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Report

drawn up on behalf of the
Committee on Relations with African States and Madagascar

on the Agreement establishing an Association
between the European Economic Community and
the United Republic of Tanzania, the Republic of Uganda
and the Republic of Kenya
and annexed documents (Doc. 117/68)

Rapporteur: Mr. Gerolamo Lino Moro

ENGLISH EDITION *)

*) This translation must not be treated as an official text. Readers are reminded that the official texts exist only in the Dutch, French, German and Italian languages.

By a decision of 24 September 1968, the Council of the European Communities asked for the opinion of the European Parliament, in pursuance of Article 238 of the EEC Treaty, on the Agreement establishing an Association between the European Economic Community and the United Republic of Tanzania, the Republic of Uganda and the Republic of Kenya, signed at Arusha on 26 July 1968, and the documents annexed to it.

On 2 July 1968 the Bureau of the European Parliament, in anticipation of such a request, had referred this matter to the Committee on Relations with African States and Madagascar, as the body mainly concerned, and to the Political Affairs Committee and the Committee on External Trade Relations for their opinions.

The Committee on Relations with African States and Madagascar, which had appointed Mr. Moro Rapporteur at its meeting of 30 June 1964, confirmed this appointment on 16 September 1968.

The following motion for a resolution and explanatory statement were unanimously approved by the committee at its meeting of 26 September 1968.

The following were present: Mr. Thorn, Chairman; Mr. Moro, Vice-Chairman and Rapporteur; Messrs. Aigner, Armengaud, Dewulf, Glinne and Spénale.

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A

The Committee on Relations with African States and Madagascar hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

Motion for a resolution

on the Agreement establishing an Association between the European Economic Community and the United Republic of Tanzania, the Republic of Uganda and the Republic of Kenya and annexed documents

The European Parliament,

(a) having been consulted by the Council of the European Communities on the Agreement establishing an Association between the European Economic Community and the United Republic of Tanzania, the Republic of Uganda and the Republic of Kenya, signed in Arusha on 26 July 1968 (Doc. 117/68);

(b) having regard to the report of the Committee on Relations with African States and Madagascar and to the Opinions of the Political Affairs Committee and of the Committee on External Trade Relations (Doc. 136/68);

1. welcomes the conclusion of this agreement which strengthens the ties between Europe and Africa and confirms the outward-looking character of the European Community, conscious of its growing responsibilities in relation to the developing countries;

2. is convinced that this agreement—the first to establish relations between multinational Communities formed with a view to speeding up economic and social progress among its members—will make for closer regional understanding in Africa and progressive integration of the African economies;

3. approves the text of the agreement and of the annexed documents;

4. reserves final comment on the application of Article 28 of the agreement pending the necessary preparatory contacts with the parliamentary institutions concerned, and invites its President to arrange for these to be established;

5. underlines the important part played by the Commission of the European Communities in the negotiations that led to the signing of the agreement, and hopes that the Commission will continue to play an active rôle in its application;

6. is concerned about the formal and narrow interpretation which the Council of the Communities has once again given to the provisions on consultation of the European Parliament contained in Article 238 of the EEC Treaty;

7. hopes that the agreement will shortly come into force;

8. demands that preparations be made right away for renewing the agreement, which is due to lapse on 31 May 1969, for the same term as in the case of the new Convention of Association with the African States and Madagascar;

9. invites its President to transmit this resolution and the report of its committee to the Council and Commission of the European Communities and, for information, to the Presidents of the Parliaments of the member States of the East African Community and of the Legislative Assembly of East Africa, and to the Presidents of the Parliaments of the EEC member States.

B

EXPLANATORY STATEMENT

I—Introduction

1. On 26 July 1968 an agreement was signed at Arusha, Tanzania, between Kenya, Tanzania and Uganda, member States of the East African Community, and the European Economic Community. This agreement establishes between the two parties, in accordance with Article 238 of the Treaty of Rome, an association aimed at strengthening their commercial and economic relations.

2. The Arusha Agreement is the first to link together two multinational Communities for the purpose of economic co-operation. It is not, however, the first association agreement concluded by the EEC with a Commonwealth country in Africa. Such an agreement was concluded by it two years ago with Nigeria but has so far not come into force.

3. Under Article 238 of the EEC Treaty the European Parliament is required to deliver an Opinion on any agreements concluded by the European Community with a third country, a union of States or an international organization. This report, drawn up by the Committee on Relations with African States and Madagascar, presents such an Opinion, together with those of the Political Affairs Committee and of the Committee on External Trade Relations.⁽¹⁾

4. The international agreements referred to in Article 238 of the EEC Treaty are concluded by the Council of the Communities after consulting the European Parliament. A difference of opinion has long existed between Council and Parliament as to how this provision ought to be interpreted. However, since this matter has been brought up on several occasions during parliamentary debates, there is no need to go into it again in this report.

It must be pointed out, however, that the European Parliament is dissatisfied with the narrow and formal interpretation again given by the Council to Article 238, this time in the case of the EEC-East Africa Association Agreement. Admittedly, the parliamentary committees concerned were unofficially informed by the Council

of the wording of the agreement on 4 July, but this was only a few days before it was signed, i.e. on 26 July. This circumstance, which made it virtually impossible to amend it in any way, narrows the scope of the consultation of Parliament required under the Treaty.

5. Another procedural problem calls for comment, namely, that of consulting States associated with the EEC under the Yaoundé Convention.

Article 58 of that convention lays down that the Associated States must be consulted before any association agreement is concluded with a third country whose economic structure and output are comparable with those of the Associated States. Such consultation took place, within the EEC-AAMS Council, on 23 July—only three days before the agreement was signed. Even though consultation in the Association Council is merely a formality preceded by far more important contacts and talks on the Association Committee, under these conditions it is naturally devoid of any significance.

6. A further point—a procedural one—calling for criticism is the stipulation in Article 32 of the Arusha Agreement that this must be ratified by the Parliaments of the EEC member States.

The European Parliament, as it made clear at the time the EEC-Nigeria Association Agreement was being studied,⁽¹⁾ believes that the procedure could have been speeded up by cutting out the complicated formalities involved in ratification by each of the EEC member States. The EEC-East Africa Association Agreement, because it is far more limited in scope than the agreements concluded with Greece, Turkey and the African States, falls fully within the competence of the Community and should therefore have been concluded, on the European side, by the Community alone, in accordance with Article 238 of the EEC Treaty, without calling in the national institutions of member States.

II—Course of the negotiations

7. The three East African countries first approached the EEC in November 1963, following a visit made a few months earlier by a delegation of the East African

⁽¹⁾ See report by Mr. Dehousse on the EEC-Turkey Association Agreement, Doc 94/1963, and report by Mr. Moro on the EEC-Nigeria Association Agreement, Doc 134/1966.

⁽¹⁾ See report by Mr. Moro, Doc. 134/1966, No. 7.

Common Services Organization to Brussels and other Community capitals.

Referring to the declaration of intent approved by the Council on 2 April 1963—shortly before the Yaoundé Convention was signed—in which the Governments of the EEC member States announced their readiness

‘to negotiate, in a spirit of goodwill, with third countries that so request and whose economic structure and output are comparable with those of the Associated (African) States, the conclusion of agreements’,⁽¹⁾

the three East African countries jointly applied in November 1963 for negotiations to be started up for the conclusion of an agreement with the EEC. Their application already embodied the first concrete pointers to the objectives of the future agreement, which was to be modelled on the provisions of Title I (Trade), Title III (Right of establishment and provision of services) and Title V (General and final provisions) of the Yaoundé Convention.

8. East Africa’s application was thus submitted at almost the same time as Nigeria’s (September 1963). But whereas the negotiations with Nigeria were completed in less than three years,⁽²⁾ the preparation of an agreement between the Community and East Africa cost more than four years of painstaking negotiations whose successive stages stretched from February 1964 to June 1968.

9. During the first exploratory talks the joint delegation of the three East African States announced its intention to negotiate with the Community with a view to concluding a special association agreement covering reciprocal rights and obligations, particularly in the field of trade. Of the three alternatives mentioned in the EEC Council’s declaration of intent (accession to the Yaoundé Convention, special association agreement, trade agreement), the East African States thus chose the second,⁽³⁾ accepting the principle of reciprocal rights and obligations.

During the first phase of the negotiations proper, held in March 1965, it was noted that the attitude of the East African delegation had undergone a substantial change. While it wished to benefit from the privileges referred to in Title I of the Yaoundé Convention (free access to the Community market), the delegation stated that it could not accept the principle of reciprocity stipulated therein and could not, therefore, grant the

EEC the advantages conceded by the countries associated with it under the Yaoundé Convention.

