SID/ODI Conference.

Britain, the EEC and the Third World.

Conference Papers.

Paper I	The developing countries in the official negotiations. Anthony Kershaw, MC, MP, Parliamentary Under-Secretary of State, Foreign and Commonwealth Office.
Paper II	Trade issues for the developing countries. David Wall, Lecturer in Economics, University of Sussex.
Paper III	Enlargement of the EEC and Community policies in the field of trade. Gerhard Schiffler, Head of Division for General Legal and Institutional Affairs, Directorate General of Development Aid, EEC Commission, Brussels.
Paper IV	Enlargement of the EEC and Community policies in the field of aid. Dr. Charles van der Vaeren, Deputy Director, European Development Fund, EEC Commission, Brussels.
Paper V	Evolution of financial and technical cooperation between the EEC and associated developing countries. Dr. Charles van der Vaeren, Deputy Director, European Development Fund, EEC Commission, Brussels.
Paper VI	The EEC's common agricultural policy and imports from third countries. Christopher Trapman, Research Officer, Overseas Development Institute.

Statistical Appendix.

Revised programme.

List of participants.

Notes on discussion groups.

April 1971.

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GROUP DISCUSSIONS.

On the second day the Conference will divide into three groups for closer examination of some of the main issues. Outline terms of reference for each group are set out below. Please consult the list of conference participants to see which group you are in.

Group I: Discussion Leader Hugh Corbet.

The outlook for the "non-Associable" developing countries and the wider implications for the World Economy.

Coverage.

The developing countries of Asia and Latin America. (It is assumed that African countries, such as Ethopia and Liberia, could seek association with an enlarged EEC if they wished, and that association will also be an option for Commonwealth sugar exporters).

Approach.

It is suggested that the interests of this group should be examined in terms of:-

(a) Relations with an enlarged EEC. E.g., the significance for them of not being associated.
(b) Relations with each other (and other LDCs).
(c) Relations with other developed countries.

Group 2: Discussion Leader David Fiennes.

Considerations for "associable" developing countries. I.e., those not presently associated with the EEC, but which are being offered association in the context of enlargement.

Coverage.

Independent countries in Africa[1] - Commonwealth and other; Independent Commonwealth countries in the Caribbean; other Commonwealth sugar exporters; and British dependencies (except Hong Kong and Gibraltar).

Approach.

It is suggested that the group's examination of the position of these countries should include:-

(a) Clarification of what they are being offered.
(b) The implications for them of (i) seeking and getting association or (ii) not seeking and/or not getting association.
(c) Special problems; e.g. for sugar exporters.

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[1] Kenya, Uganda, and Tanzania are in some respects an intermediate category between Groups 2 and 3. It is suggested that they should be included in the coverage of both groups.

Group 3: Discussion Leader Uwe Kitzinger.

The considerations for the present associates of the EEC.

Coverage.

The Associated African States and Madagascar (AASM); Associated countries on the Mediterranean; East African Community countries; dependencies of EEC members.

Approach.

To examine:-

(a) The advantages and disadvantages of their existing association arrangements.

(b) The implications in the light of (a) of:-

(i) Enlargement of the EEC.

(ii) Participation of additional LDCs in association arrangements.

(c) The stance the AASM are likely to adopt at the end of the present Yaoundé convention.

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RW/EB

22/4/71.

Conference Paper No. 1

SID/ODI CONFERENCE

BRITAIN, THE ECC AND THE THIRD WORLD

The Royal Society, London

April 26 and 27, 1971

THE DEVELOPING COUNTRIES IN THE OFFICIAL NEGOTIATIONS

by

Anthony Kershaw

CONTENTS

I. INTRODUCTION

Reasons for British application

1 It is not the aim of this paper to persuade those not in favour of Britain's entry into the European Economic Community of the British Government's case. Nevertheless, in the context of our relations with the developing nations, it is important to set out very briefly a note of the reasons for Britain's entry. Governments of both political persuasions over the last decade came to the conclusion that it is in the long term economic interests of this country to be a member of the European Community, provided that fair and equitable terms can be negotiated. There has also been no doubt in the minds of successive British governments that it is also in our long term political interests. This view has been reinforced by the belief that Europe as a whole also will benefit from the enlargement. Without this conviction the negotiations would not have got as far as they have. Outside Europe it will enable us to bring more influence to bear in wider fields for example in the Western Alliance and in the world as a whole. We believe that an enlarged Community will not only make for the greater prosperity of a larger Europe but also that success at Brussels will mean a larger, stronger and more prosperous Europe which in turn should benefit the rest of the world, not least the developing countries. Some would see Britain's entry into the EEC in terms of black and white, as a direct conflict between the interests of Britain and Europe and the interests of the Commonwealth. While British entry will undoubtedly lead to some changes in patterns of trade with developing Commonwealth countries, it must be remembered that these patterns are in any event constantly changing, and that a prosperous Britain, and a prosperous Europe, will provide the best market for the exports of the developing world.

II. BRITAIN AND THE DEVELOPING WORLD

2 The issues with which this Paper deals will, I think, be made clear if I set out briefly the policies that Britain has hitherto pursued towards developing countries, before turning to the possible impact on those countries of our entry into the EEC. The Prime Minister summarized these policies when, speaking at the General Assembly of the United Nations on 23 October 1970 he said:-

> 'Our ... task in the years ahead must be to promote economic and social development. This will come about mainly through the growth of international trade and aid. And I put them in that order of priority.
>
> The relationships between the industrial and the developing nations will be determined, will be settled, for years to come by the attitude which each one of use adopts to this question'.

3 Our traditional links with the developing world are both widespread and strong. They are not limited to any geographical area, nor to a strictly defined group of countries. They are thus not covered by a single institutional framework. But, as is well known, we have always considered that we have a special responsibility to those developing countries which belong to the Commonwealth and these have attracted our particular interest.

Trade

4 Britain is one of the most important markets for developing countries. The value of her imports from developing countries is exceeded only by the imports of the EEC and the USA, and represents over 14% of our GNP as against the USA's 3% and the EEC's 8.5%. Imports from the Third World amount to over one-quarter of our total imports.

5 This is partly due to the United Kingdom's economic structure and partly to deliberate policy. As an industrial nation, the United Kingdom relies heavily upon imports of food and raw materials and is the World's largest market for foodstuffs and among its largest for raw materials. Since the exports of primary commodities account for some 86% of the developing countries' earnings from exports to the whole world, the importance of the British marked to them can be readily seen. For many developing countries exports of foodstuffs and raw materials to Britain are the main source of export earning. To get a balanced view however one must remember that over a quarter of British imports from developing countries have been not raw materials but manufactured and semi-manufactured goods.

6 Both the structure of the United Kingdom's economy and a deliberate attempt to help stimulate the trade of developing countries are reflected in British tariff policy. Several important foodstuffs and raw materials including wheat, mutton and lamb, crude rubber, raw fibres (e.g. cotton and jute), metallic ores, unwrought metals, tea, coffee, cocoa, sugar and tropical hardwoods, enter Britain duty free; and those primary commodities which are dutiable in the full tariff pay a low rate of duty of between 5% and 10% ad valorem. This liberal import policy is further strengthened by reductions of duty on imports from the Commonwealth preference area,

and by purchasing arrangements safeguarding the entry of certain products to the British market. Of these arrangements, the most important to developing countries is the Commonwealth Sugar Agreement.

7 Commonwealth preferences are not necessarily reciprocal: Ghana, Nigeria, Sierra Leone, Kenya, Tanzania, Uganda and Zambia do not grant reciprocal preferences to British exports, and Malaysia has abolished most preferences on them (Burma although not a member of the Commonwealth belongs to the CPA and does not extend reciprocal preferences to British exports). Preferential margins granted in the UK range from nil on fuels to 2%-3% on raw materials, 5%-10% on food, drink and tobacco and 20% or more on those manufactures which enter free from the CPA. The benefits derived from preferences depend on the commodity pattern of trade, since manufactures attract greater margins of preference than raw materials or foodstuffs. The average value of the preference margin on imports from developing members of the CPA has risen with the rise of manufactures to one-quarter and the fall of basic materials (other than petroleum) from two-fifths to one-fifth of British imports from developing countries. The system of Commonwealth preference is partly responsible for the fact that the Commonwealth countries have contributed the greater part of the expansion in the export of manufactured goods from the developing world; nearly one half of all exports of manufactures from the developing countries to the rest of the world originate in Hong Kong and India alone.

Most developing countries have been placing increasing emphasis on manufactures and semi-manufactures. Britain has recognised early the need for creating a market for these products. At the first UNCTAD in 1964 the British delegation led by Mr Heath played a leading role, particularly through its sponsorship of the idea of a scheme of generalised preferences. We believe that the British offer which should come into force some time this year, is generous and as good as any that we could make in our present circumstances.

<u>Aid</u>

8 Aid is alongside a favourable commercial policy the other essential element of British policy towards the development of the Third World. Like most other industrial countries, Britain recognises that the financial resources needed for development must be increased, on the one hand by private investment and on the other by official development aid. The geographical scope of our aid is being progressively extended, especially through contributions to multilateral bodies. Since 1929 when the Colonial Development Act recognised Britain's responsibility for the development of her dependent territories, aid has grown over the years until it was, after 1958, extended to cover, first independent Commonwealth countries and then developing countries outside the Commonwealth.

9 The total net flow of official resources grew but slowly between 1960 and 1969 but gathered momentum in 1970, when it reached £189m. In 1969 it represented 0.39% of GNP. Moreover, the terms of aid have been consistently favourable. This trend continues. Of the total value of new Government to Government loan commitments entered into during 1970, 90% was interest free and 99% carried a grace period for capital repayments. When taken together with grant commitments, the grant element of the total of official development assistance was 86% of the commitments.

The forward estimates of public expenditure in the period up to 1974-75 announced in October 1970 show that the gross aid expenditure in cash terms will grow progressively from £245m in 1971-72 to £340m in 1974-75. The rise in the last two years of this period will represent increases of some 13% per annum. This, incidentally, is in striking contrast to the restrictions that are being applied to British public expenditure as a whole. The total net flow of financial resources (which include private investment and guaranteed private export credits) fluctuated in the sixties around the $800m mark. The Prime Minister re-affirmed in his speech to the United Nations General Assembly the United Kingdom's acceptance of the 1% target it by 1975. In fact, the latest figures show that this target was reached in 1969, when, after constraints on private investments were removed, this total net flow went up to a figure representing more than 1% GNP.

III. THE EEC AND THE DEVELOPING COUNTRIES

10 In any examination of the developing countries and Britain's negotiations for entry into the EEC we must make careful note of the current Community attitude both in matters of trade and in aid towards the Third World.

11 Before examining the level of trade between the EEC and developing countries it might be helpful to look very quickly at the framework in which special trading arrangements can be developed.

Conventions of Association

12 The most significant of these is the Yaoundé Convention which governs relations between the Communities and the eighteen associated states in Africa. This provides for the establishment of a series of free trade areas and the progressive dismantling of tariffs and quotas. The Yaoundé Convention also provides for its own enlargement to include other African countries with similar economies. Kenya, Uganda and Tanzania have concluded two successive agreements (the Arusha Conventions) with the Communities along the lines of the Yaoundé Convention as regards trade (but without aid or institutions). Dependent territories which become associated with the Communities under Part IV of the Treaty of Rome benefit from arrangements similar to those in the Yaoundé Convention.

Association under Article 238

13 Association arrangements under Article 238 of the Treaty of Rome have been made in the case of Greece, Turkey and Morocco and Tunisia. In essence a trading arrangement is negotiated which, while basically designed as a free trade area or customs union, is tailored to suit the needs of the individual countries. The Communities have concluded trade agreements with Spain and Israel in which tariff reductions are on a preferential basis. They have also concluded non-preferential trade agreements with Iran and the Lebanon.

Declaration of Intent

14 There is one more point to be noted which is relevant to the arrangements between developing countries and the EEC. The EEC Council of Ministers issued a Declaration of Intent in July 1963 which confirmed the offer made during the previous British negotiations for entry, that association under what was later negotiated as the Yaoundé Convention should be open to independent Commonwealth countries in Africa and the Caribbean. This Declaration provided that the Communities would be ready to negotiate with countries of similar economic structure to the present associates, with a view to:

a. their full accession to the Association Convention according to the procedure in Article 238;

b. some other form of association including reciprocal
8 rights and obligations, notably in respect of trade; or

c. trade agreements to facilitate and develop trade between such countries and the Community

15 Trade

Building upon this institutional framework, the Community have entered into numerous agreements of different kinds with developing countries. These range from the very close association of the Yaounde type, through looser agreements, such as that with the East African Community (Arusha Convention), to preferential and non-preferential trade arrangements. All of these have the improvement and liberalisation of trade as their basis. Whilst it is natural that the closer forms of association are between the Community and the developing countries with whom Community members have the closest ties, this is by no means exclusively. so. Links range from English-speaking Africa to Communist Yugoslavia. As the institutionalised links develop so does the level of trade from the developing world. EEC trade with the developing countries in manufactures is increasing as the following United Nations figures (they exclude petroleum products and unworked non-ferrous metals) show:

(figures of imports in million dollars)

	1962	1969	Percent increase (annual average)
EEC (total)	839	1726	10.8
Germany	232	741	18.1
France	440	458	0.6
Italy	87	240	15.5
EFTA (total)	658	1233	9.4
UK	545	869	6.9

Source: TD/B/C.2/102 (UN Statistical Office)

16 Thus, the Community's imports have risen faster than EFTA's imports or Britain's alone, and would have been further ahead but for France's flat performance.

Continued/...

A closer look at some of the commodities that make up these figures shows the following comparative record of expansion:

	Average annual per cent increase From developing countries	From world
Textiles		
EEC	15.8	12.9
UK	1.6	6.1
Clothing		
EEC	30.1	22.0
UK	12.5	10.3
Leather and footwear		
EEC	25.3	17.0
UK	7.4	5.7
Wood products & furniture		
EEC	14.4	11.4
UK	4.1	4.2
Engineering & metal products		
EEC	22.8	13.3
UK	8.4	15.9
Miscellaneous light manufactures		
EEC	25.7	17.7
UK	13.4	12.9

17 The flatness of UK imports in the important textile group is striking, compared with the more than 15 per cent annual growth of imports into the Six. In all other groups listed the Six have raised their imports from developing countries more rapidly than from the world as a whole. (Although Britain's imports of textiles from the developing countries are of course still significantly higher than those of the EEC countries combined).

Aid

18 Most of the Six have by current standards, a good record in expanding economic aid and private investment in the under-developed countries. The Colonial legacy has left a deep imprint on the aid pattern as it has for Britain. The Six's aid-giving is still largely bilateral, and their aid policies are separately determined though their aid flows through Community institutions are increasing. Britain in the Community would be similarly participating in these institutions while continuing her bilateral programmes.

Community Aid

19 The Preamble to the Treaty of Rome includes the following words:

> 'intending to confirm the solidarity which binds Europe and overseas countries and desiring to ensure the development of their prosperity'...'.

Thus in addition to the Six's bilateral aid, there is a multilateral contribution from the Community, which its economic growth has done much to make possible.

European Development Fund.

20. The Community's collective aid effort is gaining in importance. In 1969 technical assistance grants passed the $100 million mark for the first time. The main source of aid has been the successive European Development Funds (EDF), set up to make grants, loans and advances for social and economic development in the eighteen African and Malagasy states associated first under the Treaty as dependencies, and subsequently under the 1963 and 1969 Conventions signed at Yaoundé. Nearly all of the second EDF, totalling $730 million has now been committed. The Second Yaoundé Convention of July 1969 provided for the commitment of $900 million over the following 5½ years most of it as grants. So far, the chief beneficiaries of EDF expenditure have been the ex-French and Belgian possessions in Africa to which by far the greatest part of the money has been directed.

European Investment Bank.

21. A second Community aid channel has been opened by agreement in the 1969 Yaoundé Convention and the European Investment Bank (EIB) is to be allowed to operate in the associated states instead of, as before, within the Six only. This Bank, unlike the EDF, figures in the Treaty of Rome. Article 130 empowers the EIB to make loans and guarantees, on a non-profit basis, to finance development projects and, where resources are inadequate, projects of common interest to several members, with the object of contributing to the balanced and smooth development of the Common Market in the interests of the Community. The Bank will invest $100 million in the Yaoundé associates over the period of the new Convention, and its interests rates can be softened by the use of part of the new EDF.

Bilateral Aid.

22. Whilst in strict terms it is only in the aid effort of the Community as such that Britain will be required to participate after enlargement, it is important to bear in mind that, with the exception of Luxembourg, each member of the Community has its own responsibility towards the developing nations. Their individual records in this field give us an indication as to the nature of their attitude towards developing nations as a whole.

23. Whilst there are specific criticisms that can be laid against the efforts of each of the five countries there is little to gainsay the fact that their official development assistance rose by one half between 1960 and 1969 compared with 42 per cent for all the development assistance committee countries and under 6 per cent for Britain. Moreover Belgium, The Netherlands and Germany, have accepted the targets set for the United Nations second development decade of transferring 0.7 per cent of GNP in official aid, while France has accepted the principle of a target but has argued that it should be in the range of 0.6 - 0.7 per cent. The West German aid programme was in 1969 40 per cent higher than that of Great Britain in dollar terms and the terms of German lending are gradually being eased. In addition to this, private investment in developing countries from the Six has in recent years been remarkable.

24. This should serve to ease the fears of those who consider that Britain's association with the Economic Community will prevent her from continuing to discharge her responsibilities to the developing world since, on the whole, the aid record both multilateral and unilateral of the Six members of the present Community is encouraging and outward looking. As far as the negotiations are concerned, the question of how British official aid will be channelled through the Community effort after enlargement has not yet been discussed. Nevertheless, it is fully expected that we shall play our part in the Community programme to promote development, within the framework of our own official aid programme.

IV. GENERALISED PREFERENCE SCHEMES.

25 One of the most important factors in the relationship between Europe and the developing world is the effect of the generalised preference scheme, proposed in a resolution of the UNCTAD Conference in New Delhi in 1968. A brief note on the respective British and EEC schemes may be helpful.

United Kingdom

26 The United Kingdom proposes to grant duty free entry for industrial products in Chapters 25 to 99 of the Tariff (including raw materials, with some possible exceptions still to be decided upon) other than most textiles and apparel and goods subject to revenue duties. Duty free entry is offered on a number of textiles including carpets and floor coverings of all materials, twine, cordage and ropes and goods made therefrom, yarn and fabrics of jute, of paper and of miscellaneous vegetable fibres, and felts and felt articles. In addition to textiles the main category of goods excluded are those subject to revenue duties: hydrocarbon oils, perfumed spirits, matches and portable lighters.

27 Duty free entry or tariff reductions are also proposed for a range of processed agricultural products covering over 140 tariff positions. Among the products for which duty free entry is proposed are bone meal, currants and certain other dried and preserved or otherwise prepared fruits and vegetables, tomato juice and certain other fruit and vegetable juices, glycerol and glycerol lyes, chocolate and sugar confectionery, sweetened cocoa powder and biscuits and cakes. A 50 per cent duty reduction is proposed for beef extracts and juices and canned tuna. It is proposed to reduce the duty on extracts, essences and concentrates of coffee to the Commonwealth Preference rate.

28 The inclusion in our scheme of a number of goods is conditional upon the consent of countries in the Commonwealth preference area which have trade agreement rights to margins of preference in the United Kingdom market. The Commonwealth preference arrangements will continue in parallel to the generalized scheme. Developing Commonwealth countries will also be able to benefit from the inclusion in the United Kingdom offer of a number of products (for example, clocks and watches and musical instruments) on which they at present have to pay a Commonwealth rate of duty.

29 Since the purpose of the scheme is to increase the export earnings and to promote the industrialization of the developing countries, imports from these countries may be expected to become more competitive and to increase to the extent that this purpose is fulfilled. Nearly all imports from the developing Commonwealth countries already enjoy duty free entry in the United Kingdom market and the scheme will therefore have little effect on imports from those countries. The main advantages will accrue to non-Commonwealth developing countries. The United Kingdom has reserved the right to withdraw or modify the concessions on any products within the scheme. The grounds for such action would normally be the import of a product in increased quantities and under conditions which, in the Government's view, cause or threaten serious injury to domestic producers of similar or directly competitive products. Arrangements will be made to obtain sufficiently detailed import statistics to enable the scheme's effects on trade to be kept under review.

30. The United Kingdom offer is also subject to a number of other qualifications. First, the scheme may have to be modified if it becomes necessary to keep it broadly in line with those of other preference-giving countries. Second, account will have to be taken of the extent to which Commonwealth developing countries benefit as a result of all the schemes. Third, in the event of successful negotiations for entry into the EEC, our scheme would have to be assimilated to that of the Community.

European Economic Community

31. The EEC propose to grant duty free entry to all manufactures and semi-manufactures in Chapters 25 to 99 of the Common External Tariff, without exception. There will be no safeguard arrangement linked to injury to domestic industries, but the amount of imports from developing countries that will benefit from duty free entry will be subject to limitation within quota ceilings. These will be calculated under a standard formula applicable to all products under which each ceiling will have two elements. The first, the basic amount, will be the total value of imports of the product from the beneficiary countries in a base year, 1968. To this will be added a supplementary amount calculated by taking 5 per cent of total imports into the Community from all sources other than the beneficiary countries. Trade between the member states is excluded from the total from which the 5 per cent will be calculated, but imports from the Community's associated states in Africa and elsewhere (which already receive duty free entry) will be included. The additional amount of the quota will be calculated from the total imports into the Community from non-beneficiary countries in the most recent year and will be recalculated annually on the basis of the latest available figures (but will not be reduced). Once the ceiling for duty free entry has been reached in any year, further imports from developing countries will be charged the full rate of duty, but will qualify for duty free entry again at the start of the following year.

32. The way in which this formula will be applied can be shown by taking a hypothetical example. If imports of a given product into the EEC in 1968 from the beneficiary countries were $1,000 and $10,000 from all other countries (excluding trade between the Six), the quota would be made up of the basic amount of $1,000 plus an additional amount of 5 per cent of $10,000. This would give a total quota of $1,500.

33. A ceiling under this formula will in principle be available on all the manufactures and semi-manufactures in Chapters 25 to 99. The Community have stated that they intend to enforce the ceilings only on a limited range of goods that are considered to be sensitive. Another provision in the formula is that preferential imports of each product from any one developing country will not as a general rule be allowed to exceed 50 per cent of the total ceiling for that product. This is intended to limit the preferences granted to the more competitive developing countries and to reserve a substantial share for the others. The ceilings on cotton textiles will be calculated according to the same formula but duty free entry will be accorded only to those developing countries from which imports into the Community are already subject to quantitative restrictions under the GATT Long Term Arrangement, for the duration of that arrangement, and to other beneficiary countries which are prepared to give similar undertakings. There will be similar special arrangements for coir and jute textiles.

34. Industrial raw materials falling within Chapters 25 to 99 of the Tariff are excluded from the Community scheme. The Community intends to follow a definition of primary products ~~products~~ produced by the UNCTAD Secretariat in 1965 and in addition to exclude metals up to the manufacturing stage to ingots. Tariff reductions, mostly averaging about one-fifth but with some larger ones, are offered on a range of processed agricultural products. Preferential entry of these products would not be limited by means of a tariff quota, but an escape clause related to injury will apply.

35. The countries and territories associated with the EEC will continue to enjoy their existing preferential arrangements.

