa and Zambia. The Community proposed that the negotiations envisaged for the conclusion of agreements based on one of the three formulae contained in the offer should begin as soon as possible after August 1973: such negotiations began on 17 October 1973. With some derogations respecting the Common Agricultural Policy, the Treaty provides for the continuation of the present arrangements covering imports into Britain from the countries concerned until 31 January 1975.

Under the Arusha Agreement, signed in September 1969, Tanzania, Uganda and Kenya are already associated with the EEC. This agreement came fully into force at the beginning of 1971. Its main provisions allow for duty-free entry into the EEC of goods originating in the partner states of the East African Community, with the exception of unroasted coffee, cloves and canned pineapple, for which tariff quotas of 56,000, 120 and 860 metric tons respectively were designed to protect the traditional trade of the Afro-Malagasy states. As with the Yaounde Convention, these provisions do not apply to items covered by the EEC's Common Agricultural Policy, which are granted preferential treatment on a product-by-product basis. Reciprocal preferences affecting some 59 items of EEC origin were accorded by the East African countries. Provision was not made in the Arusha Agreement for access to EEC aid and technical assistance. Early in 1972 the EEC made additional reductions in trade barriers on agricultural imports

from East African associates consisting of: a reduction in the levy on maize imports; a *de facto* increase in the annual duty-free quota for East African canned pineapple to 2,000 metric tons; and the extension of duty-free access for East African fruit and vegetables during off-season periods in Europe.

In March 1972 Mauritius became the first Commonwealth country to negotiate association with the Community under the Yaounde Convention. As soon as the agreement came into effect, the Community granted Mauritius duty-free access for most of her industrial exports and preferential treatment for her farm products with the exception of sugar, which until the end of 1974 is covered by Britain's contractual obligations under the Commonwealth Sugar Agreement and which subsequently will be dealt with in the framework of the arrangements regarding developing countries to be negotiated under Protocol 22. The Community will grant Mauritius financial aid of about £2 million up to 1 January 1975, and technical assistance. By the end of 1974 Mauritius will apply the same import duties to Community goods as it applies to those from other Commonwealth countries.

As regards sugar, the Treaty of Accession permits Britain to continue to import, until the end of February 1975, from the exporting countries and territories referred to in the Commonwealth Sugar Agreement, quantities of sugar within the negotiated price quotas under that agreement. In connection with subsequent arrangements for developing Commonwealth sugar exporting countries, the Treaty says that the Community will have

“as its firm purpose the safeguarding of the interests of the countries referred to in this Protocol whose economies depend to a considerable extent on the export of primary products, and particularly of sugar. The question of sugar will be settled within this framework, bearing in mind with regard to exports of sugar the importance of these products for the economies of several of these countries and of the Commonwealth countries in particular.”

In June 1971, at a Meeting of representatives of Britain and of the Commonwealth sugar-exporting countries other than Australia, these arrangements were considered to be satisfactory. The British delegation assured the Commonwealth countries that the Community's proposal constituted a specific and moral commitment by the enlarged Community and it was agreed that

“the British Government and other Commonwealth Governments participating regard this offer as a firm assurance of a secure and continuing market in the enlarged Community on fair terms for the quantities of sugar covered by the Commonwealth Sugar Agreement in respect of all its existing developing member countries. The developing Commonwealth countries will continue to plan their future on this basis.”

Asian Commonwealth countries

As regards provisions for the (b) category of countries enumerated above, the independent Commonwealth developing countries in Asia, a joint Declaration of Intent was annexed to the Treaty of Accession. The Declaration of Intent reads as follows:

“Inspired by the will to extend and strengthen the trade relations with the developing independent Commonwealth countries in Asia . . . , 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 question of exports of sugar from India to the Community after the expiry of the Commonwealth Sugar Agreement on 31 December 1974 must be settled by the Community in the light of this Declaration of Intent, taking account of the provisions which may be adopted as regards imports of sugar from the independent Commonwealth countries listed in Protocol No. 22 on relations between the European Economic Community and the Associated African and Malagasy States and also the independent Commonwealth countries in Africa, the Indian Ocean, the Pacific Ocean and the Caribbean.”