This unyielding attitude held up the negotiations for months on end. When contact was finally re-established in November 1966, the two delegations had reconsidered their positions, so that in March 1967 the second phase of the negotiations could be successfully completed.⁽⁴⁾

10. This progress was made possible by the establishment in Brussels in November 1966 of a liaison office of the East African Common Services Organization, which introduced permanent contacts and exchanges of information. This overcame the difficulties that had arisen from irregular contacts and the fact that East African representatives varied from meeting to meeting.

Three East African countries later established diplomatic relations with the EEC and appointed a joint ambassador to Brussels.

11. In February 1968 the Council of the Communities at last took the final decisions on the conclusion of the negotiations. In the light of the Council’s directives, the Commission of the Communities was able to bring the negotiations to a satisfactory conclusion, and on 7 June 1968 a draft agreement was drawn up. The association agreement itself was signed a few weeks later at Arusha, Tanzania, the seat of the East African Community.

III—Provisions of the agreement

12. The Agreement establishing an Association between the European Economic Community and the United Republic of Tanzania, the Republic of Uganda and the Republic of Kenya, members of the East African Community, is based on Article 238 of the Rome Treaty. Its aim, as pointed out in its first Article, is to increase trade between the EEC and the East African Community and thus contribute to the development of international trade.

In general, exports from the three countries concerned will enjoy free access to the European market—that is, the same advantages as those granted to the African States that signed the Yaoundé Convention (subject to one or two restrictions in the case of coffee, cloves and tinned pineapple). In return, Kenya, Uganda and Tanzania will offer the EEC tariff advantages ranging between 2 and 9 per cent on 59 products (including medicaments, tyres, radios, refrigerators, television sets, macaroni, spaghetti and similar pro-

⁽¹⁾ The full text of this declaration is contained in Annex II to this report.

⁽²⁾ The EEC-Nigeria Association Agreement was signed at Lagos on 16 July 1966.

⁽³⁾ The first alternative being ruled out, it would have been difficult for East Africa to choose the third—a trade agreement—because, under the GATT provisions, the EEC’s tariff concessions would have to be granted to *all* third countries and would thus lose any attraction. A trade agreement can only be entered into, under GATT, if one of the parties is the other’s main supplier of the products in question—a condition not fulfilled by the relations between the EEC and East Africa.

⁽⁴⁾ An important problem during the negotiations was whether East Africa could belong simultaneously to two preferential systems—the Commonwealth and the European Economic Community. It was finally decided that, as in the case of the EEC-Nigeria Agreement, this would be in order. Otherwise, East African products could have proved a source of even stiffer competition for the exports of the States associated under the Yaoundé Convention.

ducts) accounting for one sixth of the EEC's exports to these countries.

13. The arrangements made, as far as trade, the right of establishment and capital movements are concerned, are essentially modelled on the Yaoundé Convention system. The agreement contains no provisions, however, on financial and technical aid, and provides for a more flexible institutional system.

14. Even closer are the similarities with the EEC-Nigeria Association Agreement, considered in its time by the European Parliament as a model for the EEC's future relations with other African countries, particularly those of East Africa.⁽¹⁾ The need for developing the EEC's relations with East Africa on lines parallel to those adopted for Nigeria was underlined with good reason, particularly in view of the effects they might have on the EEC's relations with the signatories of the Yaoundé Convention. Thus, the first mandate given to the Commission by the Council of the Communities to conduct negotiations with East Africa was identical, in substance, with that previously approved for the negotiations with Nigeria.

The striking similarity between the Arusha Agreement and the Lagos Agreement is, therefore, hardly to be wondered at. The attitude of third countries to the EEC-East Africa Agreement also resembles that which they adopted to the EEC-Nigeria Agreement. For example, the United States, which at the time opposed the conclusion of a preferential agreement between the EEC and Nigeria, has adopted a highly guarded attitude to the Arusha Agreement owing to its aversion—clearly brought out at UNCTAD in New Delhi—to any form of preferential trade system whatsoever.

15. The EEC-East Africa Agreement consists of a Preamble, five Titles (trade, right of establishment and to provide services, payments and capital, institutional provisions, general and final provisions), four Protocols (coffee and cloves, tinned pineapple, application of tariff cuts, concept of 'products originating in...') and eleven Declarations annexed to the Final Act.

(a) *Preamble*

16. As in the Lagos Agreement, the Contracting Parties to the Arusha Agreement, after referring to the declaration of intent approved in 1963 by the EEC Council, announce their desire

'to maintain and strengthen their friendly relations, observing the principles of the United Nations Charter'

and

'to contribute to the development of inter-African co-operation and trade and also of international economic relations'.

The Preamble does not include the other objectives of the Yaoundé Convention—namely, the common desire to co-operate, the determination to develop economic relations between the Contracting Parties and to continue their joint efforts for the economic, social and cultural progress of their countries, and their concern to promote diversification of the economy and industrialization of each new Associated State so as to enable it to strengthen the balance and independence of its economy.

Moreover, Article 1 of the agreement states that the aim of the Association is to increase trade between the Contracting Parties.

17. It would be wrong to conclude from this, however, as already pointed out in connexion with the EEC-Nigeria Agreement, that the parties wish to confine themselves to a trade agreement pure and simple. Numerous provisions, particularly those of Titles II, III and IV, manifest the desire to facilitate far-reaching economic co-operation between the European Community and the East African Community.

18. Moreover, the Preamble refers expressly to Article 238 of the Treaty of Rome, which is also to be applied to new associations. The Yaoundé Convention, on the other hand, makes no mention of the Treaty provisions on which it is based because it is concerned with transforming an association till then uninterrupted.

19. Finally, as in the case both of the Yaoundé and of the Lagos Association, the association is established with the European Economic Community and not with its member States which, although shown as parties to the agreement, are not referred to in Article 1 as partners in the association.

(b) *Title I—Trade (Articles 2–14)*

20. Under the terms of Article 2, the EEC member States are to abolish, as soon as the agreement enters into force, customs duties and equivalent charges, thus giving East African products free access as under the system operating within the Community. In other words, the East African countries will receive the same treatment in this respect as the signatory States of the Yaoundé Convention.

21. However, to prevent an abnormal rise of East-African exports at the expense of the Yaoundé signatories, a special arrangement was made for imports into the EEC of coffee, cloves and tinned pineapple.⁽¹⁾ Duty will be lifted only on a volume based on the EEC's average imports over the last three years.

⁽¹⁾ See report by Mr. Moro on the EEC-Nigeria Association Agreement, Doc. 134/1966, No. 60.

⁽¹⁾ A similar system is operated under the Lagos Agreement for the following Nigerian products: cocoa, groundnut oil, palm oil, plywood, blockboard, laminboard, battenboard and veneered panels.

For coffee and cloves⁽¹⁾ the following duty-free quotas are specified in Protocol No. 1:

		<i>metric tons</i>
(a) Coffee:	1968	42,500
	1969 (first 5 months)	18,250
(b) Cloves:	1968	93
	1969 (first 5 months)	40

For tinned pineapple, Protocol No. 2 contains a safeguard clause under which, if EEC imports of this

product originating in East Africa exceed a certain limit (the average of the last three years increased by 5 per cent—corresponding to about 350 tons for 1968), the EEC may unilaterally take all the steps necessary to protect the interests of the Yaoundé signatory States.

22. A comparison with the actual volume of Community imports of these products will help to bring out the significance of these tariff quotas.

EEC imports of three 'sensitive' products in 1966 (*)

<i>(in metric tons)</i>			
Country	Coffee	Cloves	Tinned Pineapple
	SITC 071.10	SITC 075.23	SITC 053.90
Kenya	22,870	—	620
Uganda	11,279	—	—
Tanzania	8,084	58	—
East Africa, total	42,233	58	620
World	774,520	527	374,505
of which AAMS	194,514	569	17,156

(*) Source: Statistical Office of the European Communities.

It can be seen from these figures that the tariff quota stipulated in the Arusha Agreement covers normal EEC imports from East Africa.⁽²⁾

23. It was not easy to decide what the East African countries could offer in return for the substantial tariff advantages granted by the EEC. The European Community finally accepted a measure of reciprocity together with duty-free access to the East African market for 59 products, covering some 15 per cent of EEC exports.⁽³⁾

These items comprise milk products, olive oil, macaroni, spaghetti and similar products, wine in bottles, tinned fish and tinned tomatoes, vermouth and sparkling wines, medicaments, oils, gelatin, glues,

photographic film, tyres, paper, glass, nails, refrigerators, water-heaters, sewing machines, business and calculating machines, fans, television and radio sets, motor-cycles, motor-vehicle parts, watches, gramophones and dictating machines. The preference granted on these products ranges between 2 and 9 per cent as shown in the list appended to Protocol No. 3. The East African countries undertook to refrain, throughout the full term of the agreement, from reducing the facilities the EEC will derive from these provisions (Annex VIII).