36. Upon enlargement, it will be necessary for the two schemes to be harmonised. Preliminary discussions on this are expected to get under way later this year in Brussels, since the EEC have said that they will put their scheme into operation some time in the Summer. The EEC's scheme is broadly comparable to the schemes of other countries. Indeed, to the extent that it includes cotton textiles and a range of processed agricultural products, it may be said to have advantages for certain developing countries over some other donors' schemes. The government are therefore confident that the process of harmonisation will not work to the detriment of the beneficiaries of either of the proposed separate schemes. The EEC's scheme which, like all the others, is aimed at the developmemt of industrial processes, will, on balance, tend to favour countries in South America and Asia, regions in which the Community is criticised for its lack of development assistance.

V. THE NEGOTIATIONS

37 In each of Britain's negotiations with the Community, the problems of developing Commonwealth countries have always constituted a significant factor in the negotiations themselves. A major part of the 1961-1963 negotiations was concerned with seeking safeguards for Commonwealth interests. The situation has changed in many respects since then. There has in the intervening years been a considerable diversification of Commonwealth trade: in 1959 the developing Commonwealth sent 24 percent of its exports to the United Kingdom; in 1969 this percentage had dropped to 16. Again, the UNCTAD Scheme for Generalised Preferences will when it is implemented make it possible for the exports of a number of developing Commonwealth countries not only to enjoy free entry into the United Kingdom but also into the rest of the EEC and other developed countries. Thirdly, some Commonwealth countries have, quite independently of Britain's applications, made arrangements with the Communities. Fourthly, with the development of the Communities, the British Government has accepted the fact that if its negotiations are to succeed, they must be on a narrower front than in 1961-63.

38 It will be helpful to look in some detail at the arrangements which it has been the Government's aim to secure in order to safeguard essential Commonwealth interests in terms of individual countries or groups of countries.

Negotiation Aims

39 (a) Associable States

These include the independent Commonwealth countries in Africa, the Caribbean, certain developing islands of the Commonwealth, and the dependent territories (excluding Gibraltar and Hong Kong).

40 During the 1962 negotiations it was agreed that association under arrangements to succeed Part IV of the Treaty of Rome would be available for independent Commonwealth countries in Africa and the Caribbean; that it would remain available for those who did not initially apply; and that the enlarged Community would alternatively be willing to negotiate trade agreements with them. Association with the EEC was at that time viewed with considerable suspicion by some African Commonwealth countries as a form of neo-colonialism and they were reluctant to contemplate applying for it. In 1964 Part IV Association was replaced, in the case of independent African countries, by the First Yaoundé Convention. At the time of signature of the Convention, the EEC Council of Ministers issued their Declaration of Intent. Since then Nigeria has concluded a limited association agreement with the Community, which was never ratified and has since lapsed. Kenya, Uganda and Tanzania have negotiated two successive association agreements which, however, unlike the Yaoundé Convention, have no aid provisions. Ghana, Sierra Leone and The Gambia have all shown some interest in association with the EEC. The attitude of a number of African Commonwealth countries has therefore undergone a marked change since 1962. The Government's negotiating position has been that for all these countries there should be a confirmation of the Community's 1963 Declaration of Intent, which would not necessarily bind them to accept the type of association now in force under the Yaoundé Convention, but would offer them the right to do so if, upon renegotiation of the agreements, they considered it in their interests.

41 As for the dependent territories (excluding Gibraltar and Hong Kong) the Six agreed in the 1962 negotiations that association under Part IV of the Treaty of Rome would be available. Theoretically, it would be possible for our dependent territories to be included at once in the Protocol extending the provisions of the Yaoundé Convention to them. However, it would be administratively easier to delay their inclusion until negotiations begin for a new convention to include independent Commonwealth developing countries.

42 (b) The Non-Associable Countries

These include Hong Kong and the Asian Commonwealth countries.

Hong Kong

43 For Hong Kong the British Government has sought her inclusion in the Communities' UNCTAD Generalised Preferences Scheme, either on the same basis as other claimants to beneficiary status, or on a basis which gave Hong Kong at least significant benefit under those arrangements.

Asian Commonwealth countries

44 The countries concerned are India, Pakistan, Ceylon, Malaysia and Singapore. The provisional agreement over India, Pakistan and Ceylon reached in the 1962 negotiations was complex. Much has changed since then. Some of the items which were then of paramount interest are of less significance now, either because trade in them has diminished or because the Community's tariff on them has been reduced.

45 The Generalised Preferences Scheme will also be of considerable benefit to the Asian Commonwealth. It will provide increased access to the markets of non-Commonwealth developed countries. It will however require the Asian Commonwealth countries to share existing preferential benefits in our market with non-Commonwealth developing countries and they will therefore wish to ensure that they obtain compensating advantages in the markets of other donor countries. Our position in the EEC negotiations, in the light of these considerations, was to review the position of the Asian Commonwealth when details of the UNCTAD Preferences Scheme became clear.

The achievements so far

46 Against this background of the aims for the Commonwealth, we should now examine the achievements since the start of the negotiations, for the developing Commonwealth countries. In general this aspect of the negotiations have made good progress. We have examined with the Six and the other applicants the dimensions of the problems involved and we have achieved much that is necessary for those whose interests are at stake.

Commonwealth countries in Africa

47 The European Community have agreed that the alternatives offered under the Community's 1963 Declaration of Intent should be open to all Commonwealth African countries. This Declaration, as mentioned above, envisaged either a Yaoundé Convention association or a more limited form of association under Article 238 of the Treaty of Rome, or a non-preferential trade

agreement. The decision as to which of these alternatives the African Commonwealth countries should adopt lies in their own hands. The advantages of association with the Community are therefore fully open to these African countries. They stand to gain similar advantages to those now enjoyed under the Yaoundé Convention by the ex-French territories in Africa. These comprise advantages with regard to trade and aid and the right to control their own economic relations with the Community through the institutions set up under this Convention. They may prefer some other form of link with the enlarged Community as provided for by the alternatives of the Community's offer. Whatever they may choose Her Majesty's Government is convinced that their interests will be safeguarded after Britain's entry. The Community have included for this purpose the three countries of Botswana, Lesotho and Swaziland, although it is recognised that there remain certain problems arising from the position of these countries which still need to be considered.

The Associated States of The West Indies and other dependent territories

48 The Community have agreed to Association under Part IV of the Treaty of Rome for these territories. In the view of the Government this achievement can only serve in the best interests of these States.

The Asian Commonwealth

49 The undertaking of the Six to examine with us after enlargement with these countries the problems that might arise in the field of trade with a view to reaching appropriate solutions, when viewed together with the advantages that should accrue from the Generalised Preferences Scheme, is in the view of the Government a substantial guarantee for the future trading position and prosperity of the Asian Commonwealth countries. This is especially true in the light of the Community's expression of its desire to extend and reinforce trade relations with these countries.

Hong Kong

50 The Community have indicated that they are prepared to include Hong Kong in principle as a beneficiary of their Generalised preferences Scheme. This offer will considerably improve Hong Kong's future trading position with the enlarged Community, and the proposals have been accepted. The British Government has also assured the European Community that they will in addition use every means to encourage other developed countries who are preparing a Generalised Preference Scheme also to include the Colony as a beneficiary.

Outstanding Problems

Sugar

51 The present CSA continues indefinitely, but includes a clause permitting Britain to withdraw from its obligations with effect from the end of 1974 if this is necessary as the result of the successful negotiations for EEC entry. Until that date we shall of course fully honour the agreement.

52 Many developing Commonwealth countries, not only in the Caribbean, are heavily dependent upon their foreign exchange earnings from sugar. For example, Mauritius receives well over 90 per cent of its foreign exchange earnings from exports of sugar. The importance of sugar to these countries is not only an economic one: because of the numbers of persons for whom it provides employment it is as vital socially as economically. If arrangements

cannot be made for continuing sugar exports from these countries they face not only economic problems but also social upheaval and all that that entails.

53 What concerns the British Government in the Brussels negotiations are the arrangements after the end of 1974. It is necessary to plan sugar cane production years ahead and the sugar producers require to know what the position will be after 1974 so that they can plan and finance the rolling on of sugar production. As you know, Mr. Rippon, the Chancellor of the Duchy of Lancaster, visited the Caribbean in February and saw at first-hand the problems both economic and social. As a result of this visit, he was able at the last Ministerial meeting in Brussels on 16 March to emphasise to the Community the great political significance of the problem, It would be a tragedy - and, in terms of sheer self-interest, a gigantic blunder - if the enlargement of the Community were to produce economic and political chaos in the countries concerned.

54 We have tabled proposals to the Community for a form of continuing arrangement for Commonwealth sugar after our entry, subject to review. We await the Community's reaction to these proposals. We are confident that it will be possible to work out satisfactory arrangements with the Six for sugar from developing Commonwealth countries. The Community has accepted the principle of derogation for developing Commonwealth sugar producers. We are now awaiting the Community's reactions for the implementation of the proposals.

Association for the Caribbean countries and other developing Commonwealth countries

55 We have already seen that Her Majesty's Government have invited the Community to make the alternatives of their 1963 Declaration of Intent available to independent Commonwealth countries in the Caribbean and other developing countries (Mauritius, the independent Pacific countries of the Commonwealth - Fiji, Tonga and Western Samoa). These countries fall economically and socially into the same category as those of Africa to whom the offer has already been made. The Community have asked that as far as these countries are concerned they would look at the position in the light of developments for safeguarding the long term interests of the developing Commonwealth sugar producers, mentioned above. Mr. Rippon's recent tour in the Commonwealth Caribbean served to confirm that an offer of association by the Community would go a long way to protect the vital interests of these countries and we continue to regard this as a basis of our negotiations on their behalf in Brussels.

Other commodities

56 Several other commodities from the developing Commonwealth will be affected by enlargement of the EEC. The Government is well aware of these. In some cases their prospects will be safeguarded by association, already offered or requested; in others special arrangements may be necessary.

VI. CONCLUSION.

57. This paper has tried to set down in objective terms an account of the Government's aims and achievements for the Commonwealth developing countries in the light of our negotiations. It is important to stress here that the Community have shown throughout these dealings that they understand our concern to protect the interests of our developing Commonwealth partners. This is a hopeful sign for the future. The Community has proved itself to be an outward-looking Community, one with an impressive aid record and investment record towards developing countries. This record has been improved by the Community's own financial and economic improvement. It has always been the Government's view that this contribution to solving the problems of less prosperous countries will be enhanced when Europe is enlarged.

58 The Community share this view. Signor Malfatti, President of the European Commission, said in his annual address this year to the European Parliament that the Community's policy of association with the various developing countries must be seen as a progressive advance towards the Community policy on development co-operation. This would not be confined to tariffs and trade but would move towards a wider range of means of action so that it could react in a manner better suited to specific situations. He also said that the Community would persevere in its determination to perform its duties to the developing countries to the full. These are aims and aspirations fully shared by the British Government.

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Conference Paper No. 2

SID/ODI CONFERENCE

BRITAIN, THE EEC AND THE THIRD WORLD

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April 26 and 27, 1971

TRADE ISSUES FOR THE DEVELOPING COUNTRIES

by

David Wall

ODI/B

1. In a world trading environment in which many changes are currently taking place it is difficult to isolate the likely impact of any one change. It is especially difficult to estimate the likely impact of the entry of the United Kingdom into the European Economic Community on the interests of less developed countries. This is partly because it is necessary to take into account the many (both competitive and complementary) interests involved and partly because, there has been no indication from either side to the current negotiations of any detailed policy position with regard to safe-guarding the interests of the countries of the Third World. It is important, however, to bring the issue to the forefront of public discussion because of the special nature of the United Kingdom's relationship (through its central role in the Commonwealth) with the Third World and because of the inward looking biasses of the European Economic Community.

2. One way of measuring the importance of developed countries to less developed is to look at their importance as trade partners. Roughly 20% of the total imports of the European Economic Community comes from less developed countries while the United Kingdom derives around 26% of its imports from those countries. While the difference in percentage points of these two figures is small, if we take them as extremes of possible effects following the United Kingdom's entry into the European Communities then the absolute value of trade represented by the difference is of crucial importance. Thus if the trade pattern of the United Kingdom in this respect were to adapt to that of the Community, it would entail a fall in her imports from the less developed countries of around one billion dollars.(1) The opposite extreme would be achieved if the Community import pattern changed to that of the United Kingdom - in this case the Community's imports from less developed countries would rise by over four billion dollars. The difference - about five billion dollars is roughly equivalent to one eighth of all industrial countries' imports from less developed countries.

3. The validity of the figures quoted in the last paragraph depends on the assumption that the import patterns differ at present because of differing policy measures which affect conditions of production and consumption rather than differences in consumer preferences. While it would be difficult to substantiate this for every commodity there is a substantial body of evidence available to support the claim that the lower ratio of imports from less developed countries to total imports in the case of the European Economic Community reflects more restrictionist policies vis-a-vis those imports than is the case for the United Kingdom. Examples of this contrast abound. Thus the Community operates a sugar policy which guarantees the whole of the Community's market for sugar for domestic (including overseas Departments such as Guadaloupe and Montinique) producers, while the Commonwealth Sugar Agreement guarantees a substantial part of the United Kingdom's market for sugar to less developed producer countries. Similarly the major member countries of the Community tax the consumption of beverages imported from the less developed Third World, the United Kingdom does not. (2).

(1) Michael Lipton has pointed out that these aggregate figures hide the fact that if, after entry, the U.K.'s imports of sugar and textiles were to fall to EEC proportions of total consumption, and nothing else happens, then the total percentage of imports from LDCs into the UK would fall by much more than one billion dollars.

And of products of export interest to less developed countries more enter the United Kingdom free of duty than enter the Community, and where duties are applied those imposed by the United Kingdom are frequently lower. Finally, although both the United Kingdom and the European Economic Community operate preferential tariff systems in favour of selected less developed countries, more (and bigger) countries benefit, on a wider range of products, from the United Kingdom's system than do under the parallel Community system and fewer are required to provide reciprocating concessions.

5. To the extent, then, that the relative trade performance of less developed countries in the markets of the United Kingdom and the European Economic Community can be explained by policy factors, it is obvious that the less developed countries have an intense interest in the nature of the outcome of the negociations concerning the United Kingdom's application for membership of the European Economic Community. This is especially true for the less developed countries belong to the Commonwealth. And yet the negotiations concerning the possible expansion of the Community are proceeding with almost no attention being given to the impact of such expansion on the Third World in general and the less developed Commonwealth in particular. All that has emerged on this score are the following statements that: one attention will be given to the interests of beneficiaries of the Commonwealth Sugar Agreement (which covers Australia and South Africa as well as less developed countries); two, dependent territories (except for Hong Kong) of the United Kingdom will be treated in the same way as overseas territories of existing members; three, some Commonwealth African countries will be allowed to apply for "association" with the Community; four, Caribbean Commonwealth countries can be expected to negotiate trade agreements for the specific products in which they are interested; and finally the problems of the Asian members of the Commonwealth would be studied during the time the United Kingdom was going through the transition to full membership of the Community. Nothing is held out for the independent less developed countries, especially those in Latin America, other than hope for benefits from the UNCTAD sponsored preference scheme and 'spill-over' effects from the growth of Community income.

4. That the nature of the situation is not fully appreciated by the British government is clearly demonstrated in Mr. Rippon's statement to the House of Commons on December 10th 1970. In this statement he said

> 'We are concerned that the enlarged Community should have good trading relations with the developing countries as a whole, including the Commonwealth.
> We must be desperately concerned about the trade of all these small developing Commonwealth countries. The best way we can protect it is to ensure we are strong enough within the enlarged Community to be able to buy what they have to sell.'

(2) The removal of such taxes may not have any great effect on total consumption but it would allow LDC exporters to impose equivalent taxes or price increases - which would mean a significant increase in foreign exchange receipts for them.

This statement misses the point, which is that the amount and source of imports from less developed countries into the European Economic Community and the United Kingdom is to a large extent determined by policy measures rather than by the economics strength of those countries. The issue now is whether or not an enlarged Community, including the United Kingdom, would increase the severity of the existing restrictions on imports from the Third World. Furthermore a question which must be raised is whether or not the process of enlarging the Community would slow down the process of world wide liberalization of trade which, has been taking place since the end of World War Two. The first signs that it might, have been evident in the protectionist lobbies of the U.S.A. during the last year. Mr. Rippon's 'desperate concern' is in fact inconsistent with one of the prime objectives of the Community which is to enhance its own economic strength by increasing its self-sufficiency.(3) This is not to say that enhanced economic strength is incompatible with increased flows of imports from less developed countries. The argument being made here is that while such enhancement of economic strength (whatever this means) is a sufficient condition for increased flows of imports from the Third World, it is not a necessary one. The overriding necessary condition is a desire to reduce discrimination against imports from poor countries. There is little evidence at present of such a desire.

6. What does Mr. Rippon mean by the phrase 'good trading relations'? At present the members of the European Economic Community and Britain (as a member of E.F.T.A.) collectively discriminate against imports from less developed countries (Britain and the Community favour some less developed countries over others), and impose impediments to some imports from that source. In addition, British membership of the Community would automatically worsen the trade prospects of several less developed countries as their benefits under the Commonwealth Preference System, Commonwealth Sugar Agreement and the Textile arrangements, were abolished and not replaced by any compensating benefits. Finally, if Britain were to adopt the Community's offer of preferences under the UNCTAD scheme then the value to the less developed countries of Britains participation in that scheme would be much reduced. Mr. Rippon's phrase has a hollow ring to it.

7. In the absence of any definite detailed statements concerning changes in the trade policy of the Community towards less developed countries consequent on its enlargement it is not possible to set out definitive predictions of the effects of that enlargement on the trade prospects of the less developed countries. All that is possible is to identify forces which are at work in any case, allowing for possible changes which have been indicated, and assess the likely impact of these forces on the Third World, broken down into groups with similar interests. The two most important policy determined factors which are at work are the Yaoundé Convention and the UNCTAD preference schemes.(4) The most important

(3) For example over the period 1959 to 1969 - a period of marked economic expansion in the EEC -- the share of the Community's imports derived from its Yaoundé associates fell from 3.5% to 2.4%. (A similar fall in market share was suffered by less developed Commonwealth exporters to the U.K., from 16.7% to 10.9%) Meanwhile the share of each Community member's imports supplied by the other five members rose.

modifications which must be allowed for are those contained in the statements listed above concerning the less developed members of the Commonwealth.

8. Groups of countries can be identified according to the degree to which they could expect preferential treatment to be extended to them by the expanded Community under the Yaoundé Convention (and other special arrangements) as qualified by the coming into operation of the UNCTAD sponsored preference scheme.(5) This last qualification is an important one as it could seriously reduce the value of the preferences currently extended by the Community and the United Kingdom to the members of their preference schemes. The final outcome is uncertain as so far there has not been any indication as to whether the UNCTAD preference scheme operated by an enlarged Community would take the form of that currently offered by the Six or that offered by the United Kingdom. In fact one of the reasons why the form of the UNCTAD scheme differs according to the country (or group) operating the scheme was the difficulty of reconciling a uniform scheme with the interests of currently preferred less developed trading partners. As they presently stand the schemes of both the Community and the United Kingdom contain the proviso that the preferences to be implemented after ratification would to some extent depend on the outcome of negotiations with members of their existing preference schemes. In addition the United Kingdom scheme includes the qualification that if less developed Commonwealth countries who lose benefits under the present Commonwealth Preference System do not receive adequate compensatory benefits in other markets under the UNCTAD scheme then the United Kingdom offer will be modified. A similar clause is contained in the Community's offer, re its Yaoundé associates but in this case the safeguard will be implemented via the operation of a tariff quota system which will limit imports preferences from less developed countries who do not currently benefit from special preferential trading arrangements with the Community. An, as yet, unknown factor which limits the value of these safeguards is the fact that the United States scheme is qualified by a proviso which states that the continued operation of the United States scheme is conditional on the elimination of the special preferences implied by such safeguards.

9. Another, in this content, crucial difference between the two schemes is that while the offer of preferences for processed agricultural products in the United Kingdom scheme is based on zero tariffs, that in the Community scheme is based on quite small cuts in the full tariff rate. This would leave frequently quite substantial protection (up to 34%) for processing industries within the Community and in the beneficiary countries of the Community's existing preference schemes. For the most part imports of these products enter the Community duty free from the countries which currently benefit from the special preferential arrangements.

(4) This paper is confined to an examination of trade policy measures. It should be noted, however, that the operation of the Common Agricultural Policy would also adversely affect the interests of many LDCs.

(5) The UNCTAD preference scheme of the EEC is to operate as from July 1st 1971.

10. At the present time it is impossible to know whether the UNCTAD preference offer of the enlarged Community would be more like the present United Kingdom offer or that of the present Community. There has been no official guidance on this point. Clearly any attempt to guess at the likely outcome is, at this stage, a matter of political judgement. It is the author's opinion that the joint offer is most likely to take the form of the current Community offer. In that case current beneficiaries of the Commonwealth Preference System which would not be included in the special preferential arrangements of the enlarged Community under the Yaoundé Convention (mainly the Asian and Carribbean Commonwealth members) would find their traditional tariff free protected markets for processed agricultural products in the United Kingdom closed by one of the highest tariff barriers in the world. Their only hope would be for specially negotiated trade agreements with the enlarged Community. It is unlikely that in such a situation the United Kingdom would hold out against its fellow members of the Community and its client states in French-speaking Africa to ensure no losses are incurred by such Commonwealth countries. Indeed as the bilateral trade agreements, and all other specially negotiated arrangements, of the Community are based on substantial reciprocal concessions such losses are virtually guaranteed.

11. The preceeding paragraph was concerned with processed agricultural products exported from Commonwealth countries which would not be given rights under the Yaoundé Convention. Another group of Commonwealth countries which must almost certainly incur substantial losses following the United Kingdom's joining the Community, is composed of those countries which are developing markets in the United Kingdom for manufactured goods and which would be excluded from benefits under the Yaoundé Convention. Except for textiles, there are no quantitative restrictions on imports into the United Kingdom of manufactured goods from less developed Commonwealth countries. Such trade has in recent years contributed significantly to the economic development of several Commonwealth countries, especially among those in Asia and the Caribbean. These countries will lose their protected markets in the United Kingdom. The Community's UNCTAD preference scheme, which is being held up to them as compensation, will place restrictions on the total value of imports of manufactured products which would benefit from preferences - both on the initial level of such imports and its rate of expansion. In addition, no beneficiary of the scheme will be allowed to supply more than half the total preference quota in any year. The rigidity and arbitrariness of these rules presents the possibility of some serious anomalies arising. For example if a beneficiary, on the basis of the preferences, develops a competitive advantage in a specific manufactured good it will find that the value of the Community preference is dependent on the level of the Community's imports from <u>developed</u> countries <u>and</u> uncompetitive less developed countries. This follows from the rules that no beneficiary can provide more than half the quota, and that the quota is set at a level equal to the value of the Community's imports of the product from beneficiaries in 1968, plus 5% of the c.i.f. value of imports from non-beneficiary (developed) countries. The countries which obviously stand to lose considerably in that situation include India, Pakistan, Malaysia, Singapore and Hong Kong.