Subsequently both Sri Lanka and India submitted memoranda to the EEC explaining the problems they would face as a result of the enlargement of the Community. The Council of Ministers granted the Commission a mandate to negotiate a non-preferential trade agreement with India and negotiations appeared to be reaching finality by the middle of 1973. A large part of this mandate is concerned with the consolidation of existing agreements between India and member countries, dealing with tariff cuts that had been made autonomously on products of export interest to India, existing bilateral trade agreements and agreements on particular commodities or groups of commodities.

Malaysia and Singapore were reported to have made approaches to the EEC through the medium of the Association of South East Asian Nations.

Though it is not yet possible to indicate, even in general terms, the likely nature and scope of any accommodations that may be reached with the enlarged EEC by independent Commonwealth countries in Asia, it would appear that such arrangements, in addition to those for Indian sugar exports to the EEC, must come second to the Protocol 22 negotiations, and be influenced by them. Some of the Declaration of Intent countries, such as Sri Lanka (which is not an exporter of manufactures or semi-manufactures on any scale, and therefore unable to benefit substantially from the GSP in its present form), and Singapore (which, though an exporter of manufactures, is handicapped by rules of origin), would make common cause, if possible, with a number of other countries, both “associables” and associates of the EEC, in attempting to negotiate improved terms of access to the EEC for products of export interest to them. In this context the Declaration of Intent countries will have noted the suggestion by the Commission of the EEC, already referred to above, that one of the chief ways the developed countries participating in the GATT multilateral trade negotiations will be able to help the developing countries will be by the improvement of their GSP schemes. It is apparent that, if tangible progress is not made in this direction, the Declaration of Intent countries may suffer a degree of isolation in the new international trade regime.

Australia, Canada, New Zealand

As regards the (c) category of countries enumerated above, no provision has been made for the negotiation of comprehensive trade agreements with the enlarged EEC. However, various protocols to the Treaty of Accession are intended to ease the problems of transition and reduce the costs they will face as a result of the enlargement of the EEC. On the basis of the terms of the Treaty of Accession, protocols dealing with wood pulp, plywood and newsprint will preserve duty-free access to the British market for goods which have in recent years constituted about one-tenth of Canadian exports to Britain. Similarly, the considerable Australian exports of argentiferous lead to Britain will be unaffected by the enlargement of the EEC through the operation of a protocol. The EEC has also made a commitment to meet where possible, during the transitional period, problems which may arise for certain third countries and in certain specific cases as regards their markets and trade in agricultural products. At the time of the negotiations the specific cases were envisaged as being confined to

butter, sugar, bacon and certain fruit and vegetables. This commitment is of particular importance to Canada, Australia and New Zealand, since the application of the CAP in Britain is likely to considerably reduce access to the British market for exports of those foodstuffs that are covered by the CAP.

More extensive provisions have been made to reduce the adverse effects that entry could have had on New Zealand's exports to the British market, in view of the dependence of New Zealand on her trade with Britain. Arrangements have been made for New Zealand to retain a degree of guaranteed access to the British market for butter and cheese during the transition period. The quantities of butter that Britain is authorised to import from New Zealand are to fall from 165,811 metric tons in 1973 to 138,176 in 1977 and of cheese from 68,580 metric tons in 1973 to 15,240 metric tons in 1977. The authorised quantities for 1977 represent 80 per cent and 20 per cent respectively of New Zealand's quotas in the British market before the enlargement of the EEC. After 1977 there will be no quantitative guarantees for cheese. The c.i.f. prices for these quotas were set at £361 per long ton for butter and £312 per long ton for cheese, the average price realised by New Zealand butter and cheese in Britain during 1969–1972. The Council of Ministers will in 1975 review the situation as regards butter, taking into account progress towards an effective world agreement on milk products and the extent of New Zealand's progress in the diversification of its economy and exports. In the light of this review, according to the protocol, appropriate arrangements will be made to ensure after the end of 1977 the maintenance of exceptional arrangements in respect of imports of butter from New Zealand. New Zealand subsequently expressed its dissatisfaction about the arrangement as regards prices, which were fixed in terms of sterling, the later depreciation of which considerably reduced the value of the guarantees. The absence of any allowance for inflation was also a cause of disappointment.