24. The customs duties and equivalent charges will be abolished directly the agreement comes into force. The three East African countries may, however, retain or introduce any customs duties and equivalent charges that are necessary to meet their development or industrialization requirements or that are intended to contribute to their budgets (Article 3).⁽¹⁾

A similar exception is made in Article 6 of the agreement as regards quantitative restrictions. These

(1) It should be noted that no quantitative restriction may be applied to these products. Quantities in excess of the duty-free quota are subject to the duties normally levied on products from third countries (coffee: 9.6 per cent, cloves: 15 per cent).

(2) The East African delegation nevertheless expresses the wish, in the declaration annexed to the Final Act (Annex VII), that the system of tariff quotas should be abolished when the agreement is renewed on its expiry on 31 May 1969.

(3) Under the EEC-Nigeria Agreement, duty-free access is granted to 26 products, covering 9 per cent of EEC exports.

(1) This provision is identical with Article 3 of the Yaoundé Convention and of the Lagos Agreement.

may be retained or introduced by the East African countries in order to meet their development or industrialization requirements or in the event of difficulties in their balance of payments or, as regards agricultural products, over the special provisions of the Treaty for East African Co-operation. Such restrictions must be notified to the Association Council without delay.⁽¹⁾

In general, the Council enjoys wide powers as regards the application of all trade provisions.⁽²⁾

25. Article 4 relates to duties levied on its exports by East Africa. As in the Yaoundé Convention, this Article lays down that these duties may not give rise to discriminatory treatment of EEC member States nor exceed those applied to products exported to the most-favoured third country.

26. Article 5, which deals with the abolition by EEC member States of quantitative restrictions on the import of goods originating in East Africa, is absolutely identical with the corresponding provision both of the Yaoundé Convention and of the Lagos Agreement.

Similarly, Article 7 (most-favoured nation clause), Article 9 (customs unions or free-trade areas between East Africa and third countries) and Article 10 (departures from liberalization of trade on grounds of public order and morality, etc.) correspond word for word to Articles 7, 9 and 10 of the Yaoundé Convention.

A welcome feature is the provision made in Article 9 for the possible maintenance or establishment of customs unions or free-trade areas between East Africa and one or more third countries. This clearly shows that the Association is in no way opposed to the aims of African unity.

27. Article 9 should be considered in relation to Article 12 which stipulates that the EEC and East Africa are to keep each other informed on trade policy matters. This provision, which is similar to that of Article 12 of the Yaoundé Convention and of Article 11 of the Lagos Agreement, is of particular importance. The facilities it offers for permanent consultation and exchanges of information leads one to hope that the parties to the Arusha Agreement will be able to co-ordinate their trade policies towards third countries and seek a common approach within international organizations concerned with the problems of world trade and development.

28. As regards agricultural products similar to, and competitive with, European products, the provision contained in Article 11 of the Arusha Agreement is

similar to that of Article 11 of the Yaoundé Convention. The EEC undertakes, in shaping its common agricultural policy, to take the interests of the East African countries into consideration and to consult these countries when determining the treatment to be applied to imports of the products in question.

The disputes and difficulties that have arisen over the application of this provision within the Yaoundé Association—because of the precarious conditions of certain sectors of the European agricultural market—are common knowledge. The provision is at present of minor importance to East Africa because only a small quantity of East African agricultural products similar to, and competitive with, European products arrive on the EEC market.⁽¹⁾

29. Article 13 of the Arusha Agreement, like Article 13 of the Yaoundé Convention, contains a safeguard clause to cover the eventuality of serious disturbances in a sector of the economy of one or more member States of the East African Community or of the EEC.

It is to be hoped that these conditions are fully complied with both in the letter and in the spirit and that the safeguard clause is not used as a pretext for failing to discharge the obligations flowing from the agreement.

Article 14, which concludes Title I of the Arusha Agreement, asserts the principle of non-discrimination as between the parties in all measures or practices of an internal fiscal nature. This is based on a provision contained in Article 95 of the EEC Treaty.

30. On the subject of trade it should be noted that Protocol No. 4 contains the provisions under which the Association Council must, at its first meeting, define the concept of 'products originating in...' for the purposes of applying Title I of the agreement.⁽²⁾ As in Protocol No. 3 of the Yaoundé Convention, this provision empowers the Commission of the Communities to submit proposals to the institutions of the Association.

Moreover, one provision (Annex I, Final Act) lays down that Title I is to apply to the goods and products referred to in Articles 92 ff. of the Euratom Treaty.

⁽¹⁾ The Council thus steps in *after the event*. Under the Lagos Agreement (Article 6,4), however, the introduction by Nigeria of new quantitative restrictions 'shall be subject to *prior* consultation within the Association Council.'

⁽²⁾ In particular it is empowered—in accordance with Annex III of the Final Act—to hold consultations on any difficulties that may arise for East African exports owing to competition from the African signatories of the Yaoundé Convention or from other associated African countries.

⁽¹⁾ Imports into the EEC in 1966 (metric tons):

Ground-nuts: World 879,483, AAMS 365,270, Nigeria 363,506, Uganda 874, Tanzania 320, Kenya 307.

Unmanufactured tobacco: World 283,420, AAMS 5,171, Tanzania 215, Uganda 98.

Tinned meat: World 72,491, AAMS 3,081, Kenya 69, Tanzania 19.

⁽²⁾ The EEC delegation was right to express the hope, in a declaration appended to the Final Act (Annex IX), that this definition should be similar to that used in the Yaoundé Convention so as to avoid any disparities between the two association systems.

(c) *Title II—Right of establishment and to provide services (Articles 15–19)*

31. It is gratifying to note how much importance the Arusha Agreement attaches to the right of establishment and to provide services, and to payments and capital movements, all of which are essential to any form of effective co-operation. This reflects the desire of the framers of the agreement to establish collaboration between the EEC and East Africa on a basis broader than that of a simple trade agreement.

32. Article 15 places nationals, companies and firms of all EEC member States on an equal footing.

This provision marks an advance on the corresponding one of Article 29 of the Yaoundé Convention, under which equal treatment is to be introduced progressively within three years and on a reciprocal basis. The position is otherwise in the Arusha Agreement, which in this sector is identical with the Lagos Agreement; since East Africa had in the past no special relations with the EEC member States, nothing stands in the way of immediate equal treatment in all these States.

33. The principle of reciprocity is, however, established in Article 16 in respect of the most-favoured nation clause. This clause can only be invoked where the European State grants the East African State concerned the same advantages, as regards the right of establishment and to provide services, as the latter obtains through an agreement with the third country referred to in the clause. This does not, however, apply where the more favourable treatment arises out of regional agreements.

34. Article 17 defines the right of establishment in the same terms as Article 31 of the Yaoundé Convention, this definition being based on Article 52 of the EEC Treaty.

Similarly, Article 18 defines the provision of services on the same lines as Article 32 of the Yaoundé Convention, the basis in this case being Article 60 of the EEC Treaty.

Article 19, the final provision of Title II, gives a similar definition of companies and firms as Article 33 of the Yaoundé Convention. This is modelled on that quoted in the general programme on the abolition of restrictions on the right of establishment in the Community published in 1961 by the EEC Commission.

35. Before leaving this Title, it should be noted that it makes no provision for the Association Council to step in, in a general way, to ensure that the provisions on the right of establishment and to provide services are applied. Article 34 of the Yaoundé Convention, on the other hand, endows the Council with wide powers of intervention in this sphere.

(d) *Title III—Payments and capital (Articles 20–21)*

36. The provisions on payments and capital under the Arusha Agreement are far more limited in scope than those set out in the Yaoundé Convention. The purpose of the two provisions contained in this Title is merely to prevent the free movement of goods and services from being hindered by payment restrictions.

The facilities granted relate to payments in the trade sector in so far as the movement of goods and services is freed under the agreement. On this point the Arusha Agreement, like that of Lagos, contrasts with the Yaoundé Convention which aimed above all at preventing the numerous commitments entered into in the sphere of financial co-operation from being rendered ineffective by monetary obstacles.⁽¹⁾

37. The undertaking given by the signatories of the Yaoundé Convention in Article 37, 1, is unfortunately absent from the Arusha Agreement. It would have served a useful purpose to insert a clause under which the parties undertook to refrain from introducing any new currency restrictions or from tightening up existing regulations still further.

Under Article 21 of the Arusha Agreement—which corresponds to Article 37, 2, of the Yaoundé Convention—the East African countries will treat nationals and companies and firms of the EEC member States on an equal footing in respect of investments made by them and of current payments resulting therefrom, and of transfers connected with such operations.

This commitment ranges beyond that entered into under the Yaoundé Convention as it embraces all financial operations connected with investment. The Yaoundé Convention provisions, on the other hand, only cover investments made since the Convention came into force, and even then only 'in so far as is necessary to achieve the objects of this Convention.'

(e) *Title IV—Institutional provisions (Articles 22–28)*

38. Title IV of the Arusha Agreement provides for institutional machinery which, while more flexible than that set up under the Yaoundé Convention, is more sharply defined than that of the EEC-Nigeria Agreement.