12. So far we have identified one group of countries - those Commonwealth countries who would not benefit under the Yaoundé arrangements. Their experiences would depend partly on the nature of their exports and partly on the nature of any trade agreements they may be able to negotiate with the enlarged Community. On the basis of the evidence we have to hand, however, they would almost certainly all be net losers as a result of the United Kingdom's joining the Community. The losses of these countries, added to the losses of consumers in the United Kingdom, would be balanced by the gains of producers either in the enlarged Community, or the Community's specially preferred suppliers (not all less developed countries), or other less developed countries with which the Commonwealth countries would have to compete on an equal footing. It is to these last two groups of countries which we will now turn our attention, having noted in passing that domestic producers in the enlarged Community would benefit from the increased protection implied by the changes.

13. The first group is composed of those countries which would be associated with the enlarged Community by the Yaoundé Convention or its replacement, and other countries with special trade links. At present the association arrangements take several forms. The French overseas departments are treated as part of the Community itself and will be more-or-less unaffected by the changes. Overseas dependencies of France and Holland are extended the same commercial policy treatment by the Community as is applied to intra-Community trade, including similar rights and obligations under the Common Agricultural Policy. The existing Associated States and remaining dependencies (except Hong Kong) of the United Kingdom are likely to be offered a similar arrangement. The Yaoundé Convention created a series of free trade areas between the Community and eighteen ex-colonies of the six. Nine Commonwealth countries in Africa (the black states, and possibly Botswana, Lesotho, Swaziland) would, it has been stated, be offered the same treatment. For the East African countries this would be a replacement for their existing association links with the Community.

14. For the most part the overseas departments and dependencies are very small units and the impact of the proposed changes on them will be ignored here on the grounds that any benefits they receive would have little effect on the total markets of other countries and that any losses they incur, can be regarded as grounds for compensation from their metropolitan powers. Our real concern is with those countries associated with the Community via the Yaoundé Convention, or which have been promised such association. So many, at present not quantifiable, factors have to be allowed for that the final outcome of the changes in terms of their impact on the trade interest of these countries is difficult to assess. First, the UNCTAD preference scheme would reduce or eliminate their special preferences for manufactured products, although any interests they have in this field would be to some extent safeguarded by the tariff quota restrictions of the Community's scheme. In fact, as none of the present or proposed beneficiaries under the Convention have any significant interest in exports of manufactured products the benefits of these restrictions will probably accrue to Community producers and producers in non-Community developed countries. Secondly, the present Convention beneficiaries would have to share with their new colleagues their heavily protected market in the Community for processed agricultural products.

They would receive in return free access to a newly protected UK market, but as for most items they are less competitive than the Commonwealth countries in Africa they would be unlikely to make much inroad into this market and would probably stand to lose much of their market in the Community. Prima facia it would appear then that the market situation of the Commonwealth African countries offered Associate status under the Yaoundé Convention would improve, largely at the expense of the present Associates. But the long term continuance of such benefits will be in jeopardy as long as the Community and United States viewpoints on discriminatory preference schemes remain unreconciled.

15. The remaining group of countries to be considered is the non-Commonwealth countries which will not have any special access to the market of the enlarge Community other than via the UNCTAD preference scheme. On the assumption, made above, that the scheme operated by the enlarged Community would be closer in form to the offer of the Six than that offered independently by the United Kingdom then the, for the most part, trivial preferences offered on processed agricultural products can be discounted. These preferences are unlikely to have any significant effect on trade flows. For manufactured products the situation is unclear. Those countries which would benefit under the scheme and which have developed export lines in manufactured goods, (mainly Taiwan, Korea, Phillipines, Mexico and Argentina), could make a once-for-all gain to the extent of the MFN tariff times the share they manage to acquire of half the Community's imports from them of the relevant products in 1968 plus 5% of such imports from all sources. This gain is unlikely to have any marked effect on the total foreign exchange earnings of the countries in question. And against this gain must be set the new limitations imposed on the growth of such exports and the expansion in the number of less developed countries who will not be subject to such restrictions (th Commonwealth African countries).

Summary and Conclusions

16. The enlargement of the European Economic Community due to the accession to membership by the United Kingdom and the other applicants would create the world's largest trading bloc, in which imports from non-members (including less developed countries) would be discriminated against. On its own this would represent a substantial worsening on the overall trade position of the Third World. But two other changes must also be allowed for. First there would be an increase in the number of less developed countries which would have equal trade access to the markets of the Community countries as would be enjoyed by the members of the Community. And secondly the probability that the enlarged Community would operate an UNCTAD preference scheme along the lines of that currently being offered by the Community has to be taken into account.

17. This paper has been reasoned in terms of broad changes in commercial policy structure that would be faced by less developed countries with export interests in the enlarged Community. On these terms it has been argued that while Commonwealth countries which would receive association rights with the enlarged Community would stand to benefit, these benefits would largely be at the expense of countries who currently enjoy rights of association with the six and of Commonwealth countries which would lose their special preferences in the United Kingdom market. Hong Kong in particular would find itself with a substantially

worsened trade enviroment. It was also argued that the UNCTAD preference system likely to be operated by the enlarged Community might confer some small scale short term benefits on some less developed countries exporting manufactured goods but that such benefits would be at the expense of the long term interests all less developed countries. If it is also allowed that the process of enlargement of the Community implies a force which would operate to slow down the momentum of world wide liberalization of trade then it is difficult not to reach the conclusion that process would involve a serious threat to the trade interests of less developed countries.

18. Such a result must almost necessarily follow from the creation of a situation in which some of the world's largest, protectionist minded, countries are permitted to dictate the terms on which they will allow imports into their markets, without fear of retaliation. It is natural that they should attempt to use their monopsonistic trading power to create the trading enviroment most conducive to their own interests. The British Government has stated that its negotiating position is based on the principle that British interests come first and that consideration of the interests of its trading partners in the Commonwealth and elsewhere will not impede the negotiations. It is clear that so far the British Government has given little thought to the effect its joining the Community would have on the trade interests of less developed countries, both within and without the Commonwealth. No attempt has been made even to calculate the magnitude of that effect. In those circumstances Mr. Rippon's phrase expressing concern can only be regarded with scepticism by the countries of the Third World.

Note:-

Thanks are due to Michael Lipton and Robert Wood for valuable comments on an earlier version of the paper. Responsibility for opinions and errors is mine. The earlier version is to be published in Destiny or Delusion, D. Evans (editor), by Gollancz, summer 1971.

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BRITAIN, THE EEC AND THE THIRD WORLD

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ENLARGEMENT OF THE EEC AND COMMUNITY POLICIES IN THE FIELD OF TRADE

by

Gerhard Schiffler

Author's note:

This paper represents my personal views, and in no sense commits the institution to which I belong, namely the Commission of the European Communities.

1. INTRODUCTION

1 In dealing with the responsibility which an enlarged Community will have in the matter of development it is necessary first of all to look at the concept of development policy in the EEC as it is today. The first part of the paper therefore outlines - without any pretensions to being exhaustive - some essential aspects of the Community's regional development policy; the emphasis will naturally be on the Yaoundé Conventions. The second part describes the ways in which the Community is already active today in some fields of development policy outside the regional framework. In the third and last part there is a discussion of the prospects that lie ahead for an enlarged Community in the development field, particularly the evolution of association arrangements in the future.

2 The paper is concerned primarily with trade matters. Financial aid and technical assistance are dealt with by Dr. Charles van der Vaeren in papers .... and ....

11. THE COMMUNITY'S DEVELOPMENT POLICY WITHIN A REGIONAL FRAMEWORK

(1)Fundamental principles of association

3 Although it is unnecessary to deal in detail with the origin of the association based on Part 1V of the Treaty of Rome, it may be appropriate to reiterate the basic features.

The preference given to a number of African countries through the association with the EEC arose from the consideration that it was not possible to break the economic links that had grown up in time without replacing them with something else, for both European and African interests would have been badly hit. And so the EEC has been given a task in part of Africa which it presumably would not have sought of its own accord without the colonial heritage of some Member States.

5 With the independence of the overseas territories, and subsequently through the Yaoundé Conventions, the association developed from an exclusively internal, multilateral arrangement under the Treaty into an external relationship of the Community based on mutual rights and obligations. This association has now acquired political stature of its own, as the Associated African States and Madagascar (AASM) have become true contractual partners of the EEC.

(2)Aid by trade - one of the most important features of the association

6 On the trade side, association is based on the principle of the establishment of a free trade area with reciprocal rights and obligations, to the extent that the latter can be assumed by developing countries. It therefore consists of according the associated countries preferential treatment, and it is undoubtedly the most contested feature of the association. The developing countries in competition with the AASM feel themselves at a disadvantage; the AASM in their turn consider the EEC preferences to be insufficient and regret that they are being reduced progressively.

cont/...

(2) Aid by trade - one of the most important features of the association (cont)

7 Criticism of EEC preferences however, generally overlooks the fact that by no means all products imported from the AASM into the Community enjoy preferential treatment. For a significant number of products of interest to the AASM there is a nil duty under the Community's external tariff as, for example, for groundnuts, palm kernels, copra, cotton, tropical woods, copper and ores, which make up a considerable part of their exports. In addition, a number of agricultural products do not enjoy, as a rule, more than a modest degree of preference, as the Community is for understandable reasons not in a position to include the AASM in its agricultural market organization, or to lift the barriers to such trade in the same way that it has done between the Member States.

8 The aim of the preferences is clear: it is to open markets for the AASM in the EEC - or to maintain open their earlier markets - in order to enable them in this way to cover a part of their growing foreign currency needs by increased exports. And so financial aid, technical assistance and aid through trade are complementary. Indeed, it is doubtful whether one or the other on its own would have been viable in the framework of institutionalized cooperation such as is to be found in the association.

9 It could be asked what effect the reduction of customs barriers vis-a-vis the AASM has had on their exports to the Community and whether the expected development of trade has really come about. The Community's imports from the associated countries went up from $896 million in 1958 to $1,718 million in 1969. This corresponds to an annual growth rate of 6% as against 7.1% growth for the developing countries as a whole. But if petroleum is not taken into consideration - it is exported from the AASM in small quantities only - the rate for the developing countries as a whole drops to 5.1%.

10 The conclusions may be drawn that the EEC preferences, which have been criticised so sharply, have not in fact had the effects hoped for by the AASM and feared by the other developing countries. Does this mean that the EEC has taken the wrong road?

11 The value of customs preferences is of course strongly disputed and can hardly be proved with mathematical precision. It would be too simple, however, to draw the conclusion that they should be dropped because they have not achieved all that was hoped. Who could prove that, without them, exports of this or that product would not have suffered seriously?

12 As regards the destination of their exports to the Community, the AASM have diversified their outlets quite appreciably, for exports to each of the Six have expanded at different rates.

AASM exports to EEC Member States (cif)

Annual growth rates - 1958-1969

(%)

EEC as a whole	France	Belgo-Luxembourg Economic Union	Netherlands	Federal Republic of Germany	Italy
6.0	2.8	6.9	9.4	11.3	13.4

Cont/...

(2) Aid by trade - one of the most important features of the association (cont)

13 Exports to the former mother countries (France and Belgium) are only increasing slowly, while the Netherlands, Italy and Germany have stepped up their imports at a rapid pace - appreciably higher than the Community average. Indeed if one takes into account the respective growth of exports from the AASM to each of the Six, it will be seen that the French market, which absorbed 53.3% of the AASM's exports to the Community in 1959, took no more than 38.8% in 1969. In contrast the share of the other Member States has risen.

14 The decrease in importance of the French market for the Associated States is all the more evident if one considers only the countries previously administered by France. Exports from those countries to France, which accounted for 81% of their exports to the EEC in 1959, represented no more than 56% in 1969, while the market of each of the other Member States accounted, in relative terms, for about twice as much in 1969 as in 1959.

15 The conclusion is clear: that the most marked increase in AASM exports has been to those Member States which earlier they did not number among their traditional customers. This geographical diversification of the associated countries' exports is a logical result of the association, which has created all kinds of new links between the AASM and the Member States other than France.

16 In order to fulfil their obligations arising from the establishment of a free trade area, the associated countries for their part are required to do away with customs duties and quantitative restrictions hampering the import of goods originating in the Community, except in so far as they are necessary to protect infant industries or to meet balance of payment difficulties or budgetary requirements. Hence there are what are known as reverse preferences, which are no less contested than the preferential treatment granted by the EEC to the AASM.

17 Looking at the trend of exports from the Member States to the AASM, it can be seen that they went up from $663 million in 1958 to $1,117 million in 1969. This corresponds to an annual growth rate of 5.6% as against a growth rate of 5.9% for exports from all industrial countries to the AASM. This suggests that the reverse preferences, which incidentally by no means apply to all imports coming from the EEC, have not had the effects feared in many quarters. Regarding the origin of the AASM's imports from the EEC, there has been a similar diversification to that we have already seen in connection with AASM exports to the EEC. The former mother-lands are expanding their exports to the associated countries at a relatively slow pace, while the Netherlands, Germany and Italy are increasing their sales to the associated countries at a rate far higher than that of the Community as a whole.

18 As a result of these developments, France and Belgium accounted for only 59.4% and 11.2% respectively of Community exports to the AASM in 1969 as against 65.8% and 16.9% in 1958. This diversification within the Community of the associated countries' sources of supply also derives from the logic of the association because of the many new links established between those countries and the Member States other than France. It must be remembered, moreover, that with the setting up of the association the advantages which France enjoyed earlier in part of its former territories have progressively been extended to France's European partners.

(3) Institutional aspects

19 So long as the overseas countries were associated only by virtue of the close ties they had with their then mother countries, there was no need for institutional provisions. They were represented vis-á-vis the Community by their mother countries. Once a great part of them had become independent, it was necessary to set up joint bodies under Yaoundé I. In them the contracting partners could manifest their political will and work out in common their position on practical issues.

cont/...

(3) Institutional aspects (cont)

20 This resulted in the creation of:

(a) an Association Council at ministerial level, consisting of representatives of the Common Market Council of Ministers, the European Commission, and one representative each from the associated countries. It meets once a year normally to survey the broad working of the Convention. The office of chairman alternates between a member of the Common Market Council of Ministers and a member of the Government of an associated country;

(b) an Association Committee, with powers delegated from the Council, at ambassadorial level. Its composition follows the same pattern as that of the Council;

(c) a Court of Arbitration consisting of a president, appointed by the Council of Association, and four members, two nominated by the Community and two by the associated countries;

(d) a Parliamentary Conference, composed of members of the European Parliament and of the legislatures of the associated countries, which meets once a year.

21 The setting up of these institutions, and their composition, is perhaps the clearest illustration of the principle of friendly cooperation between equal partners, which underlies the whole concept of association between the Community and the developing African countries.

(4) Justification of regional arrangements

22 In considering the pros and cons of the EEC's existing regional arrangements, the following points deserve emphasis:-

(a) The criteria chosen by the OECD and the United Nations for assessing the stage of development - whether per capita income or the ratio of industrial income to the total income of a country - show that the AASM belong to the poorest countries. And if we look at aid from the angle of morality, there can hardly be any objection to supporting the particularly needy countries with regional, comprehensive aid.

(b) It may be observed, furthermore, that this association does not have any particular disadvantage for the remaining developing countries. In no way has it proved to be a factor disturbing world trade, as all participants in such trade have been able to take advantage of the economic growth of the Community, many even more so than the countries linked with the Community through association.

(c) Criticism of the Community's policies towards developing countries generally ignores the fact that a distinction must be made between what the Community does and what the Member States do. This, too, is a source of frequent misconceptions. The EEC Treaty makes no provision for a Community policy towards developing countries. The expressions 'development aid policy' and 'development aid' are at any rate not to be found in the EEC Treaty.

23 In practice, however, the Community's development policies as they are today may be summarised as follows:-

(a) Comprehensive development measures by the Community - embracing aid through trade, financial aid and technical assistance - in a relatively small, geographically clearly defined framework;

(b) Worldwide aid by the Member States in the framework of bilateral arrangements or as contributions to multilateral organizations other than the EDF;

(4) Justification of regional arrangements (cont)

(c) Action by the Community at world level, but mainly limited to trade measures.

(5) Other association agreements with countries whose production and economic structures are comparable with those of the AASM

24 The association established by the Treaty of Rome and developed by the two Yaoundé Conventions is in no way an exclusive club which discourages new members. Far from it. Other countries whose production and economic structures are comparable with those of the eighteen Associated States are invited to accede to the Yaoundé Convention or, alternatively, to conclude separate conventions or negotiate trade agreements with the Community.

25 Nigeria was the first Commonwealth country to ask for negotiations with the Community. These resulted in the conclusion of a special association agreement, which was signed in Lagos on 16 July 1966. It expired on 31 May 1969 before it could be implemented.

26 Following in Nigeria's footsteps, the three Partner States of the East African Community showed an interest in establishing closer links with the EEC. A first association agreement, signed in Arusha on 26 July 1968, could not be ratified for lack of time, since it expired on the same day as Yaoundé 1, that is to say on 31 May 1969. A second agreement, negotiated last summer and signed, again in Arusha, on 24 September 1969, will expire on 31 January 1975.

III THE COMMUNITY'S DEVELOPMENT POLICY BEYOND THE REGIONAL ARRANGEMENTS

27 The association agreements between the Community and a number of developing countries have proved to be an effective instrument of cooperation. Community effort on behalf of developing countries is not, however, confined to the measures set out in these agreements.

28 The Treaty of Rome requires the Community to act as a Community in the field of tariff policy; consequently, the Community can use its common customs tariff as an instrument of development policy. In its association policy the Community has endeavoured not only to take the interests of the AASM into account but also to reconcile their interests with those of other developing countries who compete with them. For example, the Community suspended or reduced the common customs tariff duties on a number of tropical products when Yaoundé I came into operation, thus reducing the preferences enjoyed by the AASM. A similar step was taken on the entry into force of Yaoundé II on 1 January 1971. In particular, the external tariff was reduced for coffee, cocoa and palm oil. The United Kingdom and the Community have, by agreement, suspended duties on tea and tropical woods. In the Kennedy Round the Community undertook to make reductions in the common customs tariff which in part also benefit the developing countries.

29 The Community also played an important part - it might even be said a decisive one - in elaborating the system of generalized preferences for manufactures and semi-manufactures exported by developing countries. The point must be made, regarding the immediate effects of the introduction of this system on the AASM, that the associated countries are not very much affected by the products covered by the generalized preferences. However, incentive to invest in the associated countries - incentive which derives from the special preferential arrangements under the association - is likely to be diminished by the grant of generalized preferences to all developing countries. It should be noted that the advantage which would accrue to the Associated States on the setting up of generalized preferences would, according to the UN Economic Commission for Africa, amount to £1.1 million only.

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III. The Community's development policy beyond the regional arrangements (cont)

30 Moreover, bilateral negotiations with a number of developing countries have led to the signing of agreements in which the Community makes concessions in respect of specific products of special interest to these countries. For instance, a range of manufactures from India and Pakistan can now enter the Community free of duty. It must further be noted that the Community is also a party to international commodity agreements and to the activities of the various international bodies concerned with development aid. This has enabled it to help define development strategy for the coming decade.

31 To sum up, the Community has endeavoured to make its responsibilities towards the associated countries compatible with its responsibilities towards the other developing countries.

IV. ENLARGEMENT OF THE COMMUNITIES

32 With regard to the responsibility which an enlarged Community will bear towards developing countries, it is desirable to distinguish three sets of problems:

(1) Relations between the new members and the developing countries already associated with the Community;

(2) Relations between an enlarged Community and the developing countries of the Commonwealth;

(3) An enlarged Community's responsibility towards other developing countries.

1. 33 Relations between the new members and the developing countries already associated with the Community

The Community assumes that the applicant States accept the Treaties and their political objectives, and all decisions taken since the Treaties came into force and the options taken in the field of development. The enlarged Community must therefore be prepared to continue with the association policy that has been pursued so far. On both the legal and the institutional planes, however, we must make a distinction between (i) the Associated Overseas Countries and Territories, (ii) the AASM, (iii) the three East African States and (iv) the associated developing countries in the Mediterranean basin. Arrangements for the first three groups of countries have common features, in that the Community's commitments are comparable where they cover the same ground and that the current agreements will expire on the same date, that is to say on 31 January 1975.

34 As far as the Overseas Countries and Territories are concerned, mutual commitments are, in a way, automatic since their association is based on Part lV of the Treaty. New Community members would therefore have to accept the rights and obligations on which association is based on the entry into force of the accession treaties.

35 As for the AASM, it can be assumed that agreement in principle would have to be reached during the membership negotiations on future commitments to be undertaken by the new members. Conversely, the AASM must agree to treat the enlarged Community in exactly the same way as they now treat the existing Community. It would be virtually impossible to apply these principles by the time the accession treaties come into force. It can be assumed, furthermore, that the interval between the entry into force of the accession treaties and the opening of negotiations for new association agreements will be short. This being so, these negotiations could well be conducted by the enlarged Community. In the meantime the status quo could be maintained in relations between new members and the AASM.

cont/...

lV Enlargement of the Communities (cont)
1. Relations between the new members and the developing countries already associated with the Community (cont)

36 Negotiations for the renewal of the Arusha Agreement are also scheduled to begin not later than 1 August 1973. These negotiations too could be conducted by the enlarged Community.

2. Relations between an enlarged Community and the developing countries of the Commonwealth

37 (a) Dependent territories of the United Kingdom

The dependent territories of the United Kingdom would be associated with the enlarged Community on the terms which are set out in Part lV of the Treaty of Rome and in a related Council decision that now apply to the Overseas Countries and Territories.

38 Since the arrangements governing the association with the Overseas Countries and Territories expire on 31 January 1975, a comprehensive arrangement would have to be found from that date onwards for all the dependent countries both of the Member States and of the United Kingdom, with the exception, however, of Gibraltar and Hong Kong, which are countries that do not lend themselves to association. It should be noted that there is a joint Anglo-French proposal concerning association with the enlarged Community of the New Hebrides condominium on the lines of Part lV of the Treaty of Rome.

(b) Independent developing countries of the Commonwealth in Africa, the Indian Ocean and the Caribbean

39 For the 12 independent developing countries of the Commonwealth situated in Africa - the Gambia, Ghana, Kenya, Malawi, Nigeria, Sierra Leone, Tanzania, Uganda, Zambia, Botswana, Lesotho, Swaziland - there is agreement to offer a choice between the three formulae of the Declaration of Intention: namely, accession to the Yaoundé Convention, an association agreement sui generis, or a general trade agreement. As regards Botswana, Lesotho and Swaziland, however, this offer would stand only if those countries, should they choose association, granted the enlarged Community the same tariff advantages that they give to South Africa; furthermore, rules of origin would be necessary to guarantee the Community against the risks of deflection of trade which could arise from the special situation of those countries.

40 As has already been mentioned, renegotiation of the Yaoundé and Arusha Agreements should begin on 1 August 1973. By this date, then, an enlarged Community would have to be in a position to open negotiations with existing associates and with Commonwealth countries seeking association. It is understood that until 1 February 1975 the status quo will be maintained between the United Kingdom and the countries in question.

41 The independent Commonwealth countries in the Caribbean (Barbados, Guyana, Jamaica, Trinidad and Tobago), in the Pacific (Tonga, Western Samoa and Fiji), and in the Indian Ocean (Mauritius) pose a special problem. It can be said that their production and economic structure are by and large comparable with that of the AASM. Since, however, most of them are primarily interested in outlets for their sugar - a problem related to the future of the Commonwealth Sugar Agreement, which is still under discussion - the task of defining the precise form of their relations with the enlarged Community is being left to a later date.