It was announced at the beginning of October 1972 that there would be closer co-operation between the enlarged Community and New Zealand, and that matters of mutual interest and concern could be discussed at a high level whenever the occasion arose. These consultations were expected to be mainly on agricultural products, and, in particular, on the implementation of the marketing arrangements for butter and cheese. During the summer of 1972 the Australian Government submitted a memorandum to the European Commission voicing the desire for a commercial agreement with the enlarged EEC which would include trade and other forms of co-operation.

The phasing out of Commonwealth preferences, as such, by Britain, has produced responses on the part of other Commonwealth countries, as illustrated below. In considering these reactions it will be helpful in following paragraphs to distinguish between, first, other Commonwealth countries' preferences on goods imported from Britain, and secondly, other Commonwealth countries' preferences on imports from developing Commonwealth countries.

As regards the first of the above-mentioned categories, Australia, Canada and New Zealand have all announced measures intended to phase out the preferences hitherto accorded to Britain. The United Kingdom–Australia Trade Agreement was terminated on 1 February 1973; Australian preferences on imports under bye-law – i.e. imports of goods not produced in Australia (on which Britain had a margin of preference of 7½ per cent) ceased on that date; all imports of these goods, whether from Britain or elsewhere, will enter duty-free. A general review of the Australian customs tariff announced in 1971, which is expected to take about six years to complete and to cover all items, will result in the eventual abolition of all preferences at present enjoyed by Britain in the Australian market. In addition, certain non-tariff preferences accorded by State Governments in their public works tendering procedures will be eliminated.

Following termination of the United Kingdom–New Zealand Trade Agreement early in 1973 it was announced that the preferential tariff applicable to Britain would be phased out over a period starting in July 1974 and ending in June 1977, i.e. roughly *pari passu* with the phased application of the CET by Britain. There will be three moves, each representing 20 per cent of the difference between the old and the new rates on 1 July 1974, 1975, 1976, and a final 40 per cent move on 1 July 1977. Some British preferences were to be phased out immediately, but tariff rates for motor vehicle parts and components were to be held as they were until the New Zealand Government had worked out its policy on the development of the New Zealand motor industry. For goods of a type not made in New Zealand, and where suitable alternative goods were not made domestically, the establishment of a new tariff to replace the present BP, MFN and general rates would usually, it was reported, involve the reduction of the existing MFN rate and an increase in the existing BP rate to provide for maintenance by New Zealand of a minimum margin of preference for Australia of 5 per cent on items of this kind.

As regards the second category of preferences, those favouring Commonwealth developing countries, the New Zealand Government has announced that it was to retain for the time being preferential tariff rates for Commonwealth countries other than Britain. This is chiefly of significance in the regional context of the South Pacific, and in the case of non-GSP items imported from India, Hong Kong and Malaysia. Insofar as New Zealand is concerned, the Commonwealth preferences for African countries were almost totally generalized by its GSP scheme, which differed from the schemes of major preference-giving countries in not being limited to manufactures and semi-manufactures.

Australian “Commonwealth” preferences were usually extended on a bilateral basis and the preferences to developing Commonwealth countries are now generally in line with those under the newer GSP scheme for all developing countries.

The Canadian “Commonwealth” preferences to Commonwealth developing countries are in a rather different category in several respects. In the first place there are some contractual preferences to the Caribbean which originated with the 1926 bilateral trade agreement with the then British West Indies – up-dated by the Trade Protocol negotiated at the 1966 Commonwealth Caribbean–Canada Conference. Discussion and negotiation may be called for to examine the question of the future of the Canada–Commonwealth Caribbean preferential nexus in its broader aspects. As regards particularities, though the rates of duty under the Canadian GSP will be generally reduced down to the Commonwealth preferential level, for the items included in the scheme, and with a few exceptions, there remain some important Commonwealth preferences on non-GSP items of rather general importance, viz. those on sugar, certain petroleum products, and textiles. The Canadian sugar preference applies, for example, to imports of that product from India, as well as from Australia and any other Commonwealth sugar exporting country whether or not in the Caribbean. In addition, there are Commonwealth preferences by Canada on, for example, certain textile items imported from India, Malaysia and Singapore, and petroleum products from Nigeria and Trinidad and Tobago. As already indicated in the relevant section above, the preservation of favourable terms of access under historic Commonwealth ties, to the extent it occurs, must be calculated to favour the maintenance of intra-Commonwealth trade.