Parliamentary supervision of the activities of the ministerial Council appears to be more limited than under the Yaoundé Convention; moreover no provision is made for contacts between representatives of the various occupational groups.

⁽¹⁾ Under Article 35 of the Yaoundé Convention each signatory State undertakes to authorize payments 'within the limits of its competence in the matter'—a clear reference to the agreements which to some extent curb the monetary sovereignty of some associated States. The conditions are different in the East African countries because their commitments towards the Community are not subject to any restriction in this sector.

Essentially, the Arusha system is a copy of the EEC-Nigeria Agreement, although, as far as continuity of contact between institutions is concerned, it marks a notable step forward. It permits the Association Council to set up a Committee which—like the Association Committee under the Yaoundé Convention—would assist the Council in the performance of its tasks and ensure continuity of co-operation between the parties.

39. Article 22 defines the powers of the Association's chief institution—the Association Council—composed on the one hand of members of the Council and of the Commission of the European Communities and, on the other, of members of the Government of each East African State and representatives of the East African Community.

The Association Council is empowered to take decisions binding on the Contracting Parties, who are required to take the necessary measures to carry these into effect. The Council may also examine all questions relating to the implementation of the agreement and make appropriate recommendations. One of its chief tasks will be periodically to review the results achieved by the Association in the light of the objects for which it was set up.

The provisions of Article 22 correspond almost word for word to those of Article 44 of the Yaoundé Convention, save that the power to 'examine all questions relating to the implementation of the agreement' is vested, not—as in the Yaoundé Convention—in the Association Committee but in the Council.

Further, in addition to the general powers conferred on it by Article 22, the Council enjoys various facilities for specific action in the cases set out in Articles 2, 3, 4, 5, 6, 11, 12, 13, 27, 30 and 35.

The provisions governing the working procedure of the Council (quorum: Article 23; office of President: Article 24; meetings: Article 25) are similar to those of the Yaoundé Convention and Lagos Agreement.

40. The main difference between the Arusha Agreement and the Lagos Agreement at institutional level lies therefore in the creation of a body to ensure continuous co-operation.

The fact that—under Article 26—the Association Council may set up a committee to assist it in the performance of its tasks, and in particular to ensure the continuity of co-operation necessary for the smooth functioning of the Association, is to be welcomed. The establishment of permanent contacts is a prerequisite for effective understanding and of a degree of co-operation unattainable through sporadic contacts.

41. Article 27 lays down an arbitration procedure under which any dispute arising between the parties may be brought before a single institution. Any dispute that cannot be settled on a friendly basis by the Association Council may be referred to an arbitration board composed of two arbitrators, one chosen by each of the parties, and a third arbitrator appointed by the Association Council.

42. As regards co-operation at parliamentary level, the Arusha Agreement merely lays down in Article 28 that:

'The Contracting Parties shall facilitate any contacts that may be established between, on the one hand, the European Parliament and, on the other, the Parliaments⁽¹⁾ of the East African States⁽²⁾ and the East African Legislative Assembly.'

This provision corresponds to that of Article 71 of the EEC-Greece Association Agreement,⁽³⁾ of Article 27 of the EEC-Turkey Association Agreement,⁽⁴⁾ and of Article 28 of the EEC-Nigeria Association Agreement. Article 50 of the Yaoundé Convention is generally known to contain more detailed provisions on parliamentary co-operation between the EEC and the Associated African and Malagasy States—a Parliamentary Conference, preparations for which are made by a joint committee, meets twice a year and examines at its annual meeting the report on activities submitted to it by the Association Council.

Article 28 of the Arusha Agreement permits the creation of a permanent institutional system of parliamentary co-operation which will undoubtedly strengthen relations between the Europe of the Six and the three East African countries.

43. It is as yet impossible to foresee how this provision will be put into effect; its application obviously presupposes an agreement between the five Parliaments concerned. For its part, the European Parliament must immediately take all the necessary

(1) The National Assembly of the Republic of Kenya, which has its headquarters in Nairobi, is composed of 158 elected and 12 co-opted members. It was formed by the amalgamation in February 1967 of the old Senate and the old House of Representatives.

The National Assembly of the United Republic of Tanzania (headquarters: Dar-es-Salaam) has 204 members of whom 41 represent Zanzibar.

The National Assembly of the Republic of Uganda (headquarters: Kampala) is composed of 91 members.

(2) The East African Community, created in December 1967, is an international organization whose object is to establish a common market and strengthen economic links between Kenya, Uganda and Tanzania. Its institutions are: the East African Authority, the supreme decision-making body; the East African Legislative Assembly, composed of 9 members from each State; the Common Market Council, which concerns itself particularly with the operation of the common market; the Common Market Tribunal and the central secretariat based in Arusha (Tanzania). For other information on the East African Community please see Annexes III and IV of this report.

(3) A Joint Parliamentary Committee, composed of 15 members of the Greek Parliament and 15 members of the European Parliament, was set up within the EEC-Greece Association (Athens Agreement of 1961) and meets twice a year. The work of this institution has for the time being been suspended.

(4) A Joint Parliamentary Committee, composed of 15 members of the Turkish Grand National Assembly and 15 members of the European Parliament, was set up within the EEC-Turkey Association (Ankara Agreement of 1963). This body meets twice a year to examine the annual report which the Association Council is required to submit to it.

steps to define these parliamentary contacts—whether regular or occasional—and to establish them on a practical basis.

A practical solution should be sought with an eye on the date the agreement expires—31 May 1969—at which point direct relations between the East African countries and the African and Malagasy States associated with the EEC may possibly be established.⁽¹⁾

Moreover, application of Article 28 of the Arusha Agreement will probably enable the European Parliament to review as a whole the problems connected with parliamentary co-operation between the EEC and the European and African countries associated with it.

(f) *General and final provisions (Articles 29—37)*

44. According to Article 29, bilateral relations between one or more EEC States and one or more States of the East African Community may not impede the application of the agreement.

This express recognition of the primacy of Community action over the national measures of EEC member States deserves special attention. The European Parliament—which has already underlined the importance of this problem in relations between the six EEC member States and the 18 States associated under the Yaoundé Convention—believes that the European States will be able to co-ordinate their national policies, at Community level, also with respect to the three East African countries.

45. Like Article 58 of the Yaoundé Convention, Article 30 of the Arusha Agreement confers on the East African countries the right to be notified within the Association Council of any request made by a State for membership of or association with the European Community.

It does not, however—in contrast to Article 58, 2, of the Yaoundé Convention—provide for an application for association with the EEC by a State whose economic structure and output are comparable with those of East Africa to be made the subject of consultation.

46. In view of the comments made in Chapter I of this report on the ratification procedure set out in Article 32, there is no need to go further into the other provisions of this Title. It suffices to note that

Article 34 lays down that the agreement is to remain in force until 31 May 1969.

This date is of special significance because it coincides with the expiry of the Yaoundé Convention and of the Lagos Agreement. It was chosen by the framers of the Arusha Agreement with a view to facilitating future harmonization of the EEC-East Africa association system with the systems of the Yaoundé and Nigerian associations.

As in the case of the Yaoundé Convention, the parties are required, one year before the agreement expires, to consider what provisions can be envisaged for a further term. This stipulation establishes the continuity of the association.

IV—The East African countries as trading partners of the EEC

47. The three East African countries account for only a small amount of the EEC's external trade. Their share is barely 0.35 per cent (\$121.2m of EEC exports and \$106.3m of EEC imports in 1967). This is half the value of trade between the EEC and Nigeria (\$137.8m exports, \$263.6m imports) and about one-tenth of the EEC's trade with the Associated African and Malagasy States⁽¹⁾ (\$926.1m exports, \$1,304m imports). Trade between the EEC and the East African countries is roughly equivalent, in terms of value, to that between the EEC and Senegal or Tunisia.

48. For East Africa, on the other hand, the EEC is a very important trading partner. It accounts for 21 per cent of the imports of the three countries, being the major supplier after Great Britain (33 per cent). There is scarcely a sector of the market in which the EEC is not represented. The EEC is the main supplier of transport equipment (about 30 per cent of total imports) and of many other products, such as skim milk, medicaments, man-made fibres, lubricants, motor vehicles, tyres, calculating machines, radio sets and fertilizers.

49. As regards exports from East Africa, the EEC, with a share of 17 per cent, ranks second to Great Britain (23 per cent). The EEC imports mainly coffee, skins and hides, cotton, sisal and tea from Kenya; coffee, cotton, copper and skins and hides from Uganda; sisal, coffee, cotton, skins and hides and dried vegetables from Tanzania⁽²⁾.

⁽¹⁾ The Parliamentary Conference's rules of procedure, drawn up in pursuance of Article 50 of the Yaoundé Convention, provide for the presence of observers from other States that have established special links with the European Community. Under Article 2,2,

'The Conference may decide, on a proposal by its Bureau, to admit as an observer, without the right to speak or to vote, a member of the Parliament of a State whose economic structure and output are comparable with those of the Associated States and which has established special links with the Community.'

