European Economic Community

Enlargement and tariff adjustment

The first moves to integrate Britain into the tariff system of the EEC were made in 1973. For industrial goods, the six original members and three new ones began a progressive elimination of duties on imports from each other on 1 April 1973, when a 20 per cent cut was made. A similar cut was made on 1 January 1974, making a cumulative reduction of 40 per cent, and at the same time the new members made the first move in aligning their national tariffs on industrial goods to the common customs tariff (CCT) of the EEC. The process of alignment involves a step-by-step elimination of the difference between the external tariff rates of the new members and those of the CCT. If the former rate is lower, it must be increased; if higher, it will be reduced. The first step involved 40 per cent of the alignment. Final alignment on the CCT, and complete elimination of import duties on trade between old and new members of the EEC, is scheduled for 1 July 1977. By the end of this transition period, assuming no change in the relevant terms of Britain's membership, it will make no difference to the duties, if any, charged on importation of goods from Commonwealth countries, whether they enter the EEC via a UK port or at some other point of entry. However, for goods subject to quota limitation – textiles being the outstanding example – the direction of individual lines of trade will still be influenced by the extent to which national quotas have given way to community quotas.

Trade relativities

As shown in Table I, the nine EEC States in 1973 accounted for 41.5 per cent of world exports and 41.3 per cent of world imports. It will be appreciated, however, that the magnitude of these statistics compared with e.g. those of the United States, is partly due to the continuing inclusion in world trade statistics of the trade of EEC members with each other*. The remainder of this section deals with the trade of Commonwealth countries, including Britain, with the EEC excluding Britain.

The growing importance, for a number of Commonwealth countries, of trade relations with EEC countries other than Britain, is illustrated in Tables XIV and XV. In particular, British exports to the rest of the EEC, as a proportion of its exports to all destinations, rose from 28 per cent in 1969 to 32 per cent in 1973, while the proportion of British imports supplied by the rest of the EEC grew from 29 to 33 per cent. It is also interesting to note that, whereas Indian

* The trade with each other of Belgium, Luxembourg and the Netherlands, which have a common customs administration, is excluded.

Table XIV Exports from the Commonwealth to the European Economic Community (Eight)

Proportion of each country's total exports sent to the European Economic Community (eight)

Per cent

	1969	1970	1971	1972	1973
Australia	13	10	10	11	10
Bangladesh	13	11	11	..	..
Britain	28	29	29	30	32
Canada	6	7	6	6	6
Cyprus	33	32	26	17	20
East African Community	12	12	12	16	18
Ghana	27	26	28	29	28
Guyana	4	5	5	7	8
Hong Kong	10	11	11	13	12
India	8	7	8	11	13
Malaysia	11	13	12	14	13
New Zealand	13	10	11	12	14
Nigeria	37	38	41	39	30
Singapore	7	8	6	8	11
Sri Lanka	10	10	9	9	11
Trinidad & Tobago ..	3	3	3	3	2
Zambia	34	32	31	32	32
Commonwealth Total	16	17	17	17	18

Table XV Imports into the Commonwealth from the European Economic Community (Eight)

Proportion of each country's total imports from the European Economic Community (eight)

Per cent

	1969	1970	1971	1972	1973
Australia	13	14	14	14	14
Bangladesh	7	8	6	..	..
Britain	29	27	30	32	33
Canada	6	6	6	6	7
Cyprus	30	30	31	28	31
East African Community	19	19	19	21	21
Ghana	22	23	25	26	27
Guyana	10	10	10	9	10
Hong Kong	9	10	9	9	9
India	12	11	14	17	16
Malaysia	10	10	11	10	11
New Zealand	8	8	9	8	9
Nigeria	26	28	26	31	31
Singapore	8	8	9	8	8
Sri Lanka	13	13	15	12	16
Trinidad & Tobago ..	4	5	5	5	5
Zambia	10	13	15	15	17
Commonwealth Total	15	16	17	18	19

exports to Britain fell from 12 per cent of total Indian exports in 1970 to 10 per cent in 1973, Indian exports to the rest of the EEC rose over this period from 7 to 13 per cent of the total. Table XIV illustrates clearly the growing importance of the EEC (Eight) as a market for the East African Community also, since its Association with the EEC.

Commonwealth exports

In 1973 exports from Britain to the rest of the EEC rose broadly in line with the expansion of world trade, from £2,937 million in 1972 to £4,029 million in 1973, as set out in Table XVI. Almost all other Commonwealth countries showed increases in their exports to EEC countries (excluding Britain). Commodity price rises accounted for the greater part of the growth in recorded values. Only in the case of Trinidad and Tobago was an actual decline sustained, mainly owing to a drop-off in sales of petroleum products from that country to the Netherlands.

