



*European Communities
Commission
Background Report*

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EEC FULFILS PLEDGE TO COMMONWEALTH ASIAN STATES

Cricket balls and coir matting were often in the news in the days when Britain was still negotiating to join the Common Market. Asian Commonwealth countries - especially India and Pakistan, of which Bangladesh was then a part, - feared their economies would suffer if the UK preferential tariffs were taken off these and many other similar products as a condition of British membership.

There were those who questioned the worth of the EEC's commitment given in the Joint Declaration of Intent annexed to Britain's Treaty of Accession, to India, Pakistan, Sri Lanka, Malaysia and Singapore, that the EEC would be 'ready from the date of accession to examine with those countries such problems as may arise in the field of trade with a view to seeking appropriate solutions, taking into account the effect of the Generalised Tariff Preference Scheme and the situation of the other developing countries in the same geographical area'. Critics asked who would interpret what "appropriate solutions" meant and what degrees of influence the non-Commonwealth states should have over the way such solutions would be reached. They wanted to know whether the assurances given by the EEC were really of 'bankable' value.

Today the evidence is that the EEC and its members have made strenuous efforts to fulfil their treaty pledges in bankable style in both general and particular sense.

In a general sense almost all the developing countries of Asia along with the other developing countries which are members of the Group of 77 benefit from the Generalised Scheme of Preferences (GSP) which allows their non agricultural manufactured and semi-manufactured goods to enter the Community tariff free, and offers tariff reductions on a large number of processed agricultural products.

The Six original members of the EEC were the first to pioneer a scheme of this nature which they suggested in GATT in May 1963 and again at UNCTAD II in New Delhi in 1968. Ten other countries including the United States (January 1976) have since introduced similar schemes.

The EEC's GSP system is non-discriminatory and applies to all developing countries of whatever political complexion. It is an offer initiated by the EEC and is not the result of negotiations between the EEC and the countries that benefit from it. Nor are those countries expected to make concessions in return - apart from giving EEC members the same favours they give to non-members.

The commitment, however, is not an unlimited one. Beneficiary countries' exports of industrial goods to the EEC must not normally exceed 'ceilings', the levels of which are calculated from the value of imports in a previous reference year, and no beneficiary country can exceed its allotted percentage of the total ceiling for each product. With few exceptions the ceilings are raised each year by adding 5 per cent of the value of imports from the EEC into the beneficiary states in a reference year, (which need not be the same reference year used for fixing the original ceiling).

One exception is the ceiling on textiles which, in view of the critical state of the textile industry in some EEC regions, will be the same this year as last, except in the case of carpets.

The available textile concessions have now, however, been spread more evenly to favour the least well-off exporters at the expense of those already enjoying a higher standard of living and a larger proportion of EEC trade.

The ceilings for iron and steel products, petroleum products, footwear and plywood are also unchanged from those of 1977. Nevertheless, despite the continuing recession, the total GSP ceilings are above those for 1977 and 'least developed countries' are not charged tariffs even when they exceed their allotted ceilings.

There are also a small number of products, regarded by the EEC as 'sensitive'- and therefore worthy of protection by tariff quotas - because of the weak competitive position of the EEC industries in these sectors. But the number of sensitive products which numbered 53 in 1971, has since been reduced to 13.

Meantime the EEC provides aid as well as trade to developing states. For example in June 1977 it undertook to contribute 385 million US dollars towards a 1,000 million US dollar aid programme which the industrialised countries pledged to the developing states within the framework of the 'north-south' Conference on International Economic Cooperation. Earlier, 292 million US dollars from the EEC and 430 million US dollars from EEC members went to developing countries most affected by the 1973-1974 oil crisis.

But, apart from concessions of a general nature, the EEC has negotiated individual agreements of particular benefit to Bangladesh, India, Pakistan and Sri Lanka. For the people of Bangladesh, formerly East Pakistan, the main problem which arose after Britain joined the EEC was that, while raw jute entered the EEC duty free, jute products faced a tariff running in some cases as high as 22 per cent.

The trade in jute products benefited to some extent from an agreement signed in January 1971 between the EEC and Pakistan; Bangladesh, after independence, signed an improved pact, valid for 1972, which granted partial tariff suspensions and lifted quota restrictions on jute products entering the Community in return for some self-limitation of exports by Bangladesh. A follow-up agreement for 1973-1975 gave gradual 50-60 per cent

reductions in the EEC tariff products by the end of 1975, with free entry maintained into the UK and Denmark.

The current agreement which runs until the end of 1979 has given an 80 per cent cut in the tariffs on a wide variety of Bangladesh jute products as from 1st January 1977. A full suspension of the duties on all jute products was originally planned for 1st July 1978 but has since been put into operation six months earlier, that is from 1st January 1978.

Duty-free quotas are also in force for silk and cotton handloom and handicraft products from Bangladesh, and, during the years since the EEC pledge was given, Bangladesh has almost doubled her exports of cattle and goat leather products and tea, and has built up a useful side-line trade in prawns and shrimps. Many new products qualifying for preferential customs treatment have been added to the list following requests from Bangladesh, India, Pakistan and Sri Lanka and the number of items has now risen to 305 - more than double what it was when Britain joined the Community.

India which had already signed voluntary restraint agreements on jute and coir (cocnut fibre) has also benefited from tariff suspensions on these items and, like Bangladesh, has enjoyed the 100 per cent tariff suspension on jute as well as on coir from 1st January 1978. India's quota of handicraft products entering the EEC duty-free was doubled when the Community was enlarged from six to nine.

Pakistan, too, has improved its trading position with the EEC since Britain became a member and has a favourable trading balance. Two thirds of its exports to the EEC consist of carpets, woven cotton goods, leather goods and clothing; sugar honey, raw tobacco, raw vegetable products and shrimps make up another fifth. Fur, skins and wool are the chief remaining items.

Since 1973 Pakistan's duty-free EEC import quotas for handwoven fabrics of cotton and of silk have been more than doubled, and the same goes for handicraft products. In November 1977 a new agreement was signed providing for a controlled rate of increase of Pakistan textiles imported into the EEC. Increased quotas have been granted for footwear and sports goods, and Virginia flue-cured tobacco is among the list of new products for which quotas have been introduced.

There are good hopes, also, for the future. Singapore and Malaysia have declared in favour of closer relations with the EEC through the Association of South-East Asian Nations (ASEAN) of which they are members, while India, Pakistan, Bangladesh and Sri Lanka have signed individual Commercial Cooperation agreements with the European Community. Under these agreements the EEC undertakes to furnish information on new development opportunities and the sources from which financial backing might be forthcoming. Signatories can consult the EEC on commercial and trading problems and receive recommendations on marketing methods, and help in organising trade fairs and other forms of promotion aimed at increasing the volume and scope of their trade with the EEC - now the world's largest trading organisation.