⁽¹⁾ East Africa represents a market of 26 million consumers, as against 64 million in the AAMS

⁽²⁾ No duty is levied at present under the EEC's common customs tariff (CCT) on cotton, copper, sisal, skins and hides and tea. Products for which the duties under the CCT are at present zero or suspended account for 28 per cent of Kenya's exports, 43 per cent of Uganda's and 54 per cent of Tanzania's. Clearly, therefore, Kenya's commercial interest in association with the Community is greater than both Uganda's and Tanzania's.

50. As shown in the following table, trade between the EEC and East Africa is showing a steady rise:

Trade between EEC and East Africa
(*\$ million*)

	1964	1965	1966	1967
EEC imports	97.8	103.5	109.0	106.3
EEC exports	70.0	88.2	109.9	121.2

Since 1966, the EEC has enjoyed an active balance of trade with these countries.

Kenya's overall balance of trade shows a deficit; its imports, both from the EEC and from the rest of the world, greatly exceed its exports. The balances of trade of Uganda and Tanzania — adverse in trade with the EEC — are, as a whole, favourable.

51. Further details on trade between the EEC and East Africa appear in Annex I of this report.

52. The economy of three countries of the East African Community, which covers an area of 1,764,000 sq. km with a total population of about 26 million,⁽¹⁾ is for the most part agricultural.

Tanganyika (which with the islands of Zanzibar and Pemba form the State of Tanzania) produces for the most part sisal, cotton, coffee and ground-nuts. Sisal is grown—in plantations in the Tanga area and south of Lake Victoria. Ground-nuts are cultivated along the banks and in the valley of the Rufigi river; large quantities of copra are grown along the coastal strips. Sisal fibres, of which Tanganyika is the world's largest producer, account for a quarter of its total exports. Stock raising is carried out on a large scale on the tablelands, the quantity of livestock being remarkable—cattle, 8 million; goats, 4 million; sheep, 3 million. Substantial mineral resources exist but are still exploited only on a limited scale. The main emphasis is on diamonds.

In the islands of Zanzibar and Pemba, with their warm climate and abundant rain, the lush, free-growing tropical vegetation is almost everywhere giving way to plantations of coconut and *Eugenia caryophyllata*, a tree from which cloves are obtained.

(1)

	Area	Population	Density	Capital
	(km ²)	(inhabitants)	(inhabitants/km ²)	
Kenya	582,646	8,900,000	15	Nairobi (300,000 inhabitants)
Uganda	243,410	7,000,000	29	Kampala (50,000 inhabitants)
Tanzania	939,702	10,200,000	11	Dar-es-Salaam (130,000 inhabitants)

Zanzibar is the world's biggest producer of cloves and oil of cloves.

53. Kenya's economy is also geared to agriculture, stock raising and exploiting its timber-forests. The African people cultivate maize, manioc, durra, sweet potatoes, rice, vegetables and ground-nuts. Coffee cultivation was introduced by Europeans in recent times. Cultivation of sisal, cotton, tea and sugar-cane is widespread. Kenya exports mainly coffee (one third of its total exports), tea and sisal. Cattle (7 million), and goats and sheep in large numbers provide hides, skins and wool for export. Finally, the tourist trade is a substantial source of revenue. Kenya has advanced further on the road to industrialization than the other East African countries (tinned meat, sugar, cement, textiles, fertilizers); 15 per cent of the national income is derived from industry. Mineral resources are available in modest quantities.

54. In Uganda, an agricultural and pastoral country consisting of a vast tableland, cotton-growing is far and away the most important activity. It extends over an immense area and produces annually some 60,000 metric tons of fibres and about 150,000 metric tons of seeds, accounting for three-quarters of the value of the country's exports. Coffee, too, makes a substantial contribution to exports. Copper, the main underground source of wealth, is to a large extent exported.

The three countries of the East African Community have a common currency unit—the East African shilling, which is divided into 100 cents.

V—Final remarks

55. The final judgement on the Arusha Agreement as a whole can only be a favourable one. In signing an association agreement with three countries with which it had never had special links, the Europe of the Six demonstrated that it was conscious of its growing responsibilities in relation to the developing countries. It confirmed its outward-looking character and helped to strengthen its links with Africa.

56. The agreement—the first, it should be noted, between Communities of sovereign States formed with a view to economic integration—is also of special importance for the African and Malagasy States associated with the EEC. It will make for closer regional understanding in Africa and help to reduce the barriers still existing between French-speaking and English-speaking Africa.

57. Also to be welcomed is the extension of regional preferences, a system which, in spite of the reserves expressed in various quarters, is already proving, in the absence of wider-ranging solutions at

world level, the most realistic one. The preference system now operated under association with the EEC extends to twenty-two African countries with a market of 136 million consumers—almost half the population of the whole of Africa.

58. Even with the anomaly of East Africa's 'double membership' of the Commonwealth preference system and that of the European Economic Community, the Arusha Agreement, with its reciprocal concessions nicely adjusted between the two parties, appears to be sufficiently balanced in structure.

59. It is to be hoped that the agreement will come into force as soon as possible, and at all events before the expiry date of 31 May 1969. Steps should therefore be taken right away to ensure its ratification by the Parliaments of the six EEC member States and of the African States concerned.

60. In conclusion, the European Parliament—subject only to the reservations as to procedure referred to in chapter I of this report—has pleasure in recording its entirely favourable opinion of the EEC-East Africa Association Agreement.

Statistics on trade between the EEC and the three East African countries⁽¹⁾

1) Total trade 1964-1967

(\$ thousand)

Country	EEC exports			
	1964	1965	1966	1967
Kenya	} 56,192	51,108	64,809	68,715
Uganda		12,829	18,055	19,532
Tanzania		13,822	24,336	27,123

Country	EEC imports			
	1964	1965	1966	1967
Kenya	} 52,511	40,494	40,068	39,250
Uganda		23,154	26,118	29,736
Tanzania		45,329	39,912	42,950

⁽¹⁾ Source: Statistical Office of the European Communities.

N.B. Up to 1965 the figures for Tanzania refer only to Tanganyika and exclude Zanzibar.

2) Trade by countries

a) Kenya

(\$ thousand)

	EEC exports		
	1965	1966	1967
EEC	51,108	64,855	68,715
<i>of which:</i>			
France	9,197	11,219	11,499
BLEU ⁽²⁾	6,471	7,801	6,879
Netherlands	6,853	8,527	7,760
Germany	18,642	23,252	29,221
Italy	9,945	14,056	13,356

	EEC imports		
	1965	1966	1967
EEC	40,494	40,053	39,250
<i>of which:</i>			
France	3,706	3,955	2,893
BLEU	1,063	815	1,994
Netherlands	5,695	5,480	9,083
Germany	26,209	26,246	20,942
Italy	3,821	3,557	4,338

⁽²⁾ Belgo-Luxembourg Economic Union.

b) Uganda

(\$ thousand)

	EEC exports		
	1965	1966	1967
EEC	12,829	18,068	19,532
<i>Of which:</i>			
France	2,067	2,938	2,857
BLEU	699	1,168	1,320
Netherlands	1,050	1,241	1,347
Germany	6,963	9,289	10,206
Italy	2,050	3,432	3,802
	EEC imports		
	1965	1966	1967
EEC	23,154	26,121	29,736
<i>of which:</i>			
France	3,636	2,733	2,445
BLEU	7,448	2,144	429
Netherlands	715	2,220	6,818
Germany	10,102	14,345	15,910
Italy	1,253	4,679	4,134

c) Tanzania

(\$ thousand)

	EEC exports		
	1965 (excl. Zanzibar)	1966	1967
EEC	24,336	27,086	33,031
<i>of which:</i>			
France	2,612	3,620	6,305
BLEU	1,300	1,551	2,903
Netherlands	5,070	6,771	6,067
Germany	7,981	10,460	11,467
Italy	7,373	4,684	6,289
	EEC imports		
	1965 (excl. Zanzibar)	1966	1967
EEC	40,494	42,955	37,445
<i>of which:</i>			
France	3,706	4,016	4,391
BLEU	1,063	8,360	6,615
Netherlands	5,695	6,435	6,795
Germany	26,209	19,726	14,492
Italy	3,821	4,418	5,152

3) Trade in main products

a) EEC exports 1965-1966

(\$ thousand)