Table XVI Exports from the Commonwealth to the European Economic Community (Eight) *a*

£ million

	1969	1970	1971	1972	1973*b*
Australia	208	189	197	295	388
Bangladesh	29	25	16	*c*	*c*
Britain	2,051	2,354	2,659	2,937	4,029
Canada	341	496	460	467	637
Cyprus	13	14	12	9	14
East African Community	36	41	43	61	84
Ghana	40	49	39	44	65
Guyana	2	3	3	4	5
Hong Kong	92	116	132	175	282
India	61	60	67	107	155
Malaysia	72	89	80	98	164
New Zealand	66	53	63	84	144
Nigeria	141	196	305	339	339
Singapore	45	50	44	68	147
Sri Lanka	13	14	12	12	19
Trinidad & Tobago	6	6	7	8	6
Zambia	150	135	88	97	151
Other	41	40	43	79*d*	90*d*
Total	3,407	3,930	4,270	4,884	6,719

a Belgium, Denmark, France, West Germany, Irish Republic, Italy, Luxembourg, Netherlands

b Actuals, or annual rates based on latest data

c Estimate included in "Other"

d Includes an estimate for Bangladesh.

Table XVII Imports into the Commonwealth from the European Economic Community (Eight) *a*

£ million

	1969	1970	1971	1972	1973*b*
Australia	208	253	255	267	380
Bangladesh	19	26	11	*c*	*c*
Britain	2,371	2,439	2,914	3,522	5,194
Canada	320	339	399	489	601
Cyprus	26	29	33	35	56
East African Community	60	75	94	92	107
Ghana	32	39	44	30	51
Guyana	5	6	6	5	8
Hong Kong	94	116	129	136	224
India	106	97	136	154	212
Malaysia	46	57	63	64	96
New Zealand	32	41	47	48	71
Nigeria	76	123	161	189	221
Singapore	64	80	102	110	173
Sri Lanka	23	20	20	16	28
Trinidad & Tobago	9	11	13	15	16
Zambia	19	26	36	35	38
Other	84	99	98	130*d*	162*d*
Total	3,594	3,876	4,561	5,337	7,638

a Belgium, Denmark, France, West Germany, Irish Republic, Italy, Luxembourg, Netherlands
b Actuals, or annual rates based on latest data
c Estimate included in "Other"
d Includes estimate for Bangladesh

Commonwealth imports and trade balances

There was an even more substantial growth in the recorded value of Commonwealth imports from the Eight, which went up by 40 per cent, comparing 1973 with 1972. British imports from the Eight rose by something over 47 per cent to reach £5,194 million in 1973. This represented over two-thirds of imports into all Commonwealth countries from the Eight. It also, in conjunction with the export figure, represented an adverse balance (c.i.f./f.o.b.) of Britain with other members of the enlarged EEC amounting to £1,165 million, compared with £585 million in 1972. Hong Kong, Singapore and a number of other Commonwealth countries recorded higher bilateral trade surpluses or reduced deficits in their trade with the EEC (Eight), mainly as a result of the commodity price boom. Australia and India, however, like Britain, experienced adverse movements, though of smaller magnitude. India has been making strenuous efforts in recent years to eliminate its bilateral deficits with the EEC (excluding Britain), by negotiation of a suitable policy and institutional framework for the development of greater complementarity in trade and industrial relations with Europe.

Policy developments and trade agreements

A promising basis for this was laid in December 1973 with signature of the Commercial Co-operation Agreement with the (enlarged) EEC, having a duration of five years and renewable annually thereafter. The Agreement provides a framework for the eventual development of industrial and economic co-operation over a wide field, including the possibility of joint investments and the transfer of technology. Although the Agreement itself made no provision for additional tariff suspensions, the EEC tariff on jute and coir products was reduced in the context of the GSP by 40 per cent at the beginning of 1974, and was to be cut by another 20 per cent at the beginning of 1975. On an EEC tariff ranging from 8 to 22 per cent for affected items, there would thus be a 60 per cent reduction under the GSP by 1 January 1975, except for carpet-backing cloth, which would then have a 50 per cent cut. The EEC 50 per cent duty on Indian packaged tea was removed and EEC duties on cotton textiles from India, at a nil rate under the GSP, were applied by Britain from the beginning of 1974, for amounts within quotas. The tariff on jute products (as reduced under the GSP) was suspended at a nil rate in the case of imports of such items into Britain and Denmark in 1974.

Renegotiation of the terms of British accession to the EEC included claims by Britain on behalf of Commonwealth developing countries. In this respect several requests were made by Britain to the Council of the EEC on 4 June 1974.

The British proposals fell into several major groups, one of which concerned Australia, Canada and New Zealand, and the problems they faced over access for their exports to the Community, particularly in agriculture. Britain emphasized the need for satisfactory and continuing arrangements for New Zealand after the end of the transitional period. (Because of its efforts to diversify, and because of low production due to drought and rising costs, New Zealand had not taken up its full allocation of dairy products in the United Kingdom in 1973. It had no problem in disposing of its butter and cheese elsewhere, but had considered that the prices set in sterling during the negotiation of the Treaty of Accession were unrealistically low, should it have to fall back on EEC markets in the future.) With regard to tariffs, in the case of a small number of products e.g. some canned goods, Britain expressed the wish to see an extension of tariff quotas at preferential rates. More generally, Britain requested that the Community's detailed negotiations should include an effort to make substantial reductions of the tariff on some agricultural products as well as on certain industrial products of some importance to the countries concerned.