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lV Enlargement of the Communities (cont)

2. Relations between an enlarged Community and the developing countries of the Commonwealth (cont)

42 (c) Independent developing countries of the Commonwealth situated in Asia, the Far East and Oceania

As the problems arising from the nature of the relations between countries of this category and the enlarged Community cannot be resolved through a form of association, the United Kingdom will, in the course of the transitional period, progressively have to apply common customs tariff duties to products originating in those countries. During the transitional period the enlarged Community will examine any points which may arise in the light of the effects of implementation of the generalized preference system, which should in the normal course of events go a long way towards dealing with these countries 'problems. It is understood that the enlarged Community will examine with the countries concerned any problems affecting trade in order to seek suitable solutions.

3. An enlarged Community's responsibility towards other developing couutries

43 An expanded Community will have to be alive to the great responsibility that it will have in the sphere of development policy over and beyond regional arrangements. It is in the nature of things that this policy will be extended in the first place to measures outside the sphere of financial aid and technical assistance.

44 In other words, action by the present Community would be continued by an enlarged Community. This would include the harmonization of measures adopted by the Community plus its new members to grant generalized preferences to developing countries, participation in international commodity agreements, and the adoption of a united stand in international organizations concerned with development. Some thought will also have to be given to the opportunity provided by an enlarged Community of taking steps to achieve the measures to promote trade and stabilise prices.

4. Trade policy aspects

45 Enlargement of the existing association will have a number of consequences not only for the AASM's competitive position on the enlarged Community's market but also for the situation of other, non-associated developing countries. A question to be asked is whether it makes sense to maintain the present preferences for all products or whether it will not be necessary to make consequential adjustments here and there. The answer to this question depends of course primarily on which Commonwealth countries wish to join an association with the expanded Community. If it is assumed that all African cocoa producers would become part of the EEC's preferential area, it does not seem to make much sense to maintain a preferential duty for cocoa, for this would cease to have any purpose once roughly 90% of world production is located in the enlarged Community's preference area. The mistake must not be made, however, of generalizing too much since the situation is not necessarily the same for one product as for another. But one thing is already certain: whatever countries become new members of the present African association, the trade content of the association will not be the same. For the trade part of the future association, additional measures will have to be taken, either to supplement the customs preferences or partly to replace them. In this context, mention should be made of the Commonwealth Sugar Agreement, which has shown that there are other, more effective means of promoting the exports of the developing countries than preferential tariff treatment.

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lV Enlargement of the Communities (cont)
4. Trade policy aspects (cont)

46 There will certainly be much discussion on the reverse preferences. This question may have to be assessed differently according to whether it involves countries which already accord preferential treatment to current and future members of the Community or those which do not. Countries which are already giving reverse preferences today enjoy tariff autonomy even though members of the association; that is they may negotiate trade arrangements with non-member countries on the condition that the Community has the right to benefit from most-favoured-nation treatment

V SUMMARY AND OUTLOOK

47 It may be concluded that enlargement of the EEC would cause the Community to expand its activities in the sphere of development both within and outside the association framework.

48 The basic premise should be that the association with the African States, as it exists today and as it is beginning to develop with the prospect of enlargement of the Communities, must be maintained and taken further. With the growing political success of association and the increasing realization of African public opinion that association is in no way an instrument of neo-colonial influence, the relationship is becoming increasingly attractive to non-associated Africa.

49 A new member of the Community would be required to maintain with the developing countries relations identical with those now maintained with them by the Six. Conversely, the associated developing countries would have to accord any new member the same treatment as they already accord the Six.

50 The enlargement of the Community is therefore bound to lead to an expansion of overseas association. An enlarged Community will have to step up its development? activity and broaden it at the same time. In the sphere of trade new, more effective instruments should be sought other than customs preferences, which are sometimes of limited effect only. In particular, an equilibrium must be found between the measures which involve intensification and those which entail a broader base. The latter should not mean a step backwards, or any sacrifice of what has already been achieved.

51 But the enlarged Community, as the largest importer of the developing countries' produce, would also have an enormous responsibility towards developing countries as a whole. This will be reflected in the growing importance of the role played by the Community in international organizations dealing with development problems and in the need for ever-closer coordination of action in those areas of development policy for which Member States will continue to be responsible.

52 Community development policies should not take the place of the development efforts by the Member States themselves. Rather, the two should be complementary. The idea of turning development policy, as far as financial aid is concerned, into a Community instrument at political level may at first not be feasible. But it seems indispensable that there should be agreement within the expanded Community on a minimum degree of development strategy and coordination of development policies measured on a worldwide scale.

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ENLARGEMENT OF THE EEC AND COMMUNITY POLICIES IN THE FIELD OF AID

by

Charles van der Vaeren

Author's note

This paper only tackles a few of the many facets of a wide and important subject, with a view to 'priming the pump' of the discussion. It deals only with independent LDCs, since the question of dependent territories is fairly simple (except may be for certain French Departements D'outre-mer), and has already been settled in its broad lines in the current negotiations.

Among the points which have been left aside, but will certainly have a bearing on the final solution to the problems considered, are the UK policies and practices in the field of aid to development, as they compare to those of each of the Member States of the present Community.

Finally, the paper reflects only the personal - and hasty - views of its author, and not those of the Commissions of the European Communities.

Introduction

1 When considering the effects of the enlargement of the Community on the developing countries, in the field of aid to development, one has first to take into account the content of the present aid extended by the Community as such. New members would indeed be bound by the aid agreements signed by the Community until they expire, and new agreements cannot but be negotiated by the enlarged Community against the background of what has existed in the past.

2 Secondly, one has to examine the changes brought about by the enlargement on the various factors which are apt to influence the content of the aid agreements of the enlarged Community. These factors concern, on the one hand, the contributing capacity of the former and new Member States, their aid policies, and the financial flows presently taking place from these countries to developing ones on a bilateral basis. On the other hand, they concern the relative needs of developing countries which already receive aid from the Community, or receive it from the States now negotiating for membership.

3 In what follows an attempt is made to elaborate a little on some of these basic factors, but more research work should be done in this field, in order to provide the member States and the Commission with the information required, both to elaborate the policy of the enlarged Community and to negotiate thereafter with developing countries.

4 It is indeed tempting to try right now a development aid scheme for the enlarged Community. But much will depend in fact upon political attitudes taken by the new Member States with respect to the evolution of the Community's aid policy, and also by the developing countries to which this enlarged Community would then offer its cooperation. Among the main question marks are the following:

i Would the United Kingdom favour an extension of multilateral aid through the Community channel, or try to keep it to a minimum, preferring to play the bilateral game with the developing countries?

ii How would the relevant Commonwealth countries react to an enlarged Community's offer to negotiate an association agreement?

iii If these countries wished to conclude such an agreement, would they ask for a Community aid element (Yaoundémodel) or not (Arusha model)?

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Introduction (cont)

iv If they tried to conclude a trade and aid association, would they and the presently Associated African States and Madagascar (AASM) wish to negotiate together for a common agreement, or would they prefer to deal separately with the enlarged Community?

v Would the Community be inclined to extend its financial and technical aid outside the scope of association frameworks (e.g. by means of food aid as at present) and to try to achieve, through aid, political or commercial aims in preference or in addition to development objectives?

5 As regards future relations with developing countries, certain basic principles have already been agreed upon by the representatives of the Community and the United Kingdom during the present negotiations, but many political unknowns still cast a shadow on the possible effects of the enlargement of the Community on these countries, in particular in the field of aid to development. By reflecting together on these issues, we might help our respective authorities to make their choices at the appropriate time.

1. The present financial and technical cooperation between the Community and developing countries.

6 The bulk of development aid presently extended by the Community as such outside Europe is a part - and an important one - of an association agreement concluded with a group of 18 developing countries located in or around the African continent, the Associated African States and Madagascar (the AASM)1. A marginal part of its aid goes to territories which depend politically on one of the member States and are also economically associated with the Community. Finally, the Community grants some food aid to various developing countries in the world, in response to specific requests from them.

7 Certain association agreements signed by the Community with developing countries do not include aid provisions. In the case of the three East-African associated States - Kenya, Tanzania, Uganda - they first expressed the wish, during their negotiations with the Community, to see an aid chapter included in their association agreement, but to have it discussed after other matters; the Community declared itself prepared to consider their request, in a positive way but the three countries finally decided to sign the draft agreement as it stood, without any aid provision. But this does not mean of course, that the same States will take the same position when they negotiate the renewal of their association with the Community once it is enlarged. Indeed, one might expect the opposite.

8 These negotiations would take place after the 1st of August 1973, at the same time as those for the renewal of the second Yaoundé Convention between the EEC and the AASM.

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1. See my paper on 'Evolution of financial and technical cooperation between the EEC and associated developing countries', March 1970, reproduced as Conference Paper No.5

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1. The present financial and technical cooperation between the Community and developing countries (cont)

It would be politically very difficult to envisage terms of a new association agreement less favourable than now for the AASM after the enlargement of the Community, taking into account the evolution having taken place meanwhile in the associated countries.

9 The second Yaoundé Convention is, like the first one, open to third developing countries with an economic structure and production comparable to those of the AASM. However, a system of financial and technical cooperation between the Community and some or all of these third countries could also be included in another association agreement, different from the Yaoundé Convention. What is a firm rule, so far, is that the Community does not extend its aid, except for food aid, outside an association agreement. Only in the institutional and legal framework of an association, preferably with a group of developing countries, can aid take the form of a true cooperation between equal partners.

10 One of the main characteristics of the Community's association policy, with a view to fostering the development of its associates, is that it addresses itself to a regional group of less developed countries, and that these make up the larger number of least developed countries in the world, both in terms of their present social and economic situation, and in terms of their rate of economic progress: This regional aspect of the Community's policy thus follows criteria of both efficiency and of equity.

11 For political reasons, some of the Member States of the Community allocate differently their bilateral aid and tend to spread it widely over developing countries in the world, including Commonwealth countries. Table I shows that:

(i) only 40-50% of the official financial flows from the Member States and the Community as such go to the associated developing countries outside Europe; the bulk of official aid flows is still in the form of bilateral assistance to non-associated countries;

(ii) the Member States are directing through the Community channel a minor, though increasing, share of their total official flows to developing countries (3.6% in 1962 - 8.6% in 1969); and their contributions to international development organizations are, on the average, as large as their contributions to the Community's aid institutions;

(iii) the Community's share in the total aid effort towards the ASSM has been increased to a significant degree, while bilateral efforts have been kept nearly constant;

12 Of course, one could easily imagine that, with the 'deepening' of the Community, the Member States would not only coordinate and harmonize more thoroughly their bilateral and multilateral aid, but gradually multilateralize also a larger share of their total aid effort. If Community aid were to represent, not one tenth, but one third or even one half of the official bilateral flows to developing countries, the limitations of this aid to the present regional framework would certainly have to be revised, especially if the Community has been enlarged in between and if each member State wished to retain a certain bilateral aid relation with many countries benefiting from the aid of the Community as such.

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Table 1: Official financial flows from the member States to LDCs, in particular to AASM and overseas dependent territories - net disbursements

Table I : Official financial flows from the Member States to LDCs, in particular to AASM and overseas dependent territories - net disbursements

($ mn)

	1962	1963	1964	1965	1966	1967	1968	1969
AASM								
bilateral	358.8	390.9	370.6	380.0	334.5	380.6	358.2	357.9
multilateral (EEC)	50.7	57.0	76.0	95.4	100.0	91.6	101.3	111.6
Total	409.5	447.9	446.6	475.4	434.5	472.2	459.5	469.5
Overseas dependent territories								
bilateral	138.6	186.3	228.1	230.8	279.5	289.0	316.7	319.0
multilateral (EEC)	3.2	6.4	7.8	9.8	10.6	5.1	10.4	8.4
Total	141.8	192.7	235.9	240.6	290.1	294.1	327.1	327.4
TOTAL AASM + ODT	551.3	640.6	682.5	716.0	724.6	766.3	786.6	796.9
Other LDCs								
bilateral	868.7	780.8	726.6	736.7	698.7	857.9	916.7	972.3
multilateral	-	-	6.0	12.0	26.0	22.0	30.0	52.3
Total	868.7	780.8	732.6	748.7	724.7	879.9	946.7	1,024.6
Contributions to international organizations	99.0	76.0	43.0	127.0	181.0	136.0	118.0	193.3
TOTAL ALL LDCs	1,519.0	1,497.4	1,458.1	1,601.7	1,630.3	1,782.2	1,851.3	2,014.8

11. Facts and figures about the enlargement of the Community

A. Contribution of the new Member States to Community aid

13 It is obvious that the main criterion for determining the share of the United Kingdom in the Community's aid to development will be her contributing capacity, which must be determined mainly by the level of her average and total national income, relatively to those of the Six, but irrespective of her previous bilateral efforts in favour of developing countries.

14 The United Kingdom gross national product represents about 25% of that of the Community. However, her average product per head is 15% lower than in the Community. Some other factors should also be taken into account, like the comparative (i) rate of growth of the GNP and (ii) state of the balance of payments, in both of which the present situation of the United Kingdom is less favourable than that of the Community, but should gradually improve after the enlargement.

15 There is, however, an important political factor which would certainly influence the willingness of the United Kingdom to channel through the Community a substantial amount of development aid, namely the approximate volume of the total aid of the enlarged Community which would be likely to benefit Commonwealth developing countries. But this would in turn depend upon the number and the socio-economic weight of such countries which would seek to conclude with the enlarged Community an association agreement including financial and technical cooperation.

16 It would indeed not be out of place at all to suggest that, with the enlargement of both the Community and the association of developing countries with it, a larger share of the total official aid efforts of the Member States should be channelled through the Community. It is surprising that the Member States' contributions to the European Development Fund have increased at a much slower pace than the GNP at current prices of the Community:

average rate of increase of Community's GNP (at current prices)	rate of increase of contributions to EDF
- 1958-1964 : 9 3/4% p. annum	1st (1958-64) to 2nd (1964-70) EDF: 3 7/8 % p. annum
- 1964-1971 : 8 % p. annum	2nd to 3rd EDF (1971-75)EDF: 3½%)

17 There is thus already a wide margin of contributing capacity on which a substantial increase of the total Community's aid could be based, in order to provide a fair share for Commonwealth developing countries without reducing the volume of common aid already flowing to the AASM.

B. Aid needs of presently associated and Commonwealth developing countries

18 So far, the United Kingdom authorities have expressed their agreement with the view that the enlarged Community should offer an association status to those developing countries having an economic structure and production comparable to those of the 18 signatories to the Yaoundé Conventions, as has been stated in the declarations of intent issued in 1963 and again in 1969 by the Community. This offer would of course interest mostly Commonwealth countries in Africa. We shall thus henceforth concentrate our attention on the

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B. Aid needs of presently associated and Commonwealth developing countries (cont)

relative aid needs of these 'associable' countries, leaving aside the possibility that the enlarged Community would increase very substantially its common aid effort and extend it to other groups of developing countries - in particular in Asia and the Far East.

19 Most of the Commonwealth countries falling in this category belong to the same geographical areas as the presently associated countries. If they were beneficiaries of aid from the enlarged Community, this aid would be particularly well placed and equipped to help develop closer economic ties between these Commonwealth countries and their neighbours. It is well known that, except probably for Nigeria, the economic progress of most less-developed countries in Africa depends to a large extent upon the inter-connection of national markets.

20 As for the volume of finance which the enlarged Community would devote to its cooperation with the Commonwealth associated countries, it is a priori clear that this volume could hardly be fixed to leave them with less than for the AASM. Both the United Kingdom and the present Member States would certainly insist on equality of treatment between all associated countries. The problem is then to know, first what the needs of the Commonwealth countries are, and secondly how they compare with those of the AASM.

21 The needs of the newly associated countries may vary widely, according to the number and the wieght of those which would want to become associated and those which would prefer not to. Let us first compare a few rough indicators for the AASM and the Commonwealth 'associable' countries of Africa as a group (see tables II and III on papers 9 and 10), and then see how this comparison changes if some of the latter countries are left out.

22 (a) Volume, density, and rate of growth of the population - The 'associable' countries counted 114 million inhabitants in 1968; this is expected to rise to about 190 million in 1985; their rate of population growth is 3% per annum, and the density is now in the average 30 per km2 (11.5 per sq. mile). The AASM had 70 million inhabitants in 1968, which will increase to roughly 104 million in 1985; the rate of growth is nearly 2½%, and the average density only 7 per km2 (2.7 per sq. mile).

23 (b) GNP per head -

Both groups of countries (th associated ones and the 'associable' ones), have a generally low level of income per head; less than $150 as an average on the basis of ECA figures. However, the Commonwealth group of countries is on the average closer to the $100 level than to the $150 level, whereas the reverse seems to be true for the AASM group. Moreover, when the dispersion of the product per head is considered, 76% of the 'associable' populations are below the $100 per head mark and 12% above the $200 mark; this is the case respectively for 40% and 36% of the presently associated ones (according to ECA statistics).

24 Of course these national accounts data should only be given a rough indicative value for the countries concerned, but it appears that both the associated and 'associable' countries should be considered as "least-developed countries', and that their needs for development aid are very large and comparable.

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B. Aid needs of presently associated and Commonwealth developing countries (cont)

(c) Economic structure -

25 The analysis of the GNP breakdown suggests that the AASM and the Commonwealth 'associable' countries in Africa have a fairly comparable economic structure. Altogether agriculture, manufacturing industries, and trade represent about the same shares of the GNP in both groups of countries. On the other hand, the share of public administrations is twice as large in the AASM as in the Commonwealth group, but this is compensated in the latter by a larger share for private transport and services.

26 An analysis of the utilization of economic resources brings out a similar picture. The rate of capital formation is comparable on average in the two groups of countries. There is, however, a marked difference in that private and public consumption is more important in the AASM, whereas the share of exports is on the whole larger in the Commonwealth countries.

27 Of course these average data cover a certain variety of situations within each group of countries, but this should be taken into account when establishing differential conditions of aid for the poorer and for the not-so-poor amongst these least-developed countries.

28 (d) Development 'aid' received -

A rough comparison of official 'aid' received in 1968 by the AASM and by the Commonwealth countries of Africa shows that the top 18 got $ 555 million, (or $7.9 per head). Whereas the 13 below them received $415 million (or $3.6 per head). Both these total and average figures are only rough indicators, of course : on the one hand, only grant-equivalent data would be fully comparable and significant; on the other hand, the size of the population is only a very partial indicator of the relative needs! However, the difference between $7.9 and $3.6 per head certainly reveals a disequilibrium in the efforts presently made in favour of the two groups of African LDCs by the main bilateral and multilateral aid sources.

29 In this respect, it is also interesting to note that, whereas the United Kingdom gives practically no aid to the AASM, the Member States of the Community contributed in 1968 18% of the total official 'aid' to the Commonwealth countries of Africa.

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30 In comparing so far the AASM with the Commonwealth 'associable' countries of Africa, we have assumed that all these countries will indeed become associated with the enlarged Community (probably some time after the present Yaoundé and Arusha Conventions have expired, i.e. in 1975) and benefit from its financial and technical assistance. This hypothesis may not materialize, at least partially : some of these 'associable' countries may wish to conclude an association agreement of the Arusha type, i.e. without aid, or perhaps not be associated at all.

31 Let us now make two different hypothesis, chosen at random, in order to see how the political choices to be made by the 'associable' countries will bear on the needs for aid of the new and old associated countries.

cont/..

32 1st hypothesis:

Nigeria and Malawi will not benefit from financial and technical assistance. The enlarged association would then be reduced to roughly 141 million inhabitants in 1975, instead of 225 million. If the Community's aid were to be allocated equally at the Yaoundé II rate of roughly $ 2.5 per head and per year, the total amount needed annually would be $ 350 million, instead of $560 million. Indeed Nigeria only received in 1969 some $102 million official aid from bilateral and multilateral sources together. Moreover, there would be some reduction in relative need for aid of the Commonwealth countries, as compared to that of the AASM. The effect of excluding Nigeria and Malawi from the group would be to push up its average income per head from $109 to $169, according to ECA data.

33 2nd hypothesis :

Sierra Leone, Zambia and Swaziland will not take part in the financial and technical cooperation. The group of African countries assisted by the enlarged Community would then count about 217 million inhabitants in 1975. There would thus be very little reduction in the total amount of aid required annually on the basis stated above, especially since the needs of the non-associated Commonwealth countries would, in this case, be lower than the average, and not higher as in the 1st hypothesis. The average income in the three countries excluded was around $280 per head in 1968, and their economies were among the most industrialized of the countries concerned.

34 Many other hypothesis could of course be worth considering, and among them that in which the enlarged association would benefit, not only to the AASM and the Commonwealth countries of Africa, but also to some other LDCs, located in the Caribbean area or in Asia and the Far East, having an economic structure and production sufficiently comparable to those of the presently associated States. However, the chances are that such an hypothesis would be less reliable politically than those concerning the African Commonwealth countries.