SITC		1965			1966		
		Kenya	Uganda	Tanganyika	Kenya	Uganda	Tanzania
091	Fats	1,023	7	99	7	193	1,241
541	Medicaments	1,151	178	219	1,242	187	370
561	Fertilizers	3,035	294	637	2,787	471	627
599	Chemical products	1,815	86	374	1,576	100	726
629	Articles of rubber	2,293	182	568	2,579	289	700
674	Rolled iron and steel products	1,221	27	1,097	3,231	179	739
719	Machinery	1,853	587	4,107	3,028	1,259	2,414
732	Motor vehicles	9,387	4,039	2,493	12,632	4,824	3,761

b) EEC imports 1965-1966

SITC		1965			1966		
		Kenya	Uganda	Tanganyika	Kenya	Uganda	Tanzania
054.2	Dried vegetables	497	20	2,997	850	13	2,528
071	Coffee	23,542	7,474	7,070	25,330	8,174	8,138
074	Tea	1,059	271	434	1,153	217	311
211	Hides and skins	2,935	1,066	1,572	3,287	1,899	2,152
263	Cotton	2,013	6,942	5,435	336	13,497	7,465
265	Textile fibres	4,816	13	15,878	3,092	—	15,170
682	Copper ore	—	6,904	94	1	1,051	1,254

4) Total trade of the East African countries⁽¹⁾

a) Exports

(\$ thousand)

Country	Kenya		Uganda		Tanzania	
	1965	1966	1965	1966	1965	1966
World market	132,085	162,604	175,598	184,620	175,777	221,496
of which:						
Commonwealth	50,265	60,524	56,062	60,529	96,585	116,176
of which:						
United Kingdom	28,386	34,408	29,951	34,358	53,097	64,256
EEC	33,200	40,285	32,827	22,924	33,331	36,551
of which:						
France	2,100	2,109	2,180	1,492	2,412	1,621
BLEU	1,385	1,406	19,646	3,698 ⁽²⁾	6,083	6,281
Netherlands	5,705	9,486	3,012	5,088	8,180	8,394
Germany	20,646	22,685	5,326	7,120	13,489	15,633
Italy	3,364	4,599	2,663	5,526	3,167	4,622

Share of Commonwealth, United Kingdom and EEC in the exports of the three countries

(%)

Commonwealth	38.0	37.4	31.9	32.1	54.9	53.0
United Kingdom	21.5	21.3	18.0	18.1	30.2	29.2
EEC	25.1	24.1	18.6	12.8	18.9	16.1

⁽¹⁾ Source: Annual Trade Report 1966.

⁽²⁾ This marked difference is due to big orders for copper placed by the BLEU in 1965.

b) Imports

(\$ thousand)

	Kenya		Uganda		Tanzania	
	1965	1966	1965	1966	1965	1966
World market	249,302	314,709	114,435	120,251	140,132	179,904
<i>of which:</i>						
Commonwealth	92,134	134,199	57,330	58,086	62,949	78,684
<i>of which:</i>						
United Kingdom	70,459	105,705	43,900	43,366	45,477	56,118
EEC	42,731	58,789	24,317	29,529	34,477	38,898
<i>of which:</i>						
France	6,960	9,955	4,410	5,321	3,934	5,605
BLEU	5,946	7,058	1,876	1,860	1,675	1,617
Netherlands	6,711	9,104	2,779	2,759	6,005	7,581
Germany	17,211	22,558	10,672	13,447	11,583	15,397
Italy	5,903	10,114	4,580	6,142	11,248	8,698

Share of Commonwealth, United Kingdom and EEC in the imports of the three countries

(%)

Commonwealth	36.9	42.2	50.1	48.4	44.9	43.1
United Kingdom	28.2	33.2	38.3	36.8	32.4	31.3
EEC	17.1	18.2	21.2	24.7	24.5	21.1

Declaration of intent by the Council relating to third countries whose economic structure and output are comparable with those of the Associated States

'On the occasion of the signing of the Association Convention between the European Economic Community and the African and Malagasy States associated with that Community, the representatives of the Governments of the member States of the European Economic Community, met within the Council, conscious of the importance of increasing co-operation and trade between the African States and anxious to demonstrate their desire to co-operate on the basis of full equality and of friendly relations in compliance with the principles of the United Nations Charter, announce their readiness to negotiate, in a spirit of goodwill, with third countries that so request and whose economic structure and output are comparable with

those of the Associated States, the conclusion of agreements that may lead to one of the following solutions:

- (i) accession to this Convention under the procedure set out in its Article 58;
- (ii) association agreements carrying reciprocal rights and obligations, particularly in the field of trade;
- (iii) trade agreements to facilitate and increase trade between the Community and these countries.'

(*Official Gazette of the European Communities* No. 181/1963, p. 2866)

The East African Community

1. The Treaty for East African Co-operation was signed in Kampala on 6 June 1967 by the Heads of State of Kenya, Uganda and Tanzania. It came into force on 1 December 1967; on the same day the East African Common Services Organization was dissolved and the agreements concerning it entered into by the three member States were abrogated.

2. The Treaty was the culmination of many years of development in the relations between the three countries. The Conference of Governors of the East African Territories was the first organization through which the United Kingdom created closer links between the three countries in 1926. In 1948 it was superseded by the East African High Commission, a real organization for co-ordinating the economics and administrative systems of the three countries. At the London Conference of 1961 this organization was converted into the East African Common Services Organization, whose institutions were restructured and given political powers to bring them into line with developments on the African continent. When the three countries became independent, a great many changes were made in its structures and powers, the final stage being reached with the Treaty of Kampala.

3. The Treaty for East African Co-operation established an East African Community embracing an East African Common Market.

The aim of the Community is 'to strengthen and regulate the industrial, commercial and other relations of the Partner States to the end that there shall be accelerated, harmonious and balanced development and sustained expansion of economic activities the benefits whereof shall be equitably shared.'

4. With a view to achieving the East African Common Market, the following general provisions—subject, however, to a number of exceptions and safeguard clauses—have been approved:

- a) Maintenance of a common customs tariff and co-ordination of excise duties; free movement within East Africa of imported goods, save for a number of agricultural products listed in an annex.
- b) No Partner State may enter into tariff agreements with any third country which are not applicable to the other Partner States.
- c) Abolition of internal customs duties on East African goods and of restrictions on the movement of such goods within the Community.
- d) Progressive introduction of a common agricultural policy.
- e) Adoption of measures to ensure balanced industrial development: harmonization of the tax system; estab-

lishment of the East African Development Bank with a capital stock of 12 million shillings—of which half subscribed by the three East African States—which will help substantially in levelling out the degree of industrialization of the three States.

Industrial potential will be spread over the three countries on a regional and not a national basis. In particular, a Partner State which is in deficit in total trade in manufactured goods with the other two Partner States may, under certain conditions, impose transfer taxes upon manufactured goods imported from and originating in either of the other Partner States.

The industrial licensing system is being continued in the three countries.

- a) In the currency and banking field, exchange control laws may not conflict with the spirit of the Treaty; provision is made for freeing payments on current account and the capital movements necessary for achieving the aims of the Treaty, as well as for harmonizing monetary policies and a consultation procedure in the event of disparities in the balances of payments of the three States.
 - b) Co-ordination of economic planning.
 - c) Co-ordination of transport and communications policies.
 - d) Approximation of commercial legislation.
 - e) The Community is financed out of the proceeds from customs duties and taxes on industrial and commercial companies or firms: a General Fund and special funds have been set up for the purpose of administering these financial resources.
5. The institutions of the East African Community are as follows:
- a) The East African Authority, the supreme decision-making institution, composed of the Presidents of the three States;
 - b) The East African Legislative Assembly, composed of nine members from each State. Its functions range beyond those of a consultative body; the measures of the Community are enacted by means of Bills passed in the Assembly and submitted for assent to the three Heads of State;
 - c) The Common Market Council, composed of a minister from each State concerned himself more particularly with the functioning of the Common Market;
 - d) The Common Market Tribunal;

e) The Staff of the Community, comprising in practice the offices of the former EACSO and the Secretary-General.

In addition, the following bodies have been established: the General Fund and special funds to administer the Community's own finances; four corporations for transport and communications; the East African Development Bank, the East African Industrial Court and the East African Tax Board.

The headquarters of the various services will be distributed among the three countries. The Community and the central secretariat are established in Arusha (previously in Nairobi).

Other bodies have their headquarters in Kampala, Nairobi and Dar-es-Salaam.

3. Every Bill that is submitted to the Heads of State under paragraph 2 of this Article shall contain the following words of enactment:

Enacted by the President of the United Republic of Tanzania, the President of the Sovereign State of Uganda and the President of the Republic of Kenya on behalf of the East African Community, with the advice and consent of the East African Legislative Assembly.

Article 60

Assent to Bills

1. The President of the United Republic of Tanzania, the President of the Sovereign State of Uganda and the President of the Republic of Kenya may assent or withhold assent to a Bill.

2. A Bill that has not received the assent provided for in paragraph 1 of this Article within nine months of the date upon which it was passed by the Assembly shall lapse.

Opinion of the Political Affairs Committee

Draftsman: Mr. F. Dehousse

By a letter dated 2 July 1968 the President of the European Parliament instructed the Political Affairs Committee to submit an Opinion, to be passed on to the Committee for Relations with African States and Madagascar, as the committee responsible, on the agreement establishing an association between the EEC and the East African countries.