Another group of British proposals related to the Commonwealth countries in Africa, the Caribbean, the Indian and the Pacific Oceans, (referred to in short as the ACP countries) which had been given the opportunity under Protocol 22 of the Act of Accession to negotiate a form of association with the Community. The negotiations between the EEC and the ACP countries, which had been formally opened at a ministerial meeting in Brussels in October 1973, and which had continued in a series of meetings between the Commission (representing the Nine) and officials of the ACP countries, seemed to offer the best chance of meeting the interests of those countries. The results of these negotiations, and the Ministerial Conferences held in Kingston and Brussels in July 1974 and January 1975, showed that several of the major problems had been resolved. It thus appeared that there was a chance of an agreement involving over forty developing country partner States being signed in the first half of 1975—though interim arrangements would need to apply from 1 February 1975, the date laid down in the Act of Accession, until the coming into force of the new agreement.

As regards Commonwealth countries in Asia, in its 4 June 1974 statement to the Council of the EEC, Britain requested generous terms for those countries by substantial improvement of the GSP scheme of the Community. This was because the nature of the EEC scheme limited its practical value to India and certain other Commonwealth developing countries. Britain requested generous implementation of the Joint Declaration of Intent (annexed to the Act of Accession), which expressed a will on the part of the original and the acceding EEC States to "extend and strengthen the trade relations with the developing independent Commonwealth countries in Asia."

Some progress was made in this direction in 1974. Duty-free entry of jute products from Bangladesh into Britain and Denmark was continued and, subject to satisfactory agreement being reached on the self-limitation of exports of jute and jute products at agreed levels to the rest of the EEC, the GSP benefits extended by the EEC to India, as from the beginning of 1974, were applied also to Bangladesh. By formal agreement reached in the middle of 1974, jute goods from Bangladesh continued to be subject to quota restrictions. Sacking and hessian faced British, German and French restrictions: carpetbacking cloth was subject to a Community annual quota of 4,000 metric tons, and yarn to 7,000 metric tons. In the face of these quotas it seemed somewhat disappointing that the complete elimination of EEC import duties before the end of the UK transition period in 1977 could not be brought forward. Against this background, Bangladesh submitted a request to the EEC on the possibility of opening negotiations for a comprehensive commercial co-operation agreement along lines similar to those of the Agreement between the EEC and India (outlined above). Before the end of 1974 such negotiations had been opened by the EEC with both Bangladesh and Sri Lanka.

Also in 1974, Malaysia submitted to the European Commission an aide memoir concerning the effects of the enlargement of the EEC on products exported by Malaysia. It expressed concern about the loss of trade advantages it had benefited from vis-a-vis the United Kingdom in the context of Commonwealth tariff preferences and the progressive subjection of its exports to the common customs tariff of the EEC. The Community had already adopted a number of helpful measures, outlined earlier in this report, but Malaysia, while acknowledging these efforts, considered them insufficient. At the third informal meeting at ministerial level between the Community and ASEAN,* agreement was reached in principle

* Association of South East Asian Nations: Malaysia, Singapore, Indonesia, Philippines and Thailand.

to set up a joint study group to explore all areas where co-operation between the two groupings could be expanded and diversified.

Relations between the EEC and Commonwealth countries in the Mediterrean, viz Malta and Cyprus, continued to evolve within the context of the EEC's overall Mediterrean policy. Malta, which signed an association agreement in 1971, benefited from tariff advantages which were, however, less than those of the GSP system of the EEC. In March 1974 the Community Council adopted provisions giving Malta tariff treatment "no less favourable" than those it would have if it were included in the EEC GSP scheme. In the middle of the year the Commission proposed to the Council that those provisions be renewed for 1975: more recent reports stated that the EEC had decided to enter negotiations with Malta for a new, strengthened Association, entailing not only an enlargement of trade provisions but also economic, commercial and industrial co-operation, agricultural measures and financial assistance.

Cyprus is the most recent of the EEC Associates. Its Association Agreement with the EEC came into effect on 1 June 1973, to last for four years. Although it was intended eventually to lead to a customs union, its immediate objective was to secure continued preferential access for Cypriot exports to the United Kingdom, its principal market. Provision was built in for adjustment immediately the Community's global approach to the whole Mediterranean was ready, but the delay in concluding agreements with the Maghreb, Israel, Spain and Malta meant that no further progress had been made beyond the initial agreement to grant a 40 per cent reduction of duty on citrus fruit and duty-free entry for carobs, while some Maghreb countries already enjoyed an 80 per cent reduction. Moreover, the nature of the industrial structure of Cyprus prevented full utilization of the concessions for Cypriot manufactured goods entering the EEC. Greater agricultural concessions were being sought and the EEC was committed to do more for its agriculture and wine. Whenever agreements with the other Mediterranean countries neared finality, it was reported, the Community would start negotiations on complementary concessions for Cyprus.