Tables II and III to follow

TABLE II ECONOMIC INDICATORS FOR THE AASM IN 1968

Country	Area km2	Population millions		Official (DAC)'aid' 1968 ($'ooo)			Utilization of resources (% of total GNP)		GNP (at market prices)				
									Origin in %				$ per head 1968
		1968	Projection 1985	France	Total bilat.	Bilat. + multilateral	Gross domestic capital format	Exports	Agriculture	Extracting industries	Manufact. & build. industries	Services & public administration	
Not allocated				71.40	71.40	71.40							
Mauritania	1085200	1.0	1.53	5.60	6.14	9.06	19.6	31.8	42.0	27.2	9.8	21.0	175
Senegal	196800	3.6	5.20	28.50	32.73	45.44	10.8	15.8	32.6	0.3	17.3	49.8	223
Mali	1203800	4.8	7.42	10.10	10.74	19.69	10.5	6.2	48.2	-	12.6	39.2	91
Ivory Coast	322500	4.0	6.20	29.00	35.58	45.64	15.0	27.5	37.2	0.3	18.1	44.4	317
Upper Volta	2[illegible]100	5.0	7.30	12.60	16.12	21.90	12.0	11.3	51.0	0.4	13.8	34.8	52
Dahomey	115800	2.5	3.90	6.00	9.29	16.68	13.4	16.3	53.2	-	11.9	34.8	93
Niger	1189000	3.6	5.45	14.40	20.47	28.27	12.2	11.2	58.3	-	12.2	29.5	94
Togo	56500	1.7	2.73	3.20	7.47	10.65	11.5	18.5	42.8	6.1	19.7	30.4	141
Cameroun	476500	5.6	7.10	17.70	26.39	40.28	12.0	18.4	48.6	0.1	10.9	40.4	175
Chad	1295000	3.4	5.00	11.30	13.13	21.48	9.0	11.8	47.8	-	10.6	41.6	73
R.C.A.	616400	1.4	1.86	10.70	11.62	16.99	13.8	17.5	36.7	7.7	11.9	43.7	128
Gabon	267000	0.5	0.55	7.50	8.70	8.85	15.4	37.6	25.5	23.6	14.6	36.3	526
Congo-B.	342000	0.9	1.20	15.00	16.10	39.73	-	26.6	35.3	1.8	13.1	50.3	-
Congo-K.	2345000	16.7	25.30	3.20	67.87	65.73	12.0	22.6	23.2	6.8	21.9	47.6	215
Rwanda	26400	3.02	4.61	0.80	11.48	14.79	-	9.6	69.3	2.2	10.2	18.3	44
Burundi	27700	2.4	3.60	1.30	9.90	13.52	4.8	9.7	71.7	-	6.6	21.7	53
Madagascar	591000	7.0	10.60	26.00	27.05	39.78	8.8	12.5	37.8	0.7	10.6	50.9	117
Somalia	637700	2.7	4.08	-	18.51	25.03	-	18.7	-	-	?		63
Total or Average	11063400	69.8	103.64	363.60	420.69	554.91	12.1	19.0	44.8	4.5	13.3	37.3	149

TABLE III ECONOMIC INDICATORS FOR THE COMMONWEALTH 'ASSOCIABLE' COUNTRIES IN AFRICA, IN 1968

Country	Area Km2	Population (millions)		Official(DAC)'aid' 1968 ($ 000)			Utilization of resources (% of total GNP)		GNP (at market prices)				
									Origin in %				$
		1968	Projection 1985	UK	Total bilat	Bilat+ multilater.	Gross domestic capital format.	Exports	Agriculture	Extracting industries	Manufact. & build.	Services & public administration	per head 1968
Cambia	10400	0.4	0.5	2.8	2.9	3.1	11.9	25.4	59.0	-	5.1	35.9	151
Ghana	237872	8.4	14.3	14.3	72.7	73.7	9.6	15.1	-	2.4	?	?	288
Kenya	582700	10.0	16.0	23.6	40.3	57.8	15.3	21.3	34.8	0.5	18.8	45.9	127
Uganda	236096	8.0	11.5	8.6	18.0	19.2	9.2	24.9	56.4	2.5	11.5	29.6	96
Tanzania	939690	12.3	16.5	3.6	26.3	33.2	12.2	24.3	50.0	1.9	11.2	36.9	74
Malawi	126337	4.3	7.0	18.1	22.6	25.5	11.5	16.2	58.3	0.1	12.8	28.8	69
Nigeria	923850	61.0	107.0	12.3	69.2	101.9	8.9	13.0	54.9	2.6	12.7	29.8	66
Sierra Leone	72300	2.5	4.5	1.1	9.6	10.3	8.8	23.7	32.4	19.1	10.6	37.9	177
Zambia	752620	4.7	6.7	25.2	46.1	42.6	21.1	37.7	8.2	35.4	17.3	39.3	345
Botswana	575000	0.6	1.5	13.7	15.2	16.4	18.9	15.8	44.2	-	13.1	42.7	108
Lesotho	30300	1.0	2.0	10.3	11.8	14.7	7.8	8.7	66.7	1.4	2.8	29.1	75
Swaziland	17400	0.3	0.8	7.1	7.2	8.3	12.9	42.4	28.9	14.5	19.7	36.9	201
Mauritius		0.8	1.4	9.1	9.2	8.6	10.2	32.0	26.1	-	23.6	50.3	217
TOTAL or average		114.2	189.7	149.8	351.1	415.1	12.2	23.5	43.3	8.0	13.3	36.9	109

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BRITAIN, THE EEC AND THE THIRD WORLD

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EVOLUTION OF FINANCIAL AND TECHNICAL COOPERATION BETWEEN THE EEC AND ASSOCIATED DEVELOPING COUNTRIES

by

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ODI/E

Introduction

1 The association between the European Economic Community and a number of overseas developing countries was set up under the Treaty of Rome, which was signed by the Six in 1957. Following the political changes that occurred around 1960 and the accession to independence of almost all associated countries in Africa, the association was renegotiated and renewed on an improved and extended basis, by the Yaoundé Convention of 1963 between the Community and 18 African States including Madagascar. It has been renewed again, with only minor changes this time, between the same partners by the second Yaoundé Convention, which was signed in July 1969 and will come into force towards the middle of 1970.

2 As it now stands, the association takes the form of a set of rules and means designed to help solve the problem of the growth of the less developed partners considered under its trade, social financial and technical aspects.

3 The present geographical coverage of the Yaoundé Association can be traced back to the colonial relations existing when the Treaty of Rome was signed, but it is now founded on the free will of all the parties to it. Nineteen African countries were associated by the Six with their newly created Community in 1957, but Guinea chose not to remain in the association on becoming independent in September 1958. The Association with the remaining eighteen States, however, has been successful and has been guided by such a true spirit of cooperation, that not a single European or African country party to it decided to opt out of it in 1963 or in 1969, despite criticisms of it - usually because of sheer misinformation - by other countries both developed and underdeveloped.

4 The association between the EEC and the Associated African States and Madagascar (AASM for short) is an open one. Both Yaounde Conventions have provided for the possibility of the association being joined by other developing States, with 'an economic structure and production comparable to those of the Associated States.' If such countries do not wish to subscribe to the same rights and obligations as those of the AASM, they may apply for association with the Community on specific terms. Nigeria and the three States of the East African Community chose that way. Contrary to the AASM, however, the English-speaking States did not ask for financial or technical aid and limited the scope of their association arrangements to the liberalizing of trade, capital transfers and right of establishment. These agreements therefore do not form part of the subject of this paper.

5 We shall also leave aside the aid extended by the Community to Greece and Turkey, which are associated under quite different arrangements from those applying to the AASM, since their level of economic achievement is already much higher and their association is aimed at full membership in due course.

6 This paper will be devoted to analyzing the main features of the aid relations between the EEC and the AASM. Some of these features appear to be permanent; many have evolved throughout eleven years and three successive conventions.

1. Multilateral Aid

7 In 1957 the Six set up a multilateral fund, known as the European Development Fund (EDF), to be the main instrument of their aid policy towards the AASM. In it they pooled financial resources out of their individual budgets under the management of the Community's executive institution, the Commission; certain decisions on financing may also be taken by the council of the European Communities itself.

8 Each of the six Member States contributes to the Fund in accordance with the relative level of its public financial resources. Owing to her faster rate of economic growth, Italy has agreed to have her share increased from 5.9% in the first Fund (1958-1963) to 15.6% in the third one (1970-1975). The other shares have been adjusted proportionally.

9 National contributions have been fixed irrespective of the amounts of aid already given on a bilateral basis to the associated countries or to developing countries in general. It was even stipulated that national contributions to the multilateral fund would be in addition to existing bilateral aid and that the latter would be continued at the previous level at least. The various Member States have stuck to this rule, at least in money terms.

10 Payments out of the EDF reached a substantial size for the first time in 1962. Multilateral aid then represented only 12% of total public aid flows from the Community to the AASM. This multilateral share of aid increased over the years in relation to bilateral aid, while the total amount of aid was growing fairly regularly (See Table). In 1968 payments through the multilateral Community channel represented 22% of the six Member States public aid to the AASM.

11 As the multilateral aid allocated within the scope of the various associations has grown significantly (1), the Member States of the Community have tended rather to step up their bilateral aid to other parts of the less-developed world. This did not, however, prevent the share of multilateral aid in the public aid given by the Six to all developing countries from rising from 2.6% in 1962 to 5.9% in 1968.(2)

12 Financial and technical cooperation with the AASM is truly multilateral in the sense that the allocation of aid resources rests entirely with the Community's institutions. In the first association period (1958-1963), financial decisions were taken by the Commission in the case of social projects, and by the Council of Ministers, on proposals made by the Commission, in the case of economic projects. In the latter instance, the approval of projects by the Council was given automatically if no Member State had asked for a formal discussion on it within a month.

(1) Association of the EEC with (i) the AASM (ii), the overseas dependent countries and territories, (iii) Greece, (iv) Turkey.

(2) A comparison can be made here with the Community's food aid programme which was established in the framework of the 1967 Wheat Agreement, independently of any association treaty. In 1968-69 70% of such aid was allocated through the bilateral channels of the six Member States, and only 30% through the multilateral channel of the Community although all grain deliveries made as food aid are heavily subsidized through the common agricultural machinery, even where they are allocated by national decisions.

13 If the Commission's proposal was debated, the Council took its decision by a two-thirds majority. The number of votes allocated to each Member State prevented any of them from blocking a project against the will of the other five. Even in the case of economic projects, only the Commission had the right to propose how the financial resources of the Fund should be allocated. And so it is clear that the use of the monies contributed by each Member State to the Fund was no longer under its exclusive control but was effectively subject to specific Community procedures and decisions. The community, therefore, handles its aid quite differently from an aid consortium.

14 The institutional framework set up under the first Yaoundé Convention and carried over into the second is to all intents and purposes the same. Projects to be financed by the EDF are assessed by the Commission's staff.

15 Financing proposals are submitted for endorsement to a Committee consisting of representatives of the Member States. The distribution of votes and the rule on majority voting in this committee are about the same as they were in the Council for the first EDF. If the Committee votes in favour of a project, the Commission may take a decision on financing it; if the Committee's opinion is unfavorable, the Commission may reject the project altogether, or amend the proposal and go through the same procedure again, or submit the proposal to the Council, which decides for or against by a two-thirds majority.

16 As a result of these multilateral procedures, the allocation of aid out of the fund is strictly guided by economic and social considerations. Pressures from receiving countries on political grounds, or from private business interested in obtaining contracts, are very unlikely to be successful as they would have to be exerted on the Commission and several member States, and not only on one of the latter as is the case with bilateral aid. Since the Commission itself is a multi-national institution, it is less apt than national admininistrations to approach development problems in a frame of mind dating back to the colonial period, or to be influenced by the national interests of the aid giving countries.

17 An innovation in the second association period (1964-1969) was that about 9% of the aid given by the Community to the AASM came from the European Investment Bank out of its own resources. The bank is a public self-governing body, the board of which is made up of representatives of the six Member states. It works on the basis of strictly technical and financial criteria. It thus combines the approach of a multilateral aid agency with that of a bank.

18 It must be stressed that no curb has ever been placed on the flow of Community Aid to any Associated State whose political or economic relations with one of the Member States was going through a period of strain, although such cases of bilateral strain have occurred on several occasions. The multilateral character of the Community's aid is reflected not only in the allocations of aid but also in its implementation. This ought to be considered from the viewpoints of both the Associated and Member States.

19 The basic rule of the Association in this matter is that participation in invitations to tender and contracts is open on equal terms to all natural and legal persons who are nationals of the Member or Associated States. From the angle of the receiving countries, this rule has entailed a large influx of new ideas, techniques and equipment contributing to their development and coming mainly from European countries with which they had hardly any economic relations before.

20 The technical assistance supplied to each associated country through Community aid comes from most of the six member countries. All the latter have reached a high technical standard, but each has some fields in which it specializes and provides a new approach to old problems, applying experience gained in other parts of the developing world to the benefit of the associated countries.

21 Equipment and other goods needed in approved projects may come from any of the six member or eighteen associated countries. This area of competition is pretty wide, especially since it includes some of the most industrialized countries in the world. It means that prices are on the whole much more reasonable than in much bilateral aid. More important even than prices is the considerable assistance in the form of technical know-how which can be given through this multilateral aid.

22 The same can be said about building and construction to be carried out within the scope of approved schemes, In many associated countries, where public works used to be financed exclusively out of the national budget or with bilateral aid from the former mother-country, the cost of road construction, public buildings and the like has gone down considerably since competition has been widened with the implementation of EDF financed projects.

23 From the viewpoint of the Member States, this system of competition means that there is no certainty that national contributions to the Fund will be fully compensated by a reverse flow of contracts for domestic firms. In any case, there can never be a total direct return flow to the Community. The Fund -- and the Bank too for that matter -- also finances the local costs of projects, and not only their import content as many other aid sources do. What is more, firms from the associated countries compete with European ones, and a significant share of contracts go to the former, especially public works contracts; only part of these earnings ultimately return to the Community -- and indeed a part will usually go to non-member industrialized countries.

24 As for the part of aid which leads to contracts being placed with European firms, the Commission has endeavoured to avoid any discrimination between countries and to disseminate the relevant information to all of them, especially to those which do not have traditional economic ties with the associated countries. As a result competition has gradually become more substantial, and contracts have been placed more in proportion to relative economic potentialities -- and also to national contributions to the Fund.

25 In practice nevertheless firms long-established in the associated countries are in a better competitive position and this means a certain discrepancy between the country-by-country distribution of contracts placed and that of funds contributed, to the detriment of the Member States whose economic relations with the Associated States are relatively new. This remains a political obstacle to increased multilateralization of public aid extended by the Six to the AASM. The Six, however, would not contemplate

establishing national quotas of aid to be used in each of their countries. On the contrary, they have strictly maintained the multilateral character of the Community's aid; what is more, they have agreed under the second Yaoundé Convention to encourage an increase in the percentage of orders to be placed with firms in the Associated States.

26 The main aim of the latter step is to help industrialization in those countries. It applies to deliveries of materials, equipments, and other goods within the framework of a project and consists in a handicap of up to 15% of the price quoted which may be placed on firms other than new or growing industries located in the associated country benefiting from the project or in another country in the same region.

27 In the implementation of aid, the character of multilateralism thus extends itself in a certain way to the receiving countries, and not only to the donors.

2. Aid partnership or financial and technical cooperation

28 As we have mentioned in section 1. decisions to finance a project or programme are prepared and adopted by the Community's institutions. The multilateral character of aid is also maintained at the stage of carrying out the schemes, for works and deliveries are supervised by the Commission, which reports annually to the Association Council on the way disbursements have been managed and utilized in practice.

29 Since the first Yaoundé Convention any aid operation must come within the framework of the general aid pattern which is established jointly on an equal footing by the aid-giving and the aid-receiving countries meeting in the Association Council. Discussions in this Council on the general pattern or guidelines are in part based on the information given by the Commission in its annual report; the Associated States also make use of their right to propose new guidelines as they deem them necessary.

30 Many guidelines which had been decided by the Association Council under the first Yaoundé Convention have been embodied in the clauses of the second Convention. The Association Council will remain empowered during the association period starting next year both to add new guidelines for Community aid and to define in greater detail those contained in the Convention. In this way, new rights and obligations for the Community and the Associated States can be created during each association period within the fixed framework of the rules laid down in the association agreement and of the volume and types of aid decided upon in it.

31 Some of the decisions on the general pattern of aid taken by the Association Council under the first Yaoundé Convention specified the development targets to be pursued in implementing the Community's aid. The Association Council has specified, for instance, that economic diversification should be promoted in the associated countries in agriculture and mining, in manufacturing industries producing for domestic or foreign markets, and in services like marketing, trade promotion, transport, tourism, etc... projects designed to develop industries, including crafts, and tourism have been explicitly mentioned in the second Yaoundé Convention as being among those which may be financed by the Fund; special aid for marketing and trade promotion has been added under this Convention.

32 Another important field in which the Association Council has laid down precise rules in order to achieve the general aims contained in the Convention is that of regional cooperation between the associated countries in their development policies. The Association Council's decision stipulates that particular attention should be paid to regional projects with a view to increasing the complementary nature of the African countries' economies. The prinicipIe has been confirmed by and embodied in the new Convention, where it has even been broadened to promoting economic cooperation between Associated States and neighbouring non-associated countries. Moreover, in order to facilitate the implementation of this principle, Community aid may now be given to regional organizations wherever associated countries are among their members.(3)

33 Cooperation for the purpose of development should in the first place be between the associated countries themselves. Although such cooperation has made big strides forward since the inception of development policies in those countries, detrimental competition between similar projects does occur, particularly in the field of industrial development. The narrowness of domestic consumer markets consitutes a serious limitation on such development, which cannot be remedied except by regional agreements to pool markets and distribute industries. So far the fruits of such cooperation have not been numerous in projects financed with the help of Community's aid. A striking example, nevertheless, is that of a market agreement between Chad and Cameroon, which has permitted the former country to establish a textile mill on its territory and the latter a cement factory in the North of Cameroon, both undertakings enjoying preferential outlets on the market of the neighbouring country.

34 In pursuance of the first Yaoundé Convention the Association Council has also taken up the problem of the distribution of aid among the associated countries. It has recommended that the Community should adapt the forms of aid to the particular needs of the less-favoured states, in order to promote a better balance of growth between all the associated countries. In practice, this guideline has been applied by the Commission mainly by granting special technical assistance to the poorer countries to help them select, prepare and carry out valuable development projects, and by extending to them more favourable financial terms than those granted to better-off countries for similar types of projects.

35 At the request of the Associated States the second Convention goes further. It stipulates that, in its decisions on aid allocation, the Community must take into account the development obstacles encountered by each Associated State owing to its natural environment. The Commission will have to report to the Assciation Council annually on any defects and imbalances in the distribution of aid. The fact that the nature and conditions of aid must be adapted to the particular situation of each receiving country implies that distribution must be considered from a qualitative as well as a quantitative viewpoint; no single criterion such as the amount paid out per capita could provide a sound basis for working out the pattern of distribution.

3. Cooperation between developing countries, whether associated with the Community or not, is also fostered in the field of trade relations by the possibility of a waiver of the most-favoured-nation clause by the Community in favour of regional trade agreements.

36 The process of the gradual elaboration of aid guidelines by equal partners in the association can be further exemplified by two cases in which the second Convention has introduced a new rule. The first case relates to the maintenance required by completed physical investments and the second to the concentration of aid resources.

37 The EDF entirely finances approved projects. The Community does not require a local 'counterpart', which the associated countries are very often unable to provide.(4)

38 As more and more physical investments financed by the first Fund came into use, it became evident, moreover, that many local recipients -- often the Governments themselves -- were not servicing them properly. This was seriously hampering the full utilization of such new public capital and considerably shortening its life. The Association Council has stressed the need for the associated countries to see to it that investments are properly utilized and maintained and to budget for the personnel and financial resources required for this purpose. This principle has since then been spelled out in a clause of the second Yaoundé Convention. It remains to be seen, however, to what extent all the Associated States will be able to stand by their obligations in this respect; but the Community now has a legal backing for any suggestions it may make to the authorities of these countries as to how they could improve the running and maintenance of their investments and, where necessary, for refusal to finance further investments in sectors where proper maintenance could not be ensured.

39 As for the concentration of aid resources, the Association Council has decided that, 'In order that the Community's financial aid may have a rapid and durable effect on the economic structures of the Associated States, an endeavour should be made to encourage projects that will have a decisive significance and importance for their economic and social growth; this necessitates in particular a concentration of effort on certain key sectors of activity or development areas.' This guideline has been implemented in two fields in which second Fund aid is used. First, in agricultural development efforts have been made to devise projects in which a large plantation is combined with a processing plant and with small peasant holdings; the industrial plantation then provides technical and commercial support for the small farmers. Secondly, in the agricultural and industrial sectors, productive investments have, as far as possible, been combined with infrastructure investments (i.e., roads, harbours, water and electricity supply, etc.) and also with human investment (i.e., training of manpower, including supervisors).

(4) The Fund has been called upon by those countries to finance the so-called counterpart in many a project of UN aid agencies!

40 The new Convention urges that such a combination and concentration of various types of aid in one integrated project shouldbe aimed at wherever it may be useful. In some cases, the verycomplexity of an integrated project requires the combination of various financial sources. Where the degree of profitability is high and sure enough, production equipment should be financed by bank-type loans, unless the debt-capacity of the receiving country does not permit. In such instances, aid from the EDF may be applied, possibly in the form of grants, to the pre-investment, infrastructure and/or training parts of the project, whereas loans from the Fund, the European Investment Bank, the International Finance Corporation and/or private banks help the promoters to finance the productive parts.

3. Regional aid

41 The Community as such directs its aid only towards the associated countries within the framework of the association. The Community's aid thus has a distinct regional character. It may be questioned why the Community does not extend her aid to more less-developed countries, if not all of them.

42 The main reason is that this aid is only one facet, albeit a major one, of a comprehensive approach to the problem of development; and this approach has been concerted between the industrialized and the developing partners, not only in a basic agreement, but also in its gradual implementation (as we have seen in section 2.) Under the present circumstances, such genuine, diversified and comprehensive cooperation could not be operated at world level between all aid-giving and aid-receiving countries. The existing international institutions are far from being able to provide the vehicle for such cooperation; but the Community would take a favourable view of one day merging its regional system of cooperation for development in a broader one. This would be acceptable, however, only if the pressing needs of the present associated countries could be catered for as fully as in the current regional framework.

43 The 18 AASM count among the less developed of the developing countries. Their average gross domestic product per capita was in 1966 only half that of all the other countries that the Development Assistance Committee considers developing countries. (5) Taken as a whole, their growth rate is also notably lower than that of the other developing countries; for most Associated States, the actual increase in GNP has been offset by population growth since 1960. Except in a few countries which have enjoyed especially favourable conditions in the form of heavy foreign investment (i.e., Ivory Coast, Gabon, Mauritania), the level of GNP per capita has remained practically the same, while in the rest of the developing world it has increased at a rate of over 2% per annum.

(5) According to DAC data the weighted averages of GDP per capita in 1966 were:

	AASM	Other developing countries (Except Kuwait)
Nominal GDP per cap.	$95	$189
'Expected' GDP per cap	$136	$269

44 As a consequence and owing to the present economic structure of the associated countries, a massive effort must be made to help them get on the road towards self-sustaining growth. In both Yaoundé Conventions it has been stipulated that if other developing countries join the association, the amount of multilateral aid allocated in this framework must be increased in due proportion, so that the concentration of aid on the 18 Associated States may not be diluted.

45 The conditions and requisites of development vary so widely from one region to another that aid definitely gains in efficiency when it is concentrated on one or a few areas in which the problem presents itself in fairly similar terms. In this way the administrators of the Community's aid have been able to acquire a sufficiently deep knowledge of the geographical, economic and social situations in each associated country to help each of these countries to benefit from experience gained in other parts of the region presenting comparable conditions, and to stimulate closer economic cooperation between neighbouring countries wherever it is politically acceptable to them.

4. Financial forms and terms of aid

46 The main feature of the Community's aid from the financial point of view is that most of it is given in the form of grants. The reason is the associated countries' relatively very low level of economic development. They still need a large amount of aid to build up their economic, social and intellectual infrastructure. What is achieved in this field is essential but has only indirect and long-term effects on growth. Secondly, the bulk of human and natural resources is at present employed in the agricultural sector and has a very low productivity. Development action in this major sector yields fairly slow returns on the whole; even when such action produces relatively large income increases for the producers, the Community's policy is to leave a substantial part of these increases in their hands, in order to create an incentive to further progress and enlarge the domestic market for other branches of production.

47 A third important argument in favour of grant aid to the associated countries is that their existing debt-capacity is pretty low, or even non-existent for some of them. If the situation is not yet dramatic for a number of these countries, this is no reason to put a burden on their economies that would not be strictly needed. By carefully evaluating each project and keeping a tight control on the use of its aid, the Community can avoid the need to have recourse to making loans merely in order to ensure an efficient use of aid by the recipients. Indeed this argument in favour of loans instead of grants appears quite mistaken when one considers that the debt-burden of many developing countries has become unbearable; aid loans have not, on the whole, permitted a sufficient growth of national product, public revenue and foreign exchange to service the corresponding debts!

48 Under the first Fund only grants were given. They were used mainly to finance social amenities, transport facilities and other indirectly profitable investments on the one hand, and production schemes in agriculture on the other. In some of the latter projects, for instance, new plantations or re-settlement schemes, a fairly high rate of productivity was expected of these investments, although by nature their results are uncertain. The commission then decided that Community aid should not, if economic and natural conditions were favourable, serve only

to increase private incomes and public revenue; a significant part of the profits should instead be earmarked for further productive investments. It was therefore stipulated in the financial agreements concerning such projects that the local authorities would levy a certain sum on products sold or a fixed tax per unit of reclaimed land once an acceptable level of profitability had been reached. The proceeds should be paid into an investment fund, to be ploughed back into the same project or used on new production schemes on the approval of the Commission.