On 4 July 1968 the Committee on Relations with African States and Madagascar held a joint meeting with the Political Affairs Committee and the Committee on External Trade Relations, which had also been asked to submit an Opinion.

At a meeting held on 17 September 1968 the Political Affairs Committee appointed Mr. Dehousse draftsman.

The Political Affairs Committee studied and unanimously approved this Opinion at its meeting of 30 September 1968.

The following were present: Mr. Scelba, Chairman; Mr. Dehousse, Draftsman; Messrs. Achenbach, Battaglia, Battista, Dichgans, Dröscher, Habib-Deloncle, de la Malène, Metzger, Santero (deputizing for Mr. Piccioni).

1. The association agreement between the Community and the United Republic of Tanzania, the Republic of Uganda and the Republic of Kenya, Partner States of the East African Community, is based on Article 238 of the Treaty of Rome. The agreement was signed at Arusha, Tanzania, on 26 July 1968 and must be ratified by the Signatory States in accordance with their respective constitutional requirements. The agreement will expire on 31 May 1969 at the same time as the Yaoundé Convention (governing the association between the Community and the African and Malagasy States) and the Lagos Agreement (governing the association between the Community and Nigeria).

2. The agreement between the Community and the East African countries is basically of a commercial nature. Under Article 1, the aim of the association agreement is to increase trade between the European Economic Community and the Partner States of the East African Community and thus contribute to the development of international trade.

Undeniably, however, the agreement is also of considerable political interest, particularly in view of the prospects it opens up for greater co-operation between the European Community and Africa which should be reviewed and more closely defined when the existing association agreements come up for renewal.

3. In the agreement under consideration, it is the institutional provisions contained in Title IV (Articles 22 to 28) that have received the Political Affairs Committee's chief attention.

Association Council

An Association Council will be set up with the power to take decisions in the cases provided for in the agreement.

The EEC and the East African countries are to take such measures as are required to implement these decisions. The Association Council may also make recommendations. It is required periodically to review the results of the association arrangements, taking into account the objectives of the association. Its decisions must be unanimous. It will be composed, on the one hand, of members of the Council and of members of the Commission of the Communities and, on the other hand, of members of the Government of each East African State and of representatives of the East African Community. Members of the Association Council may arrange to be represented under conditions to be laid down in the rules of procedure.

The office of President of the Association Council will be filled alternately by a member of the Council of the European Communities and a member of the Government of an East African State.

Meetings of the Association Council will be called once a year by its President. The Council will also meet whenever necessary, in accordance with conditions to be laid down in its rules of procedure.

Association Committee⁽¹⁾

Under Article 26, the Association Council may decide to set up a committee to assist it in the performance of its task, and in particular to ensure the continuity of co-operation necessary for the smooth functioning of the Association. In its rules of procedure the Council is to determine the composition and duties of the committee and how it shall function. The Council may delegate to the committee the exercise of the powers conferred on it by the agreement.

⁽¹⁾ The EEC-Nigeria Association Agreement makes no provision for such a committee.

Arbitration procedure

Article 27 provides that any dispute concerning the interpretation or application of the agreement which cannot be amicably settled by the Association Council is to be referred to an arbitration board consisting of an arbitrator appointed by each Contracting Party and a third arbitrator appointed by the Association Council.

Contacts between parliamentarians

Article 28 lays down that the Contracting Parties must facilitate any contacts that may be established between, on the one hand, the European Parliament and, on the other hand, the Parliaments⁽¹⁾ of the Partner States of the East African Community⁽²⁾ and the East African Legislative Assembly.

4. The first general comment to be made on the agreement concerns the complex nature of the institutional procedures laid down in it. Admittedly, the institutional structure set up by the Arusha Agreement is largely copied from that of the other associations already concluded between the Community and third countries. It may, however, be wondered whether such a large number of institutions, all required to meet on fixed dates, may not eventually hamper the operation of the Community.

5. This general observation gains additional force in the light of the provisions of Article 28 concerning contacts between the European Parliament, the Parliaments of the member States of the Community and of East Africa and the East African Legislative Assembly.

The Political Affairs Committee feels that any excessive increase in the number of bodies of parliamentary co-operation would create operating difficulties, and that a careful study should therefore be made of ways and means

of ensuring that representatives of the countries concerned can participate in, and supervise, the development of the association.

6. The Political Affairs Committee is convinced of the need for an overall review of the problems arising from co-operation at parliamentary level between the Community and third countries associated with it. This is all the more urgent in view of the fact that the association agreements at present in force with the African countries will lapse in not much more than seven months.

The Committee therefore feels that the President of the European Parliament should at once get in touch with the Presidents of the Parliaments of the countries concerned with a view to considering the forms of co-operation and contact that could be adopted in the future.

7. Subject to these reservations, the Political Affairs Committee expresses a favourable opinion on the association agreement between the Community and the East African States, while stressing the importance of the pressure the European Parliament should be able to bring to bear on the national Parliaments to ensure that the agreement comes into force as rapidly as possible.

In this connexion, the Political Affairs Committee emphasizes that, under Article 33, the agreement will not come into force until the first day of the second month following the date on which the customary procedures have been completed by the Community, the member States and the East African countries. This means that the agreement must be ratified by the signatory States and, in particular, approved by the national Parliaments as rapidly as possible if it is not to remain ineffective up to its expiry on 31 May 1969. The Political Affairs Committee therefore considers that the European Parliament should formally invite the national Parliaments to ensure that ratification—the best basis for the negotiations on the renewal of the association—is rapidly effected.

(1) The National Assembly of the Republic of Kenya (headquarters: Nairobi) is composed of 158 elected and 12 co-opted members. It results from the amalgamation in February 1967 of the old Senate and the old House of Representatives.

The National Assembly of the United Republic of Tanzania (headquarters: Dar-es-Salaam) is composed of 204 members, 41 of whom represent Zanzibar.

The National Assembly of the Republic of Uganda (headquarters: Kampala) is composed of 91 members.

(2) The East African Community, set up in December 1967, is an international organization which aims at establishing a Common Market and strengthening economic links between Kenya, Uganda and Tanzania. Its institutions are: the East African Authority, the supreme organ of decision; the East African Legislative Assembly, composed of 9 members from each State; the Common Market Council, which is concerned more particularly with the functioning of the Common Market; the Common Market Tribunal and the central secretariat, which is based in Arusha, Tanzania.

Opinion of the Committee on External Trade Relations

Draftsman: Mr. W. Westerterp

By a letter dated 2 July 1968 the President of the European Parliament referred the agreement establishing an association between the European Economic Community and the East African countries (Tanzania, Uganda and Kenya) to the Committee on Relations with African States and Madagascar, as the committee responsible, and to the Committee on External Trade Relations and the Political Affairs Committee for their Opinions.

The agreement was signed on 26 July 1968 at Arusha, Tanzania.

At a meeting held in Venice on 9 September 1968, the Committee on External Trade Relations appointed Mr. W. Westerterp draftsman.

It studied this Opinion at a meeting held in Brussels on 23 September 1968 and unanimously approved it.

The following were present: Mr. de la Malène, Chairman; Mr. Kriedemann, Vice-Chairman; Mr. Westerterp, Vice-Chairman and Draftsman; Messrs. Artzinger, Baas, Bech, Berkhouwer (deputizing for Mr. Pleven), Berthoin (deputizing for Mr. Ferretti), Boersma, Brégègère, Fanton, Marengi (deputizing for Mr. Graziosi), Micara, Posthumus, Radoux, Vredeling.

I—Introduction

1. On 26 July 1968 the association agreement between the European Economic Community and the East African countries was signed at Arusha, Tanzania. Your Committee is gratified to note that the institutional relations between the Community and the African countries have been extended to three countries that occupy an important place in the economic life of Africa.

It is less satisfied with the conditions under which the European Parliament has been given an opportunity to express its views on the terms of the agreement. It appreciates, of course, that the Executive kept the European Parliament's responsible committees informed throughout the negotiations—that is, between September 1963 and June 1968—as to the progress these were making, and that at a joint meeting of these committees held in Strasbourg on 4 July 1968 within the framework of the 'Luns pro-

cedure' your committee was informed of the contents of the agreement by the President of the Council, Mr. Malfatti, Secretary-of-State at the Italian Ministry for Foreign Affairs. Nevertheless, it considers that this procedure, based on a restrictive interpretation of Article 238 of the Treaty of Rome, detracts from the powers of the European Parliament in that it is obliged to prepare an Opinion on an agreement already solemnly signed by the contracting parties.

2. The association with Tanzania, Uganda and Kenya is important not only because their aggregate population—some 26 million—represents, in relation to that of the AAMS, a substantial increase of the number of Africans associated with the EEC, but also because of the scale of their economic activities. Trade between these countries and the European Community is far from negligible and reached, in the years 1964 to 1967, the following levels⁽¹⁾:

⁽¹⁾ Source: Statistical Office of the European Communities.