49 This 'feed-back' system has, for instance, been introduced for tea and oil-palm plantations and also for agricultural land reclamation and hydro-agricultural schemes financed by grants. It has likewise been applied to housing estate schemes: after the land has been prepared with the help of Community aid, it is sold or leased to people who can show that they have a genuine housing problem. The proceeds are then utilized by the local authorities for building low-rent houses or preparing new land, in agreement with the Commission.

50 The grant-and-feed-back procedure was even applied under the second Fund to projects which had good profitability expectations, but were located in countries, like Rwanda, which were already too heavily indebted in terms of foreign exchange. In such a way the national debt problem could be reconciled with the principle that capital aid should be refunded by the end-recipients once their profit margin is providing sufficient incentive, in order to raise the overall investment ratio in the country.

51 The first Yaoundé Convention, however, under which the second EDF was set up, placed a much wider range of financial methods at the disposal of Community aid. The second Fund was divided into two parts: 91% of it was to be used in the form of grants; 9% in the form of soft loans. A wide variety of projects have been financed by soft loans. They include roads, harbours and railways, power lines, industrial plantations and manufacturing units, for example a textile mill and a cement factory. Soft loans have been combined with grants in projects having a particularly low rate of return.

52 Community aid is also provided via the European Investment Bank (EIB), which has been authorized to grant ordinary bank loans for part-financing of projects in the associated countries. For such loans to the AASM a ceiling of $64 million was fixed for the five-year period, that is to say about 9% of the Fund. In practice the Bank's loans to those countries still totalled only $48 million by the end of 1969, i.e., after 5½ years, so it seems that the AASM's capacity for absorbing hard loans is still very limited.

53 In order to facilitate access to the Bank's loans, the first Yaoundé Convention stipulated that an interest rebate of up to 3% on these loans could be financed out of the Fund. Use has been made of this possibility for a road project directly serving the timber industry. Other Bank loans, on normal terms, have mainly helped to finance industrial projects, including some plantations with processing plant.

54 In spite of the effective diversification of aid achieved under the first Yaoundé Convention both the Associated States and the Community were rather disappointed at the small share of aid going to industry. They therefore examined ways of further improving the range of financial methods, in order better to adapt the Community's aid to the specific needs of this sector. In particular aid to industrialization had to take two points into account: that it should often be combined with private capital and management, and that it should be possible to apply it to small-scale projects which call for training and advisory services as much as capital.

55 The second Yaoundé Convention has introduced a new financing method, namely contributions to the venture capital of firms for approved projects which cannot be financed solely by loans. Such contributions would normally take the form of minority holdings to be sold to investors in the associated countries, or even outside, as soon as the new business becomes economically and financially viable. Contributions to risk capital may be combined, in the same project, with an EIB ordinary loan, or, exceptionally, with an EDF soft loan. This type of combination has been practiced for years by the IFC and by the French Caisse Centrale de Cooperation Economique.

56 Two other improvements of the range of financing methods mainly concern the industrial sector but may also be used for other kinds of production projects in agriculture, the craft industries or in the tertiary activities like trade or tourism. The first is that the margin of interest rebates on EIB loans has been broadened. The Commission may decide to reduce the interest rate to be paid by the borrower on such loans to 3%, or even to 2% where the borrower is a development financing institution. The difference between this and the full bank rate will then be paid out of the third EDF. Evidence that such a rebate is necessary will have to be provided for each project. For projects in manufacturing and tourism provision has been made for fixed-rate interest rebates. Promoters of such projects will thus know in advance what reduced rate they will have to pay on EIB loans, and it will be up to the Commission to say so if it decides that the project does not need such an interest rebate.

57 The second improvement is that EDF soft loans or EIB ordinary loans may now be given through a local intermediary borrower, who can be the Associated State itself or a development bank or financing institution. The State would be the financial 'relay-station' if its debt capacity is too low to bear the normal terms of interest and repayment which should be charged to the promoters owing to the financial characteristics of their project. Easier terms may then be applied to the State without disrupting normal competition between private firms. Sums paid back by the second borrower to the State and not yet due for repayment to the Community must in the interval be used again by the State for development action approved by the Commission.

58 Where the loan is to help finance small-scale projects, it will normally be made via a development bank or similar local institution, which will have to make an initial evaluation of the projects, check how the loaned capital is used, and provide technical assistance for small entrepreneurs. If necessary the main loan to the development bank will be accompanied by one or more experts financed by the Community to help the bank assess the projects and perform its supervision and training duties in relation to them. These duties will be of particular importance wherever the project involves the use of new techniques or equipment, or even where it requires a significant increase in the scale of operations and the size of the firm's management.

5. Bricks and brains -- aid and trade

59 The first EDF was conceived essentially as a financial complement to the bilateral aid given by the European mother-country to its overseas territories. Its purpose was to finance investments, since technical assistance was at that time amply provided in the framework of the colonial administration.

60 With the accession to independence of nearly all the African associated territories new problems arose. The Community soon realized that many investment projects could neither be properly prepared nor carried out without the help of technical assistance. It was seen, moreover, that physical investments would not bear their full development fruits if human investments, i.e., education and training, were not brought into the aid strategy. On the Commission's suggestion, surveys for the preparation of projects, assistance of experts in the associated countries and scholarships began to be financed out of the Commission's budget in order to supplement investments financed by the Fund. We shall not dwell on this indispensable complementarity between bricks and brains, i.e., capital and technical assistance, physical and human investments. Bilateral and international aid agencies have learnt the same lessons from experience. As a result, the scope of the Fund aid was broadened by the first Yaoundé Convention. Surveys, technical assistance, training programmes could henceforth be financed by EDF grants.

61 Another direction in which the Fund's field of operation has been broadened is connected with trade. This aid to trade has two dimensions: defensive and offensive. First of all, the Contracting Parties to the first Yaoundé Convention realized that it was not much use helping the Associated States in their development efforts if these efforts could at certain moments be seriously hampered or even counteracted by a drop in their export earnings due to the prevailing conditions on the world markets. Previously, associated countries in the French Franc Area enjoyed guaranteed outlets at fixed prices on their mother-country's market but this protective system was not adopted by the Community because it would have been detrimental to non-associated developing countries and would have hampered the establishment of a better balance between supply and demand for tropical products.

62 Besides measures taken under the trade clauses of the association, the Yaoundé Convention made it possible to finance advances of up to two years, out of EDF liquid assets to export-price stabilization funds in the associated countries. Advances totalling over S12 millions were made in the 5 years covered by the Convention to provide temporary support for the domestic price of groundnuts, cotton, coffee and sugar in various associated countries.

63 For the ex-French associated countries the problem was also a long-term one, since France used to pay higher than world prices for many of their main exports. A particular system of aid was devised for them, by which the prices for their main agricultural exports would be subsidized at adminishing rate over the five years, and at the same time production costs would be reduced by various improvements in production and marketing methods. The object was to enable the countries in question to sell their output at normal world-market prices by the end of the period.

64 This combined system of price subsidies and production improvements certainly did a great deal to help these countries maintain their agricultural production capacity, raise productivity and diversify output. For some countries, however, production costs remain higher than world-market prices; more efforts will have to be made to increase their productivity and to diversify their output wherever this is physically and economically feasible. The economies of many associated countries continue to depend largely upon one or a very small number of export commodities, and their development process would suffer a severe setback if the prices they fetched on the world markets were to experience a sharp decline. Short-term advances would be of little help if this decline went too far or persisted over several years.

65 In order to cushion, in part at least, such disruptive effects, the Community has agreed to include in the second Yaoundé Convention a special kind of aid to cope with exceptional difficulties due to a price drop. The need for special aid will be assessed in each case with regard to the place of the commodity in the country's economy, the overall situation of the economy, and the actual effects on it of the price drop. (6).

66 All the measures so far referred to have in common a defensive character to cope with unfavourable market conditions. The associated countries have, however, strongly stressed the point that their non-associated competitors have on the whole been faring better than them in exporting tropical products to the Community. Offensive weapons in the commercial field have thus become necessary. The Community has attempted to use the forms of aid available under the second Fund to help the associated countries to overcome their severe shortcomings in the sphere of trade organization and promotion.

67 Market studies have been financed by the Fund and carried out by independent experts for several commodities or groups of commodities, like bananas and other tropical fruits, cocoa, coffee, hides and skins and oilseeds. In addition the Member States agreed to finance, partly out of the Fund and partly out of their national budgets, the participation of the associated countries in major trade fairs in Europe.

68 The latter two forms of aid will be continued by the third Fund, but they will be incorporated in a more general programme of aid to marketing and trade promotion. Under this programme Community aid will also include technical assistance in the associated countries, trade promotion campaigns and specialized training in marketing. In this way, it is hoped, the aid given to improve and diversify production in the associated countries will bear its full fruits and be reinforced by the incentive of faster growth of sales.

(6) Similar emergency aid may be allocated in cases where great economic difficulties result from disasters, like droughts or floods.

6. Aid coordination

69 Since 1963 the Commission has made efforts to promote a system reciprocal information between itself and the other aid agencies, whether bilateral or international, at work in the associated countries. The aim of better aid coordination has been approached in a very pragmatic fashion. Instead of discussing right away broad principles, like financial terms, aid targets, and so on, information has been exchanged on projects and programmes under consideration or actually decided upon to help the associated countries. As a result of such exchanges of information it has been possible to avoid duplication of efforts, to pool experience and, wherever necessary, to take steps to coordinate action in an area or sector. Contacts have been made, more and more regularly and intensively, at first with the aid departments of the Member States, and subsequently also with other aid sources, among which the World Bank group and the UN agencies occupy a predominant place as far as the associated countries are concerned.

70 To start with the procedure was mainly in writing: lists of projects contemplated or being financed were exchanged, and surveys carried out were communicated by both sides. It soon became apparent that the information supplied and received was raising more detailed questions, and that exchanges of views were needed to make the various actions tie in with each other better. And so regular meetings between delegates of the Commission and of other aid agencies have started to take place, while written information continued to be sent and received. The discussions concern operational matters and they often lead to decisions on the coordination of various actions and projects.

71 Aid coordination takes the form of complementary action, geographical specialization, and sometimes joint-financing. It enables coordinated decisions to be taken on which investment projects to finance or what technical assistance to provide, and when. In this way, the various actions can reinforce each other. This is particularly necessary since each aid source in one way or another attempts to diversify its activities in each country and has its own specific features; the former mother-countries, for instance, provide considerable technical assistance, whereas the EDF and the World Bank Group are better placed to supply capital aid. Through coordination of aid from the different sources the required interworking and concentration of means can be achieved and the goals reached with greater certainty.

72 In some cases, the internal cohesion of operations is essential for the success of a project. This is particularly true of agricultural development, in which a body of various forms of aid -- surveys, land reclamation, experimentation, training, production equipment, agricultural credit, new economic structures, etc. -- has to be applied in coordinated fashion to a group of producers and closely adapted to the natural surrounding and human milieu. It has been found by experience that, instead of trying to coordinate aid from various sources in such programmes, it is better to aim at geographical specialization of the main aid agencies. In several associated countries, as a consequence, the EDF has undertaken to finance the agricultural development programmes of some areas in their entirety, while French aid concentrates its efforts on those of other areas.

73 The third form of aid coordination goes even further than complementary action and geographical specialization. It takes the form of a pooling of the Fund's resources with other aid in order to finance a large project, or, in the case of loans to productive enterprises, in order to share the risks. Large road and railway projects have been financed jointly by the EDF and IDA or US/AID. Industrial schemes have been financed jointly by the EDF or EIB and various public and private financial institutions of the Member and Associated States, and occasionally IFC, as well as private capital contributed by the promoters.

74 The second Yaoundé Convention has brought the Community one step further in the field of aid coordination. The Member States have now formally bound themselves to provide the Commission with complete and regular information about aid which they contemplate giving to the Associated States or which they have actually decided upon. The Commission will have to forward this information to the other Member States in addition to data on Community aid.

75 The system of reciprocal information, which was originally based on a gentlemen's agreement, will thus become compulsory within the framework of the Community. Since it has proven to be a valuable prerequisite and basis for an aid coordination at the operational level, the fact that it will be even more complete and regular than before will certainly make for closer coordination between bilateral and multilateral aid to the associated countries.

76 This does not mean, however, that the Commission is satisfied that all that is required to coordinate aid has been done. It continues to stress the point that the role of the Governments of receiving countries is a capital one in this field. Aid measures cannot be made to interlock fully with regard to sector, area and timing, unless they are fitted into a comprehensive economic programme which is both realistic and operational, and unless they are put into effect through an efficient and strictly coordinated system of decision-making by the authorities of the aid-receiving countries.

Conclusions

77 This paper probably raises more questions than it answers. It does not pretend to cover all aspects of the Community's aid to the developing countries, but concentrates on some major and specific features of its aid to the AASM, which constitutes the bulk of total Community aid, in order to facilitate comparisons with the structure and trend of other aid to developing countries.

78 To sum up very briefly, the financial and technical cooperation between the Community and the AASM is multilateral in character from the angle of the aid-givers, but rather national from that of the aid-receivers. More and more, however, it aims at fostering economic cooperation between the latter countries.

79 It is also regional. Being relatively limited in its means, it concentrates on a number of countries in a few geographical areas. Nearly all of those countries belong to the least developed parts of the developing world. Regional concentration is therefore a condition of effectiveness.

80 This aid is only one facet, although a major one, of the association relations between the Community and the AASM. Like trade relations, which is the other main facet, it is freely negotiated between the developed and developing partners for five-year periods, and its management by the Commission and the EIB is supervised and guided by the Association's institutions.

81 In this way, aid is gradually adapted, in the light of experience gained by both the receiving and donor partners in the Association. With time it has become more and more diversified in the nature of its operations and in its financial methods.

82 There are two crucial points on which the Community is still seeking to improve its aid relationship with the AASM. First, how could this aid be better coordinated, not only with other aid, whether bilateral or international, but also with private investments and loans, in order to increase the overall efficiency of efforts to help the associated countries both considered alone and in their relations with other developing countries? And secondly, how could aid be devised in order to improve the aid-absorption capacity of the AASM, in particular their ability to draw up realistic and operational development programmes, including any necessary structural changes, to carry them out in an organic manner, and fully to utilize and properly to maintain the newly acquired know-how, infrastructure and equipment?

Bruxelles, December 21st, 1969

Bilateral, multilateral and total public aid supplied by the E.E.C.

Annual payments in S M.

	1962	1963	1964	1965	1966	1967	1968
Aid to AASM							
bilateral	358.8	390.9	370.6	380.0	334.5	380.6	358.2
multilateral	50.7	57.0	76.0	95.4	100.0	91.6	101.3
total:	409.5	447.9	446.6	475.4	434.5	472.2	459.5
Aid to other associated countries (Greece, Turkey, Overseas countries and territories)							
bilateral	179.1	220.0	274.4	235.1	277.6	309.7	362.6
multilateral	2.1	3.6	12.4	20.3	35.8	49.4	45.7
total:	181.2	223.6	286.8	255.4	313.4	359.1	408.3
Bilateral aid to other developing countries	1,406.6	1,391.7	1,371.6	1,351.8	1,310.8	1,548.2	1,637.5
Grand total:	1,997.3	2,063.2	2,105.0	2,082.6	2,058.7	2,379.5	2,505.3

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BRITAIN, THE EEC AND THE THIRD WORLD

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THE EEC'S COMMON AGRICULTURAL POLICY AND IMPORTS FROM THIRD COUNTRIES

by

Christopher Trapman

Note:

There are two main elements affecting the access of third country exports to the markets of the EEC. One is the structure of the Common External Tariff (CET) - whether or not there are customs duties, and if so, the rate at which they are imposed. The other is the Common Agricultural Policy (CAP).

The influence of the former is reasonably easy to apprehend: the duties are published and their operation conforms to standard international practice. The effects of the CAP on third country exports, on the other hand, are indirect - though powerful - and much harder to discern. The following paper, which was prepared by Christopher Trapman while he was working as a Research Officer at ODI, is intended to clarify some basic points about the workings of the CAP, and especially about the system of levies on imports. It is hoped that the information which it contains will provide useful background material for conference participants.

1. In order to understand the operation of the Common Agricultural Policy and its effect upon non-member countries, it is necessary to state briefly why the need for a common policy for agriculture should arise. Prior to the Treaty of Rome, the Governments of member countries had followed agricultural support and protection policies at differing levels of intensity and with different degrees of success. All recognised the need for protection by some means or another of their farming community, although emphasis differed between justification on purely social grounds of maintaining rural employment and reasonable incomes to farmers at the cost of the consumer, and attempts to keep food prices down. While some differences in farmer policies of Member States were so great as to seem irreconcilable, it was at the same time recognized that without a common policy for agriculture, the full principles behind the Treaty could never be implemented.

2. The objectives of a common market extending to agriculture and agricultural trade as laid down in the Treaty of Rome were expanded, still only in general terms, at a conference of officials of ministries' and farmers' organisations who met at Stresa in July 1958. These emphasised, inter alia, the need to increase trade between member countries, to achieve a balance between supply and demand, to avoid encouragement of surpluses and to give scope to the comparative advantage of each region. Essentially a common protective policy towards outside suppliers was inherent in these objectives and a common external frontier for all agricultural produce was envisaged by the early seventies.

3. The principle of the use of the variable levy was accepted at an early stage as a means of adjusting current external market prices up to internal target prices, and thus protecting EEC producers from competition from lower prices prevailing on world markets outside. It was not, however, until 1968 that a Common Agricultural Policy (CAP) was formulated for a group of agricultural products which included cereals, pigmeat, eggs, poultry meat, fruit and vegetables and wine. The list has since been added to and at present the following commodities are accommodated in one sense or another under the Common Agricultural Policy of the EEC.

<u>GRAIN</u> Wheat, barley, oats, rye, maize, buckwheat, millet, durum wheat, canary seed, grain sorghum, flour, cereal meal, malt, starches, gluten and other processed products from cereals.

<u>RICE</u>

<u>DAIRY PRODUCTS</u>
Fresh milk and cream, concentrated and sweetened milk and cream, powder milk, butter cheese and curd.

<u>POULTRY</u>

<u>MEAT</u>

<u>EGGS</u>

<u>PIG MEAT</u>

<u>FRUIT & VEGETABLES</u>
Apples, apricots, cherries, clementines, lemons, mandarines, oranges, peaches, pears, plums, strawberries, table grapes, artichokes, asparagus, beans, brussel sprouts, cabbage, carrots, cauliflower, celery, chicory, cucumber, endives, garlic, lettuce, onions, peas, spinach and tomatoes.
Also processed products of the foregoing.

VEGETABLE OILS & FATS

OILSEEDS Colza, rape, sunflower seed etc.

OLIVE OIL

SUGAR Sugar beet, refined sugar, raw sugar, molasses.

NON-EDIBLE HORTICULTURAL PRODUCTS
Live trees, plants, cut flowers.

TOBACCO

WINE

4. However, despite the fact that all the above are covered by the CAP, the effects of this policy are by no means uniform to all, especially when one examines the different aspects of protection from third country products.

5. Before examining different methods of protection which discriminate against cheaper goods produced in third countries it may be helpful to give brief definitions of terms used under CAP pricing policy. Unfortunately terminology is not always precise and is used with different meanings in different circumstances. Each year the Council of Ministers, acting on proposals from the Commission of the EEC decides upon:-

TARGET or INDICATIVE PRICES	in the case of cereals, oils, fats, milk, sugar and tobacco.
BASIC PRICES	in the case of pigmeat, fruit, vegetables and wine.
GUIDE PRICES	in the case of cattle and calves.

6. These prices represent the level which it is hoped that wholesale market prices will attain in the area of biggest deficit (which, in the case of grains is Duisburg in the Ruhr.) They are fixed to enable farmers to plan production and to give economic guidance to all market users. The CAP aims at keeping the market price as close as possible to the target/basic/guide price.

7. In order to keep prices at about this level, the council also fixes an INTERVENTION PRICE in the case of most of the above commodities (for exceptions see Table I below) which is the price at which member governments or their agencies are obliged to intervene to buy up commodities offered to them. It is usually calculated as a percentage of the target/guide/basic price and is a form of guaranteed price, comparable in effect to the UK farm price support policy for some products. In the case of cereals this level ranges between 5% and 10% below the basic target price.

8. In addition for cereals, refined sugar, oils, oilseeds and tobacco, it has been necessary to fix DERIVED TARGET & INTERVENTION PRICES at a number of centres at varying distances from the area of greatest deficit, which are generally lower than the basic prices by the amount of the lowest cost of transporting grain from the local centre to the basic intervention point.

9. Similarly in order to relate international prices to the basic community price, the Commission calculates transport and handling costs from the main ports so that the council can fix a minimum duty-paid import price or:-

THRESHOLD PRICE	in the case of cereals, dairy products, beef and veal, sugar and olive oil.
SLUICEGATE PRICE	in the case of pigmeat, eggs, poultry meat and wine.
REFERENCE PRICE	in the case of fruit and vegetables.

10. Threshold and sluicegate prices are implemented by means of LEVIES or variable import taxes fixed by relating the threshold price to the lowest offers of imported commodities. The amount of the levy is adjusted to the world market situation every day in the case of grains, fortnightly for dairy products and quarterly in the case of pigmeat. The amount of the levy is changed to take account of (a) monthly movements and annual adjustments of the threshold/sluicegate price and (b) changes in offers of commodities c.i.f. at the EEC customs border. Assuming that threshold/ sluicegate prices were constant, levies would go up as c.i.f. prices fell and would go down as c.i.f. prices increased.

11. Variable import taxes in the case of fruit and vegetables when imposed are known as COUNTERVAILING CHARGES.

12. With regard to exports from the community, in the case of grains (excepting durum wheat and rice), dairy products, beef and veal, sugar, fruits, vegetables, oils oilseeds and tobacco. RESTITUTIONS OR REFUNDS are granted to enable commodities purchased on EEC markets to be exported at the level of world market prices and are the counterpart of levies applied to imports. They are, in effect, export subsidies.

13. A further factor which should be mentioned is that in the cases of eggs, poultry meat, fruit and vegetables and wine there are distinct QUALITY STANDARDS. Only products subject to the common rules which satisfy the quality standards are acceptable as imports from non-member countries and in intra-Community trade.

14. There are particular difficulties that arise in trying to ascertain the level of tariffs facing countries exporting to the Common Market in the case of most products covered by the CAP, caused by the fact that LEVIES can alter daily in the case of cereals, every two weeks in the case of dairy products and up to four times in a year for pigment. For most products not covered by CAP external LEVIES, there is a reasonably straightforward and fixed Common External Tariff facing third countries, which provides preferential treatment to Associate Members.

TABLE 1 EEC SUPPORT ARRANGEMENTS UNDER CAP

	VARIABLE LEVIES	THRESHOLD PRICES	SLUICEGATE PRICES	REFERENCE PRICES	CUSTOMS DUTIES (CET)	TARGET PRICES	BASIC PRICES	GUIDE PRICES	INTERVENTION PRICES	DERIVED INTERVENTION PRICES	EXPORT RESTITUTIONS	QUALITY STANDARDS
GRAINS not Durum Wheat or Rice	x	x	–	–	–	x	–	–	x	x	x	–
DURUM WHEAT	x	x	–	–	–	x	–	–	x	x	–	–
RICE	x	x	–	–	–	x	–	–	x	x	x	–
RAW MILK	–	–	–	–	x	x	–	–	–	–	–	–
BUTTER	x	x	–	–	–	–	–	–	x	–	x	–
MILK PRODUCTS	x	x	–	–	–	–	–	–	–	–	x	–
FAT CATTLE	x	x	–	–	x	–	–	x	x	–	x	–
VEAL CALVES	x	x	–	–	x	–	–	x	–	–	x	–
MEAT	x	x	–	–	x	–	–	–	–	–	x	–
PIGMEAT	x	–	x	–	–	–	x	–	x	–	–	–
EGGS	x	–	x	–	–	–	–	–	–	–	–	x
POULTRY MEAT	x	–	x	–	–	–	–	–	–	–	–	x
WHITE SUGAR	x	x	–	–	–	x	–	–	x	x	x	–
SUGAR BEET	–	–	–	–	–	x	–	–	–	–	–	–
FRUIT AND VEGETABLES	x	–	–	x	x	–	x	–	x	–	x	x
NON-EDIBLE HORTICULTURAL PRODUCTS	–	–	–	–	x	–	–	–	–	–	x	x
VEGETABLE OIL	–	–	–	–	x	x	–	–	x	x	x	–
OILSEEDS	–	–	–	–	–	x	–	–	x	x	x	–
OLIVE OIL	x	x	–	–	x	x	–	–	x	–	x	–
WINE	x	–	x	–	x	–	x	–	x	–	–	x
TOBACCO	x	–	–	–	x	x	–	–	x	x	x	–

* Countervailing charge having similar effect as levy.

Source: Food Farming and the Common Market by Michael Butterwick and Edmund Neville Rolfe, O.U.P. 1968.

15. However, for the sake of clarification the following is an attempt to set out the alternative arrangements which may apply as tax barriers to imports into the EEC.

a) An import may face duty under the Common External Tariff (CET) with no levy applied to it. This is so in the case of raw milk, some oilseeds, non-edible horticultural products and vegetable oil.

b) An import may face the imposition both of duty under the CET and a levy. This is the case with the majority of products covered by the CAP.

c) An import may be duty free under CET, but face the imposition of a levy, as in the case of sugar, oil cake made from olive oil and molasses as annual feed.

d) An import may be free both of duty under the CET and levies, as in the case of breeding animals, some oilseeds, raw vegetables for dyeing and tanning, meat extracts and juices, and a few other insignificant items.

16. It is important to note that only the Associated States of Guadeloupe Martinique, Reunion and Guiane benefit from full exemption of the external CAP tariffs and from CAP support prices. In principle, import policy provisions of the CAP are applicable to imports from all other third countries including Associated countries. However, certain ad hoc measures have been made to mitigate the effect of the policy for exports from Associate members. For example, a variable levy on rice has been imposed at a reduced rate for Associated territories, and levy-free quotas have been agreed for products processed from rice and cereals from these countries. For vegetable oils and oilseeds arrangements have been made to subsidise associated countries exports to the extent of any shortfall of world prices from a predetermined target price. Both the Yaounde II and Arusha II Conventions allow for special arrangements to be made case by case (after consulting within the respective Association Councils) for exporting agricultural products covered by the CAP to the Community.

17. The following gives a brief description of the tariff protection arrangements by commodity under the CAP:

(a) GRAINS Threshold prices, which are the same at all EEC ports, do not change during the crop year, except to make allowance for monthly increments, which are provided to give incentives to farmers to store their own grains, and maintain a balanced supply of grain coming forward from farms to the market.

Levies are common to the whole community and change to take account of the changing prices on the world market. If prices increase, levies are reduced and if prices fall, levies rise. By 2.15 pm each day the Commission's Price Information Office in Brussels receives up to 1,000 quotations for spot and future shipments from national agencies. Price developments can also be checked direct with grain markets, and when the lowest c.i.f. price for each grain is established, the levy is calculated and approved by 6.00 pm the same evening, to come into effect by midnight. In order to give some flexibility to the trade, levies are not changed if market prices shift only slightly. For instance with maize, offers can rise or fall by 75 cents per ton without the levy being changed. There is a further element of flexibility whereby the trade can fix levies in advance for future shipments, by issuing dated import licences. Importers are penalized if they fail to use their import licences and if the shipment is not landed during the month indicated at the time of the licence application.

(b) DAIRY PRODUCTS Variable levies are applied to butter, cheese, processed milk and lactose. Threshold prices from which the levies are derived are based, as with other processed commodities, on the internal target price of the basic product and on average manufacturing costs, together with an element of protection for the home processing industry. Products other than cheddar, tilsit and butter are divided into the following twelve groups, designated by a pilot product, to which a number of other products are assimilated, and each with a different threshold price:

Powdered whey	Parmesan
Powdered whole milk	Emmental
Powdered skimmed milk	Gouda
Condensed milk, unsweetened	Butterkase
Condensed milk, sweetened	Camembert
Blueveined cheese	Lactose

Exports of dairy products are given subsidies to cover the disposal of surpluses on lower priced external markets.

(c) BEEF & VEAL A basic level of protection against imports of live cattle is provided by a common external tariff of 20% ad valorem. A levy is applicable as a protection against imports of medium grade fat cattle based on internal market prices. The levy consists of the difference between the guide price and the duty-paid import price. When internal market prices, on selected Community markets, fall to 105% of the guide price, the levy is reduced to 50% of the full rate. Once internal prices fall to the actual guide price levy, imports become liable to the full rate of levy. For purposes of calculating the amount of the levy, the import price is deemed to be the prevailing average c.i.f. price for equivalent medium grade cattle on a number of representative third country markets (Britain, Ireland, Denmark and Austria).

Levies for carcass meat, offals, derived beef and veal products are calculated according to a large variety of co-efficients relating them to fresh meat and cattle. For frozen beef, a special levy is calculated on the world price for such beef, but there are provisions for waiving the levy fully or partially, as in the case of frozen beef for the processing or canning industry when supplies of such meat are low in the EEC (the foregoing only applies to amounts imported over and above the 22,000 ton quotabound in GATT for corned beef and frozen meat at fixed tariffs of 26% and 20% respectively.)

(d) MUTTON & LAMB Neither of these two products are covered under the CAP. There is a 20% common external tariff bound in GATT on both, and additionally France imposes minimum import prices.

(e) PIGMEAT Protection against imports from third countries is provided by sluicegate prices and levies. The latter comprise two elements, one consisting of the difference between feed grain prices in the EEC and world market prices - and the other a 7% tariff based on the average sluicegate price in the previous year. Sluicegate prices are determined by the council of Ministers for three months in advance.

(f) EGGS Levies are raised on imports of eggs into the Community which are offered at lower than sluicegate prices. These levies consist of two components: (1) A variable component equal to the difference in the feed cost of producing eggs inside the community and outside it, due to the difference in the price of feed grains in the Community (threshold prices) and on the world market (calculated quarterly). (2) a fixed component equal to 7% of the average sluicegate price for shell eggs for the four quarters up to 1st May preceding the 1st August on which the component is fixed. It is fixed for a period of twelve months ahead.

Sluicegate prices upon which levies are based are fixed quarterly in advance, taking into account changes in feedgrain prices on the world market during the preceding six months. The c.i.f. price which forms the basic of the supplementary levy is determined by the lowest current offer on the world market. Should abnormally low offers arise on one or more markets a second free at frontier price is determined, on which the supplementary levy applicable to those countries' exports is based.

(g) POULTRY MEAT Measures for protection against imports of poultry meat are essentially the same as for eggs, with levies reinforcing sluicegate prices for poultry meat, live poultry and day-old chicks. Only imports of poultry livers and certain kinds of preserved meat and offals are limited to lower rates of duty under GATT.

(h) SUGAR For imports of sugar from third countries threshold prices are fixed for white sugar, raw sugar and molasses in the light of the target price, with allowances being made for transport costs from the area with the highest surplus to the most distant deficit area (Palermo in Italy). The system of import levies is based on the lowest offer price on the world market. The CAP sugar policy covers sugar produced in the French Overseas Departments of Guadeloupe, Martinique, and Reunion and these countries benefit from derived intervention prices, for sugar produced within a regulated quota of 465,000 tons.

(i) FRUIT & VEGETABLES Producers of fruit and vegetables in the EEC enjoy a similar type of protection against imports from third countries as producers of other CAP commodities.

Reference prices for all products are fixed by the Commission corresponding to the lowest market prices in the area of greatest surplus for each product. If import prices remain below the reference price for more than three consecutive days a countervailing duty is applied equivalent to the difference between the reference price and the import price. Import prices are calculated at a number of main internal markets with the allowance made for transport costs from the frontier, as well as customs duty.

In the case of processed fruit and vegetables, import levies are collected according to the degree of sugar content in the produce.

A further measure of assistance to EEC producers of fruit and vegetables is the granting of refunds on exports, equivalent to the duty under the CET, plus any countervailing duty which may be applicable.

(j) NON-EDIBLE HORTICULTURAL PRODUCTS a fixed CET import duty only applied to imports of these products from third countries.

(k) VEGETABLE OIL & OILSEEDS Oilseeds generally enter the EEC duty free. Some vegetable oils are subject to duties under the CET while animal oils and fats are dealt with by the same terms as the respective regulations covering the livestock products from which they are derived. There are, however, separate regulations for olive oil and oil seeds. Levies are raised on imports of olive oil which are offered at lower than threshold prices. The internal market for oilseeds is protected by means of dificiency payments to seed crushers, and there is no levy arrangement for imports.

(l) WINE & TOBACCO In the case of wine, a levy is raised on the difference between the lowest import offers from third countries and the CAP sluicegate price. Tobacco is subject to duties under the common external tariff of the EEC. There is no system of levies at present.

APPENDIX

Developing countries producing commodities covered by the CAP are listed below. The list should be interpreted with caution. In particular, it should be noted that the UK also maintains its own protective apparatus on a number of the products listed. The products themselves all account for 5% or more of the exports of the countries concerned.

In considering the list it should be noted that while EEC Associates may expect a duty preference under the CET, preferences under the levy system must be negotiated case by case after ratification.

Algeria	wine, fruit
Angola	maize
Argentina	meat, chilled, frozen & canned: wheat maize
Barbados	raw sugar, molasses, tobacco
Brazil	sugar, animal & vegetable oils & fats
British Honduras	fruit, prepared and preserved; sugar
Burma	rice, fresh vegetables, oilseed cake & meal
Cambodia	rice, maize, fruit & vegetables
Chad	fresh, chilled & frozen meat
China, Taiwan	fruit & vegetables, sugar
Costa Rica	meat, fruit & vegetables
Cuba	sugar
Dahomey	oilseeds, animal & vegetable oils & fats
Dominician Republic	sugar
Ethiopia	fruit & vegetables, oilseeds
Fiji	sugar
Gambia	oilseeds, vegetable oils
Guyana	rice, sugar
India	fruit & vegetables, sugar
Indonesia	oilseeds and vegetable oils
Ivory Coast	fruit & vegetables
Jamaica	sugar, fruit & vegetables
Kenya	meat, cereals, maize
Lebanon	fruit
Malagasy	rice
Malawi	maize, vegetables, tobacco, oilseeds and vegetable oil
Mali	livestock, oilseeds and vegetable oil
Mauritius	sugar
Mexico	meat, cattle, vegetables & sugar

Appendix cont....

Morocco	fruit & vegetables
Mozambique	maize, sugar
Nicarogua	meat
Niger	oilseeds, vegetable oils, livestock
Nigeria	oilseeds, vegetable oils
Pakistan	rice
Panama	fruit, sugar
Paraguay	meat and meat products, tobacco
Peru	sugar
Philippines	sugar, animal & vegetable oils & fats
Rhodesia	tobacco
Senegal	oilseed cake and meal, vegetable oils
Sierra Leone	oilseeds
Sudan	oilseed cake and meal, oilseeds, crude vegetable material
Syria	fruit & vegetables
St.Kitts-Nevis	cane, sugar
Anguilla	cane, sugar
Tanzania	fruit & vegetables
Thailand	rice, maize, fruit & vegetables
Togo	oilseeds
Trinidad & Tobago	sugar cane & beet
Tunisia	tobacco, wine, olive oil
United Arab Republic	cereals, rice, fruit & vegetables
Uraguay	meat and meat products, beef
Uganda	sugar
Upper Volta	livestock, oilseeds, vegetable oil

SID/ODI CONFERENCE

BRITAIN, THE EEC AND THE THIRD WORLD

The Royal Society, London
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STATISTICAL APPENDIX

prepared by ODI

CONTENTS

Table 1 : Imports of EEC and EFTA from Commonwealth LDCs and Yaoundé LDCs — $m 1959

SITC		Austria 1	Denmark 2	Norway 3	Portugal 4	UK 5	Sweden 6	Switzerland 7	EFTA* 8(1-7)	Germany 9	Benelux 10	France 11	Italy 12	Netherlands 13	EEC 14(9-13)
	TOTAL														
	Commonwealth LDCs	37.5	35.5	30.5	11.0	1869.5	73.5	39.7	2086.2	419.1	75.9	137.0	153.3	168.1	953.4
	Yaoundé Associates	2.2	7.1	3.5	1.2	29.7	5.4	7.5	56.6	88.3	207.9	455.5	60.4	42.2	854.3
	World	1144.6	1594.3	1314.4	475.8	11172.3	2408.9	1913.4	20023.7	8477.3	3444.6	5087.0	3347.0	3938.8	24294.7
0	**FOOD & LIVE ANIMALS**														
	Commonwealth LDCs	11.0	8.0	5.4	0.3	686.3	13.1	11.8	735.9	114.8	8.4	11.4	33.2	46.6	214.4
	Yaoundé Associates	0.7	2.4	1.7	–	9.7	1.8	2.4	18.7	21.4	11.6	176.4	28.4	17.1	254.9
	World	178.7	232.4	132.6	41.9	3921.0	290.2	305.6	1573.5	2082.9	443.3	900.6	545.9	558.8	4531.5
1	**BEVERAGES & TOBACCO**														
	Commonwealth LDCs	1.2	0.4	0.7	0.2	97.1	0.5	0.2	100.3	7.4	3.0	–	–	4.0	14.4
	Yaoundé Associates	–	–	–	–	–	–	–	–	0.3	0.1	7.4	–	–	7.8
	World	11.1	35.5	10.7	6.1	341.0	28.2	43.2	475.8	156.6	55.5	287.7	15.0	52.1	566.9
2	**CRUDE MATERIALS, INEDIBLE**														
	Commonwealth LDCs	11.4	17.2	11.4	9.2	475.0	24.4	17.0	433.3	213.4	50.0	102.6	92.1	69.2	527.3
	Yaoundé Associates	0.8	2.7	1.0	0.8	10.8	1.8	4.5	22.4	48.2	55.5	172.9	8.1	13.2	298.1
	World	132.1	162.4	87.6	86.0	2455.4	183.6	179.8	3286.9	1861.1	636.9	1150.8	921.6	548.4	5118.8
3	**MINERAL FUELS & LUBRICANTS**														
	Commonwealth LDCS	–	1.7	0.8	0.4	121.0	14.1	0.3	138.3	0.2	0.2	–	0.6	17.2	18.2
	Yaoundé Associates	–	–	–	–	–	–	–	–	–	–	15.1	–	–	15.1
	World	122.7	202.0	115.2	53.7	1311.0	361.2	160.8	2326.6	661.3	396.0	1009.6	585.2	536.1	3188.2
4	**ANIMAL & VEGETABLE OILS & FATS**														
	Commonwealth LDCs	2.5	0.6	–	–	65.5	0.5	1.2	70.3	4.1	1.9	0.2	5.1	4.4	15.7
	Yaoundé Associates	0.5	1.9	0.6	–	–	1.3	0.1	4.4	13.5	11.4	50.5	6.5	5.4	87.3
	World	22.0	9.3	14.2	6.3	150.6	18.0	11.2	231.6	142.8	29.5	80.8	84.4	66.1	403.6
5	**CHEMICALS**														
	Commonwealth LDCs	–	–	7.6	0.1	8.9	–	–	16.6	0.7	–	1.0	–	7.9	9.6
	Yaoundé Associates	–	–	–	–	–	–	0.1	0.1	0.7	0.1	2.1	–	–	2.9
	World	95.2	134.8	80.9	48.6	387.4	183.1	154.2	1084.2	334.7	228.1	229.1	231.0	243.6	1266.5
6	**MANUFACTURED GOODS**														
	Commonwealth LDCs	0.6	4.9	1.5	0.3	312.3	15.4	6.8	341.8	62.2	11.3	20.3	20.8	9.9	124.5
	Yaoundé Associates	0.3	–	–	0.3	7.6	0.3	0.1	8.6	3.4	128.0	29.4	18.3	6.2	185.3
	World	216.4	403.1	296.1	96.3	1517.1	544.2	508.6	3581.8	1825.9	811.9	658.0	482.6	917.4	4695.8
7	**MACHINERY & TRANSPORT EQUIPMENT**														
	Commonwealth LDCs	–	–	–	–	26.9	1.5	–	28.4	0.2	0.2	–	1.2	0.1	1.7
	Yaoundé Associates	–	–	–	–	1.0	–	–	1.0	–	0.6	–	–	–	0.6
	World	301.5	349.0	506.6	116.8	707.6	625.5	383.3	2990.3	752.3	643.5	639.2	378.7	764.3	3178.0
8	**MISCELLANEOUS MANUFACTURED ARTICLES**														
	Commonwealth LDCs	–	1.0	2.6	–	56.0	4.8	–	64.4	13.5	1.0	0.4	0.6	1.6	17.1
	Yaoundé Associates	–	–	–	–	0.2	–	–	0.2	0.3	0.1	0.3	–	–	0.7
	World	64.7	65.2	70.5	20.0	338.4	174.4	165.5	898.7	557.7	192.6	116.2	99.5	210.3	1176.3
9	**OTHER TRANSACTIONS**														
	Commonwealth LDCs	–	–	–	–	3.9	0.1	–	3.9	0.9	–	–	–	0.2	1.1
	Yaoundé Associates	–	–	–	–	–	–		–	–	–	0.1	–	–	0.1
	World	0.2	0.5	0.1	0.1	42.8	0.5	1.2	45.4	82.1	7.2	15.0	3.1	41.5	148.9

NOTE: – Figure nil or negligible

* excluding Finland

Table 2 : Imports of OECD countries from LDCs of Commonwealth, Yaoundé and Rest of World – $m 1969

SITC		OECD Total 1	EEC 2	EFTA 3	Benelux 4	Neth's. 5	Germany 6	France 7	Italy 8	UK 9	Other EFTA 10(3-9)	Other OECD 11[1-(2+3)]
	TOTAL IMPORTS											
	Commonwealth LDCs	8762.4	1810.8	2615.8	155.4	259.2	680.8	479.8	438.5	2177.1	438.7	4335.8
	Yaoundé Associates	2098.1	1718.8	167.5	479.8	122.8	248.1	668.8	200.2	130.8	36.7	315.5
	Other LDCs.	29740.8	11255.3	4766.8	920.6	1334.4	3651.1	2538.5	2607.0	2766.1	2000.7	13615.0
	Total LDCs. (non OECD)	40601.3	14784.9	7550.1	1555.8	1716.4	4580.0	3687.1	3245.7	5074.0	2476.1	18266.3
	World	191885.9	75577.7	44009.9	9988.6	10993.5	24929.0	17219.8	12499.7	19956.3	24533.2	72298.3
0	**FOOD & LIVE ANIMALS**											
	Commonwealth LDCs	1556.0	219.1	774.0	9.9	65.0	89.9	16.0	36.4	694.2	79.8	562.9
	Yaoundé Associates	645.1	488.5	24.7	14.6	63.6	104.1	256.1	49.8	15.5	9.2	131.9
	Other LDCs	6969.3	2343.6	1022.9	183.3	324.7	790.0	501.5	546.2	404.9	618.0	3602.9
	Total LDCs	9170.4	3051.2	1821.6	207.8	453.3	984.0	773.6	632.4	1114.6	707.0	4297.7
	World	25162.2	10511.3	6317.8	1036.0	1354.6	3927.5	2078.0	2115.3	4200.6	2117.2	8333.1
1	**BEVERAGES & TOBACCO**											
	Commonwealth LDCs	92.5	10.0	63.0	2.5	3.4	3.5	0.2	0.1	59.4	3.6	19.5
	Yaoundé Associates	8.8	5.7	0.8	0.4	–	0.2	5.0	–	–	0.8	2.4
	Other LDCs	323.9	190.2	39.4	10.6	8.6	48.1	121.8	2.5	8.6	30.8	94.2
	Total LDCs	425.2	205.9	103.2	13.5	12.0	51.8	126.0	2.6	68.0	35.2	116.1
	World	2782.8	978.3	755.3	122.6	131.6	404.5	217.0	102.5	441.0	314.3	1049.2
2	**CRUDE MATERIALS, INEDIBLE**											
	Commonwealth LDCs	2172.8	582.4	380.8	55.1	63.6	181.5	165.8	116.0	270.7	110.1	1209.6
	Yaoundé Associates	734.7	553.1	80.3	59.4	39.1	108.1	259.8	86.5	55.7	24.6	101.3
	Other LDCs	5038.0	1674.5	708.1	139.0	123.2	648.4	335.8	428.7	406.3	301.8	2655.4
	Total LDCs	7945.5	2810.0	1169.2	253.5	225.9	938.0	761.4	631.2	732.7	436.5	3966.3
	World	24945.4	9847.5	4640.9	1247.6	1033.8	3436.7	1909.9	2219.5	2834.7	1806.2	10457.0
3	**MINERAL FUELS & LUBRICANTS**											
	Commonwealth LDCs	681.5	135.3	202.4	13.3	50.4	31.8	36.1	3.6	118.3	84.1	343.8
	Yaoundé Associates	27.4	21.1	3.1	1.9	0.6	2.1	16.1	0.4	2.2	0.9	3.2
	Other LDCs	12509.4	5460.3	2192.1	468.9	761.9	1397.7	1372.0	1460.0	1587.5	604.6	4857.2
	Total LDCs	13218.3	5616.7	2397.6	484.1	812.9	1431.6	1424.2	1464.0	1708.0	689.6	5204.0
	World	19530.0	7952.4	4248.0	892.8	1071.7	2207.9	1964.6	1815.5	2184.6	2063.4	7329.6
4	**ANIMAL & VEGETABLE OILS & FATS**											
	Commonwealth LDCs	103.1	21.8	66.7	1.3	4.7	8.4	2.1	5.0	63.2	3.5	14.6
	Yaoundé Associates	83.9	77.1	1.8	3.1	7.7	14.2	45.2	8.2	0.9	0.9	5.0
	Other LDCs	295.8	148.2	30.9	5.5	23.9	49.8	31.2	37.2	14.0	16.9	116.3
	Total LDCs	482.8	247.5	99.4	9.9	36.3	72.4	78.5	50.4	78.1	21.3	135.9
	World	1770.0	622.3	270.4	54.1	103.8	181.8	147.9	134.6	175.5	94.9	277.3
5	**CHEMICALS**											
	Commonwealth LDCs	183.3	32.9	96.6	–	19.7	4.5	4.4	2.2	43.1	53.5	53.8
	Yaoundé Associates	10.5	6.4	0.7	–	0.3	1.9	3.8	0.2	0.5	0.2	3.5
	Other LDCs	344.6	105.9	67.4	4.9	23.5	30.7	30.8	18.3	28.4	39.0	171.2
	Total LDCs	538.4	145.2	164.7	4.9	43.5	37.1	39.0	20.7	72.0	92.7	228.5
	World	12592.3	5526.5	3442.7	724.8	917.1	1560.2	1349.1	975.3	1111.3	2331.4	3623.1
6	**MANUFACTURED GOODS**											
	Commonwealth LDCs	2403.2	595.1	718.1	64.4	23.9	208.2	143.7	154.9	612.2	105.9	1367.9
	Yaoundé Associates	683.0	559.5	56.7	400.6	10.0	16.5	77.4	54.4	55.2	1.5	66.8
	Other LDCs	2750.5	1366.4	492.6	101.1	38.5	525.0	212.8	202.7	275.3	217.3	900.5
	Total LDCs	5836.7	2234.1	1267.4	566.1	72.4	749.0	433.9	412.0	942.7	324.7	2335.2
	World	40386.2	17435.0	10004.5	2693.6	2472.0	6341.7	3780.7	2147.1	4415.9	5588.6	12946.7
7	**MACHINERY & TRANSPORT EQUIPMENT**											
	Commonwealth LDCs	239.8	16.5	46.9	0.8	3.3	8.2	1.0	3.1	43.3	3.6	176.4
	Yaoundé Associates	5.7	5.1	0.3	0.2	0.3	–	4.3	0.2	0.3	–	0.3
	Other LDCs	448.3	75.8	62.1	4.3	16.0	32.4	12.2	11.2	35.9	26.2	310.4
	Total LDCs	693.8	97.4	109.3	5.3	19.6	40.6	17.5	14.5	79.5	29.8	487.1
	World	46147.1	15592.9	10161.9	2451.1	2622.9	3939.3	4213.5	2366.2	3165.9	6996.0	20392.3
8	**MISCELLANEOUS MANUFACTURED ARTICLES**											
	Commonwealth LDCs	1173.6	191.2	332.0	6.8	23.8	138.8	13.1	8.3	233.2	98.8	650.4
	Yaoundé Associates	1.1	0.5	0.1	0.1	–	-	0.2	–	0.1	–	0.5
	Other LDCs	764.7	147.3	62.0	2.9	14.2	110.0	19.0	4.7	22.3	39.7	555.4
	Total LDCs	1939.4	339.0	394.1	9.8	38.0	248.8	32.3	13.0	255.6	138.5	1206.3
	World	46147.1	15592.9	10161.9	2451.1	2622.9	3939.3	4213.5	2366.2	3169.9	6992.0	20392.3
		16159.6	6052.2	3871.2	751.7	1164.5	2081.7	1552.3	502.0	1232.4		
9	**OTHER TRANSACTIONS**											
	Commonwealth LDCs	137.7	5.1	18.6	0.1	0.6	3.9	0.1	0.2	18.4	0.2	114.0
	Yaoundé Associates	2.8	1.1	–	0.1	0.1	0.4	0.1	–	–	–	1.7
	Other LDCs	210.1	31.5	5.0	0.7	1.7	24.5	0.6	4.7	4.3	0.7	173.6
	Total LDCs	350.6	37.7	23.6	0.9	2.4	28.8	0.8	4.9	22.7	0.9	289.3
	World	16159.7	6052.2	3871.2	751.7	1164.5	2081.7	1552.3	502.0	1232.4	2638.8	6236.3