(\$ thousand)

	1964 ⁽¹⁾	1965 ⁽¹⁾	1966	1967
EEC exports to the East African countries				
Total:	70,014	88,273	110,009	121,278
<i>of which:</i>				
BLEU ⁽²⁾	6,336	8,470	10,520	11,102
Germany	30,818	33,586	43,001	50,894
France	10,933	13,876	17,777	20,661
Italy	10,619	19,368	22,172	23,447
Netherlands	11,308	12,973	16,539	15,174
EEC imports				
Total:	97,840	103,560	109,129	106,431
<i>of which:</i>				
BLEU	12,218	14,972	11,319	9,038
Germany	51,793	54,331	60,317	51,344
France	10,085	13,012	10,704	9,729
Italy	10,372	8,454	12,654	13,624
Netherlands	13,372	12,791	14,135	22,696
EEC's trade balance with the East African countries	- 27,826	- 15,287	+ 880	+ 14,847

⁽¹⁾ Excluding Zanzibar.

⁽²⁾ Belgo-Luxembourg Economic Union.

For the purpose of comparison, the corresponding figures⁽¹⁾ for the Community's trade with the eighteen

Associated African and Malagasy States and with Nigeria, the other associated African country,⁽¹⁾ are shown below:

(\$ thousand)

	1964	1965	1966	1967
EEC exports to the AAMS	821,000	828,000	847,000	926,000
Imports	1,150,000	1,146,000	1,319,000	1,304,000
EEC-AAMS trade balance	- 329,000	- 318,000	- 472,000	- 378,000
EEC's exports to Nigeria	140,317	174,502	156,860	138,000
Imports	199,926	243,974	283,336	264,000
EEC-Nigeria trade balance	- 59,609	- 69,472	- 126,476	- 126,000

3. The main exports of the East African countries are of agricultural products such as coffee, cotton, sisal and ground-nuts. Fuller details of the exports of these countries to the EEC are provided in Annex I, No. 3 of the report drawn up by Mr. Moro, on behalf of the Committee on Relations with African States and Madagascar, on the association agreement between the EEC and the East African countries.

These figures show that the Community's balance of trade with the East African countries, clearly adverse for the Community in 1964 and 1965, caught up in 1966 and became a favourable one last year. The Committee hopes that, as a result of the agreement in question, equilibrium will be restored in the East African countries.

II—Commercial policy aspects of the agreement

4. The thirteen Articles of Title I relating to trade make up the section of the agreement with which your committee is concerned. Article 1, which precedes Title I, states that the aim of the agreement is to increase trade between the European Economic Community and the East African countries and thus contribute to the development of international trade.

Article 2 provides that, except in the cases of coffee, cloves and tinned pineapple for which special provisions are made in two protocols, goods originating in the East African Community are to benefit, when imported into

⁽¹⁾ Source: Statistical Office of the European Communities.

⁽¹⁾ The EEC-Nigeria agreement, signed in Lagos on 16 July, has not yet entered into force, pending completion of the ratification procedure in some member States.

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II—Commercial policy aspects of the agreement

4. The thirteen Articles of Title I relating to trade make up the section of the agreement with which your committee is concerned. Article 1, which precedes Title I, states that the aim of the agreement is to increase trade between the European Economic Community and the East African countries and thus contribute to the development of international trade.

Article 2 provides that, except in the cases of coffee, cloves and tinned pineapple for which special provisions are made in two protocols, goods originating in the East African Community are to benefit, when imported into

⁽¹⁾ Source: Statistical Office of the European Communities.

⁽¹⁾ The EEC-Nigeria agreement, signed in Lagos on 16 July, has not yet entered into force, pending completion of the ratification procedure in some member States.

member States, from the elimination of customs duties and equivalent charges, in accordance with the provisions of the Treaty of Rome concerning the elimination of customs duties between the member States.

5. Article 3 stipulates that, under the terms of Protocol No. 3, goods originating in the Community countries are to benefit, when imported into the East African countries, from the same treatment. Under this Protocol, member States will benefit, in the case of 59 products imported into the East African countries, from tariff advantages ranging from 2 to 9 per cent. The East African countries may, however, retain or introduce customs duties and equivalent charges necessary to meet their development and industrialization requirements or intended to contribute to their budgets. Any form of direct or indirect discrimination between member States of the Community is, however, prohibited.

The same will apply where the East African countries levy duties on exports of their products to member States. In no case may the treatment given to these products be less favourable than that reserved for the most-favoured third country (Article 4).

In Article 5, member States of the Community undertake to apply to imports of products originating in the East African countries only such quantitative restrictions as conform to the provisions of the Treaty of Rome. The following Article imposes a general ban on the application by the East African countries of quantitative restrictions or equivalent measures on imports of products originating in the EEC.

6. Article 7 provides that the treatment applied by the East African countries to imported goods originating in the Community may in no case be less favourable than that applied to goods originating in the most-favoured third country.

Customs unions and free-trade areas are compatible with the agreement and may be maintained or established (Article 8) both between the three East African countries and—in so far as they are compatible with the principles and provisions of the agreement — with one or more third countries.

7. Article 11 is identical with Article 11 of the Yaoundé Convention: in defining its agricultural policy, the European Economic Community must take the interests of the East African countries into consideration as regards products similar to, and competitive with, European products. The European Community must, after consulting the Association Council, determine the treatment to be applied to imports into the Community of such products originating in East Africa.

If serious disturbances occur in a sector of the economy of one or more East African countries, these may, notwithstanding the provisions of Articles 3 and 6, take the necessary protective measures. Similar provision is made for serious disturbances in a member State of the European Community. Fuller details regarding the provisions of the Articles of Title I are contained in the Moro report (Nos. 20 to 30).

8. This brief summary of the provisions of Title I of the agreement clearly shows that, as far as trade is concerned,

the measures adopted largely correspond to those laid down for the same sector in the EEC-Nigeria Association Agreement. As in the Lagos Agreement, imports of certain products are made subject to restrictions in order to protect the interests of the AAMS. For two products—coffee and cloves—duty-free quotas have been fixed. These quotas practically correspond to the EEC's average imports of the products in question over the last few years (see also Moro report, No. 22). As regards tinned pineapple, the EEC is authorized to take steps if East African exports go beyond a given level, i.e. the average for 1964, 1965 and 1966, plus 5 per cent.

9. In accordance with the Declaration of Intent made by the Council regarding countries whose economic structure and output are comparable with those of the Associated African States, the East African countries opted for the second solution proposed—namely, an association agreement carrying reciprocal rights and obligations, particularly in the field of trade. The negotiations showed that the East African countries were not particularly keen to enter into commitments on tariff concessions to be granted to the Community. The commitments actually accepted by the three countries represent only about 15 per cent of their imports from the Community and cannot, therefore, be regarded as fully equivalent.⁽¹⁾ In this connexion it should be noted that the tariff concessions to which Nigeria committed itself vis-à-vis the Community correspond to only 9 per cent of its exports—a far more favourable arrangement than that which the East African countries had to accept. In a declaration set out in Annex VII to the Arusha Agreement, the delegation of the East African countries have informed the European Economic Community of their intention that the principle of tariff quotas applied to coffee and cloves and the restrictions on trade in tinned pineapple should not be maintained for the purpose of the negotiations to be held, under the terms of Article 35, concerning the provisions to be made for a new period.

10. Your committee would point out that during the second UN Conference on Trade and Development in New Delhi a resolution was passed stating that agreement had been reached on the rapid establishment of a system of general preferences, non-reciprocal and non-discriminatory, in favour of the developing countries.

Non-reciprocal and non-discriminatory preferences will be granted on manufactured and semi-manufactured goods. The Conference set up a special committee on preferences which is to meet in November 1968 to draw up details of further agreements in the course of 1969. The Community ought, of course, to take account of this resolution, and of the practical conclusions to be drawn from it, in its future development policy. It is therefore hoped to avoid in future a situation where certain member States take up a position only to change it in the course of another conference.

Your committee would also underline the need for the Community member States to be of practical help in deciding whether processed agricultural products should be included in a system of preferences. These products are generally subject to high duties that make it difficult for

⁽¹⁾ The products for which the East African Common Market grants tariff cuts to the EEC are listed in an annex to Protocol No. 3 of the Arusha Agreement.

the developing countries to export them—a first step, perhaps, in the transition from an agricultural to an industrial form of economy.

11. Your committee has already expressed a favourable opinion on the association agreement between the Community and the Republic of Nigeria. It feels it can do the

same in the case of the present agreement, which is of great importance for the development of trade between the Community and the East African countries. For this reason it stresses the need for member States to do their utmost to finalize the necessary procedure as rapidly as possible, so as to prevent the agreement from remaining a dead letter.