Table 3 : Share of LDCs in import totals of OECD countries.
(Derived from tables 1 and 2) – %

SITC		EEC	EFTA	Benelux	Neth's.	Germany	France	Italy	UK	Other EFTA	Other OECD	OECD Total
	TOTAL IMPORTS											
	1969											
	Commonwealth LDCs	2.4	5.9	1.6	2.4	2.7	2.8	3.5	10.9	1.8	6.0	4.6
	Yaoundé Associates	2.3	0.4	4.8	1.1	1.0	3.9	1.6	0.7	0.1	0.4	1.1
	Other LDCs	14.9	10.8	9.2	12.1	14.6	14.7	20.9	13.9	8.2	18.8	15.4
	Total LDCs	19.6	17.1	15.6	15.6	18.3	21.4	26.0	25.5	10.1	25.2	21.1
	1959											
	Commonwealth LDCs	3.9	10.4	2.2	4.3	4.9	2.7	4.6	16.7	..	..	..
	Yaoundé Associates	3.5	2.8	6.0	1.1	1.0	9.0	1.8	0.3	..	..	..
0	**FOOD & LIVE ANIMALS**											
	1969											
	Commonwealth LDCs	6.2	2.1	1.0	4.8	2.3	0.8	1.7	16.5	3.8	6.8	6.2
	Yaoundé Associates	2.6	4.6	1.4	4.7	2.6	12.3	2.4	0.4	0.4	1.6	2.6
	Other LDCs	27.7	22.3	17.7	24.0	20.1	24.1	25.8	9.6	29.2	43.2	27.7
	Total LDCs	36.4	29.0	20.1	33.5	25.0	37.2	29.9	26.5	33.4	51.6	36.5
	1959											
	Commonwealth LDCs	4.7	46.7	1.8	8.4	5.5	1.2	6.0	17.5	..	..	..
	Yaoundé Associates	5.6	1.1	2.7	0.3	1.0	19.6	5.1	0.3	..	..	..
1	**BEVERAGES & TOBACCO**											
	1969											
	Commonwealth LDCs	1.0	8.3	2.0	2.6	0.9	0.1	0.1	13.4	1.1	1.9	3.3
	Yaoundé Associates	0.6	0.1	0.3	–	–	2.3	–	–	0.3	0.2	0.3
	Other LDCs	19.4	5.2	9.0	6.5	11.8	56.2	2.5	2.0	9.9	9.0	11.6
	Total LDCs	21.0	13.6	11.3	9.1	12.7	58.6	2.6	15.4	11.3	11.1	15.2
	1959											
	Commonwealth LDCs	2.5	21.0	5.4	7.6	4.7	–	–	28.4	..	..	..
	Yaoundé Associates	1.4	–	0.2	–	0.2	2.6	–	–	..	..	..
2	**CRUDE MATERIALS, INEDIBLE**											
	1969											
	Commonwealth LDCs	5.9	8.2	4.4	6.2	5.3	8.7	5.2	9.6	6.1	11.6	8.7
	Yaoundé Associates	5.6	1.7	4.7	3.8	3.1	13.6	3.9	2.0	1.4	1.0	2.9
	Other LDCs	17.0	15.3	11.1	11.9	18.8	17.6	19.3	14.3	16.7	25.4	20.2
	Total LDCs	28.5	25.2	20.2	21.9	27.2	39.9	28.4	25.9	24.2	38.0	31.8
	1959											
	Commonwealth LDCs	10.3	13.2	7.9	7.7	11.5	8.9	10.0	28.5	..	..	..
	Yaoundé Associates	5.8	0.8	8.7	–	2.6	15.0	0.9	–	..	..	..
3	**MINERAL FUELS & LUBRICANTS**											
	1969											
	Commonwealth LDCs	1.7	4.8	1.5	4.7	1.4	1.4	0.2	5.4	4.1	4.7	3.5
	Yaoundé Associates	0.3	0.1	0.2	0.1	0.1	0.8	–	0.1	–	–	0.1
	Other LDCs	68.7	51.6	52.5	71.1	63.3	69.8	80.4	72.7	29.3	66.3	64.1
	Total LDCs	70.7	56.5	54.2	75.9	64.8	72.0	80.6	78.2	33.4	71.0	67.7
	1959											
	Commonwealth LDCs	10.3	13.2	7.8	12.6	11.4	8.8	10.0	19.3	..	..	..
	Yaoundé Associates	5.8	0.7	8.8	2.4	2.6	15.0	0.8	0.4	..	..	..
4	**ANIMAL & VEGETABLE OILS & FATS**											
	1969											
	Commonwealth LDCs	3.5	24.8	1.9	4.5	4.6	1.4	3.7	36.0	3.7	5.3	8.8
	Yaoundé Associates	12.4	0.7	5.6	7.4	7.8	30.5	6.1	0.5	0.9	1.8	7.2
	Other LDCs	23.8	11.5	10.2	23.1	27.4	20.9	27.5	8.0	17.9	41.9	25.3
	Total LDCs	39.7	37.0	17.7	35.0	39.8	52.8	37.3	44.5	22.5	49.0	41.3
	1959											
	Commonwealth LDCs	4.0	30.2	6.4	6.7	2.8	0.2	6.0	43.5	..	..	..
	Yaoundé Associates	21.5	1.9	38.6	8.2	9.8	62.5	7.7	–	..	..	..
5	**CHEMICALS**											
	1969											
	Commonwealth LDCs	0.6	2.8	–	2.1	0.3	0.3	0.2	3.9	2.3	1.5	1.4
	Yaoundé Associates	0.1	–	–	–	0.1	0.3	–	–	–	0.1	0.1
	Other LDCs	1.9	1.9	0.7	2.6	2.0	2.3	1.8	2.5	1.7	4.7	2.7
	Total LDCs	2.6	4.7	0.7	4.7	2.4	2.9	2.0	6.4	4.0	6.3	4.2
	1959											
	Commonwealth LDCs	0.8	1.5	–	3.2	0.2	0.5	–	2.3	..	..	..
	Yaoundé Associates	0.2	–	–	–	0.2	0.9	–	–	..	..	..

Table 3 (Continued

SITC		EEC	EFTA	Benelux	Neth's.	Germany	France	Italy	UK	Other EFTA	Other OECD	OECD Total
6	**MANUFACTURED GOODS**											
	1969											
	Commonwealth LDCs	1.8	7.2	2.4	1.0	3.3	3.8	7.2	13.8	1.9	10.6	6.0
	Yaoundé Associates	3.2	0.6	14.9	0.4	0.3	2.0	2.5	1.2	–	0.5	1.7
	Other LDCs	7.8	4.9	3.7	1.6	8.3	5.6	9.4	6.2	3.9	7.0	6.8
	Total LDCs.	12.8	12.7	21.0	3.0	11.9	11.4	19.1	21.2	5.8	18.1	14.5
	1959											
	Commonwealth LDCs	2.6	9.5	1.4	1.1	7.5	3.0	4.4	20.6	..	..	..
	Yaoundé Associates	3.9	0.2	15.8	0.7	0.2	4.4	3.7	0.5	..	..	.
7	**MACHINERY & TRANSPORT EQUIPMENT**											
	1969											
	Commonwealth LDCs	0.1	0.5	–	0.1	0.2	–	0.1	1.4	0.1	0.9	0.5
	Yaoundé Associates	–	–	–	–	–	0.1	–	–	–		–
	Other LDCs	0.5	0.6	0.2	0.6	0.8	0.3	0.5	1.1	0.4	1.5	1.0
	Total LDCs	0.6	1.1	0.2	0.8	1.0	0.4	0.6	2.5	0.5	2.4	1.5
	1959											
	Commonwealth LDCs	0.1	0.9	–	–	–	–	0.3	3.8	..	..	..
	Yaoundé Associates	–	–	0.1	-		–	–	0.1	..	..	.
8	**MISCELLANEOUS MANUFACTURED ARTICLES**											
	1969											
	Commonwealth LDCs	1.2	3.3	0.3	0.9	3.5						
	Yaoundé Associates	–	–	–	–	–						
	Other LDCs	0.9	0.6	0.1	0.5							
	Total LDCs	2.1	3.9	0.4	1.4							
	1959											
	Commonwealth LDCs	1.4	7.1	0.5	0.8	2.4	0.4	0.6	16.6	..	..	..
	Yaoundé Associates	0.6	–	0.1	–	0.1	0.3	–	0.1	..	..	..
9	**OTHER TRANSACTIONS**											
	1969											
	Commonwealth LDCs	0.1	0.5	–	0.1	0.2	–	–	1.5	–	1.8	0.9
	Yaoundé Associates	–	–	–	–	–	–	–	–	–	–	–
	Other LDCs	0.5	0.1	0.1	0.1	1.2	–	0.9	0.3	-	2.8	1.3
	Total LDCs	0.6	0.6	0.1	0.2	1.4	0.1	1.0	1.8	–	4.6	2.2
	1959											
	Commonwealth LDCs	0.7	8.6	–	0.5	1.1	–	–	9.1	..	..	..
	Yaoundé Associates	0.1	–	–	–	–	0.7	-	–	..	..	..

NOTE: – – nil or negligible
. . figures not available

Table 4 : Growth in imports of EEC & EFTA countries from Commonwealth & Yaoundé Convention LDCS 1959 to 1969 – %

SITC		EEC 1	EFTA 2	Benelux 3	Netherlands 4	Germany 5	France 6	Italy 7	UK 8
	TOTAL IMPORTS								
	Commonwealth LDCs	89.9	25.3	104.7	54.2	62.4	250.2	186.0	16.4
	Yaoundé Associates	101.1	195.9	130.7	191.0	180.9	46.8	231.5	340.4
	World	211.1	119.8	190.0	179.2	194.1	238.5	273.4	78.6
0	**FOOD & LIVE ANIMALS**								
	Commonwealth LDCs	2.3	5.2	17.8	38.3	– 21.7	40.3	9.6	16.4
	Yaoundé Associates	91.4.	32.1	25.9	271.9	395.2	45.5	75.4	59.8
	World	132.0	203.3	133.9	142.6	88.6	130.6	287.4	7.1
1	**BEVERAGES & TOBACCO**								
	Commonwealth LDCs	– 30.6	– 37.2	– 16.7	– 15.0	– 52.7	..	..	– 38.8
	Yaoundé Associates	– 26.9	..	300.0	..	– 33.3	– 32.4	..	..
	World	72.5	58.7	120.9	152.6	158.3	– 24.7	583.3	29.3
2	**CRUDE MATERIALS, INEDIBLE**								
	Commonwealth LDCs	10.4	– 12.1	10.2	– 8.1	– 14.6	61.6	26.1	– 43.0
	Yaoundé Associates	85.5	258.5	7.0	196.2	124.3	50.3	967.9	415.7
	World	92.4	41.2	95.8	88.7	84.7	65.9	140.9	15.5
3	**MINERAL FUELS & LUBRICANTS**								
	Commonwealth LDCs	643.4	46.3	6550.0	193.0	15800.0	..	500.0	– 2.2
	Yaoundé Associates	39.7	..	..	..	..	6.6	..	..
	World	149.2	82.6	125.5	100.0	234.0	94.6	210.3	66.7
4	**ANIMAL & VEGETABLE OILS & FATS**								
	Commonwealth LDCs	38.9	– 5.1	– 31.6	6.8	104.9	1050.0	– 2.0	– 3.5
	Yaoundé Associates	– 11.7	– 59.1	– 72.8	42.6	5.2	– 10.5	26.2	..
	World	54.2	16.8	83.4	57.0	27.3	83.0	59.5	16.5
5	**CHEMICALS**								
	Commonwealth LDCs	242.7	481.9		149.4	642.9	340.0	..	384.3
	Yaoundé Associates	120.7	600.0	..	..	171.4	80.9	..	..
	World	336.5	217.6	217.8	275.8	365.7	489.1	322.1	187.1
6	**MANUFACTURED GOODS**								
	Commonwealth LDCs	378.0	109.9	469.9	141.4	235.5	607.9	638.1	96.0
	Yaoundé Associates	201.9	559.3	213.0	61.3	385.3	163.3	197.3	626.3
	World	271.3	179.3	231.8	169.6	247.3	474.6	344.5	191.1
7	**MACHINERY & TRANSPORT EQUIPMENT**								
	Commonwealth LDCs	870.6	65.1	300.0	3200.0	4000.0	..	158.3	61.0
	Yaoundé Associates	850.0	– 70.0	– 66.7	..	..	..	..	- 70.0
	World	390.7	239.9	281.2	243.3	423.8	559.3	524.3	347.2
8	**MISCELLANEOUS MANUFACTURED ARTICLES**								
	Commonwealth LDCs	1018.1	515.5	680.0	1387.5	928.1	3175.0	1283.3	316.4
	Yaoundé Associates	– 28.6	– 50.0	0.0	..	..	– 33.3	..	– 50.0
	World								
9	**OTHER TRANSACTIONS**								
	Commonwealth LDCs	363.6	376.9	..	200.0	333.3	..	..	371.8
	Yaoundé Associates	1000.0	...	..	..	..	0.0	..	..
	World	306.4	8602.2	10440.3	280.5	2435.9	10246.7	16093.5	2779.4

NOTE:– .. Figures not available.

Table 5 : Exports and Imports of less developed countries to and from the developed countries 1959

		EXPORTS							IMPORTS						
		World 1	EEC 2	UK 3	Other Industrial Western Europe 4	Industrial Western Europe 5(Cols 2 + 3 + 4)	US and Canada 6	Japan 7	World 8	EEC 9	UK 10	Other Industrial Western Europe 11	Industrial Western Europe 12 (Cols 9+ 10 + 11)	US and Canada 13	Japan 14
TOTAL LDCs	$ million	22683.7	5469.2	3519.8	552.9	9541.9	5881.8	1260.2	23964.6	5726.6	3173.0	838.3	9737.9	6215.0	1480.2
	(%)	(100.0)	(24.1)	(15.5)	(2.4)	(42.1)	(25.9)	(5.6)	(100.0)	(23.9)	(13.2)	(3.5)	(40.6)	(25.9)	(6.2)
Latin America	$ million	7425.7	1332.0	694.1	222.7	2248.8	3284.1	181.8	7516.4	1395.6	395.6	357.0	2148.2	3640.5	153.2
	(%)	(100.0)	(17.9)	(9.3)	(3.0)	(30.3)	(44.2)	(2.4)	(100.0)	(18.6)	(5.3)	(4.7)	(28.6)	(48.4)	(2.0)
Other Western Hemisphere	$ million	1387.1	162.2	266.7	62.0	490.9	510.7	3.4	1787.0	203.0	285.7	25.9	514.6	334.6	14.5
	(%)	(100.0)	(11.7)	(19.2)	(4.5)	(35.4)	(36.8)	(0.2)	(100.0)	(11.4)	(16.0)	(1.4)	(28.8)	(18.7)	(0.8)
Middle East	$ million	4335.8	1493.2	735.2	101.2	2329.6	424.2	320.7	3047.7	838.2	522.1	151.3	1511.6	521.5	163.4
	(%)	(100.0)	(34.4)	(17.0)	(2.3)	(53.7)	(9.8)	(7.4)	(100.0)	(27.5)	(17.1)	(5.0)	(49.6)	(17.1)	(5.4)
Africa	$ million	3869.3	1753.8	931.3	80.2	2765.3	370.6	61.2	4608.1	2135.9	880.2	119.5	3135.6	281.2	144.8
	(%)	(100.0)	(45.3)	(24.1)	(2.1)	(71.5)	(9.6)	(1.6)	(100.0)	(46.4)	(19.1)	(2.6)	(68.0)	(6.1)	(3.1)
Asia	$ million	5545.4	701.0	851.4	84.8	1637.2	1287.4	675.1	6777.8	1112.7	1030.8	169.6	2313.1	1597.1	994.8
	(%)	(100.0)	(12.6)	(15.4)	(1.5)	(29.5)	(23.2)	(12.2)	(100.0)	(16.4)	(15.2)	(2.5)	(34.1)	(23.6)	(14.7)
Commonwealth LDCs	$ million	5617.1	913.2	1670.2	124.1	2707.5	996.2	352.4	6508.7	1014.5	1771.8	166.3	2952.6	1122.2	504.3
	(%)	(100.0)	(16.3)	(29.7)	(2.2)	(48.2)	(17.7)	(6.3)	(100.0)	(15.6)	(27.2)	(2.6)	(45.4)	(17.2)	(7.7)
Yaoundé Associates	$ million	1074.9	758.6	52.0	9.1	819.7	104.0	2.2	927.8	623.4	40.7	18.7	682.8	71.1	5.6
	(%)	(100.0)	(70.6)	(4.8)	(0.8)	(76.3)	(9.7)	(0.2)	(100.0)	(67.2)	(4.4)	(2.0)	(73.6)	(7.7)	(0.6)

Table 6 : Exports and imports of less developed countries to and from the developed countries, 1968.

		EXPORTS							IMPORTS						
		World 1	EEC 2	UK 3	Other Industrial Western Europe 4	Industrial Western Europe 5 (Cols.2+ 3+4)	US and Canada 6	Japan 7	World 8	EEC 9	UK 10	Other Industrial Western Europe 11	Industrial Western Europe 12(Cols.9+ 10+11)	US and Canada 13	Japan 14
TOTAL LDCs	$ million	39806.7	10885.5	4368.8	1263.0	16517.3	9067.9	4402.0	40332.4	9481.9	3793.1	1565.8	14840.8	11065.8	4906.1
	(%)	(100.0)	(27.3)	(11.0)	(3.2)	(41.5)	(22.8)	(11.1)	(100.0)	(23.5)	(9.4)	(3.9)	(36.8)	(27.4)	(12.2)
Latin America	$ million	9670.7	2248.5	689.6	384.9	3323.0	4386.2	565.6	11111.4	2135.0	545.3	545.1	3225.4	5061.3	510.6
	(%)	(100.0)	(23.2)	(7.1)	(4.0)	(34.3)	(45.4)	(5.8)	(100.0)	(19.2)	(4.9)	(4.9)	(29.0)	(45.6)	(4.6)
Other Western Hemisphere	$ million	1794.5	160.5	241.0	95.4	496.9	872.0	44.6	2569.3	376.4	298.3	70.3	745.0	717.7	58.0
	(%)	(100.0)	(8.9)	(13.4)	(5.3)	(27.7)	(48.6)	(2.5)	(100.0)	(14.7)	(11.6)	(2.7)	(29.0)	(27.9)	(2.3)
Middle East	$ million	8491.5	2830.0	1159.4	317.3	4306.7	354.3	1610.3	5750.6	1880.5	907.0	350.6	3138.1	823.2	471.0
	(%)	(100.0)	(33.3)	(13.7)	(3.7)	(50.7)	(4.2)	(19.0)	(100.0)	(32.7)	(15.8)	(6.1)	(54.6)	(14.3)	(8.2)
Africa	$ million	8589.3	4532.9	1333.4	275.8	4942.1	772.9	335.5	7159.1	3282.8	965.6	225.9	4474.3	823.3	318.5
	(%)	(100.0)	(52.8)	(15.5)	(3.2)	(57.5)	(9.0)	(3.9)	(100.0)	(45.9)	(13.5)	(2.6)	(52.1)	(9.6)	(3.7)
Asia	$ million	9254.3	1056.2	889.7	184.6	2130.5	2661.5	1689.0	13245.1	1711.4	983.9	347.8	3043.1	3626.3	3502.1
	(%)	(100.0)	(11.4)	(9.6)	(2.0)	(23.0)	(28.8)	(18.2)	(100.0)	(12.9)	(7.4)	(2.6)	(23.0)	(27.4)	(26.4)
Commonwealth LDCs	$ million	8771.6	1276.1	1591.9	288.0	3156.0	2121.3	973.7	10108.0	1454.1	1644.1	303.0	3401.2	2656.0	1254.7
	(%)	(100.0)	(14.5)	(18.1)	(3.3)	(36.0)	(24.2)	(11.1)	(100.0)	(14.4)	(16.3)	(3.0)	(33.6)	(26.3)	(12.4)
Yaoundé Associates	$ million	1575.9	1116.7	63.4	16.0	1196.1	154.1	33.3	1375.9	899.9	57.9	29.2	987.0	112.3	49.6
	(%)	(100.0)	(70.9)	(4.0)	(1.0)	(75.9)	(9.8)	(2.1)	(100.0)	(65.4)	(4.2)	(2.1)	(71.7)	(8.2)	(3.6)