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RECENT DEVELOPMENTS IN WESTERN EUROPEAN ECONOMIC GROUPINGS AS FAR AS THEY CONCERN AFRICAN COUNTRIES

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Recent developments in Western European economic groupings as far as they concern African countries

1. Under resolution 31 (III) the Economic Commission for Africa at its third session requested the Executive Secretary to "keep under constant review and inform members and associate members of the Commission of the continuous and changing impact of the European economic groupings on African economies". This followed consideration and examination of a study on "The Impact of Western European Integration on African Trade and Development" (E/CN.14/72) and the report of the ad hoc committee on the same problem (E/CN.14/100).

2. The present report is not intended to be a comprehensive study of the problems raised in the Resolution, but rather aims at following up the questions that could not be answered at the time when the study was prepared. It has to be borne in mind, however, that still both the legal framework and the actual policies to be pursued within this framework remain to be settled in many important fields.

3. The report will be concentrated on the EEC and its relations with associated and third countries. The EFTA has not, and as it appears likely at the moment, will not have any significant direct implications for African countries. This does not rule out the possibilities that the negotiations of the United Kingdom and the other EFTA - countries with the European Economic Community, which have just started, may imply important decisions affecting many countries in Africa.

4. The principal developments relating directly to the associated countries took place in the following fields:

1 - Tariffs and quotas
2 - A new agreement of association
3 - Financial aid operations
4 - Establishment rights

5. The most important developments of a more general nature of interest for African countries are:

1 - Progress made in the formulation of a common agricultural policy

2 - The agreement of association with Greece
3 - The negotiations with Turkey
4 - The negotiations on membership of the United Kingdom in the Community.

TARIFFS AND QUOTAS

6. The additional reduction of 10 per cent in customs duties within the Community following the speed-up decisions taken by the Council of Ministers in May 1960 took place on 1 January 1961. The lowering of the tariffs did not apply to liberalised agricultural products, which remained at 80 per cent of their basic duties, i.e. national duties as applied 1 January 1957. Non-liberalised agricultural products benefited on the other hand from a cut of 5 per cent, bringing the rate down to 75 per cent of the basic rate[1].

7. Tropical products are generally liberalised in most EEC countries. The major exception is France where liberalization is not extended to tropical products (other than cocoa beans). Imports into France of such products from the Congo and Ruanda Urundi and from Somalia therefore benefited from the additional 5 per cent cut. In addition, in some other EEC countries oilseeds and vegetable oils are not liberalised and was subject to the acceleration.

8. The associated countries which apply a discriminatory tariff on imports carried out on 1 July 1960 a second reduction of 10 per cent in the rates in favour of imports from member states and countries associated with EEC without resorting to the special provisions concerning

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1/ The terms liberalised and non-liberalised relate to the long-standing programme for the reduction or elimination of quantitative import restrictions in trade among OEEC members

development needs.[1]

9. The republic of Madagascar introduced a tariff in January 1961. It accords duty free entry of imports from the community and levies tariffs on imports from non-member countries only.

10. The Council of Ministers also decided on its meeting in May 1960 that the fourth round of tariff reductions - scheduled for 1 January 1962 - should involve a cut of 20 per cent, instead of 10 per cent as originally planned. France, however, has raised objections to any further acceleration of the tariff reductions on industrial products unless real progress is made in the formulation of a common agricultural policy (see paras 37-49).

11. Under the Treaty the gradual alignment of the national customs tariffs of the Six (applicable to third countries) to the common EEC - tariff was not to have started until 1 January 1962. The speed-up decisions referred to above resulted also in the advancement of the first step in this field by 12 months. The tariff adjustments for non-agricultural goods involved a 30 per cent reduction in the difference between the basic rate and the common external tariff, reduced for this purpose by 20 per cent. A member state may request that for the especially sensitive list G products the alignment should be based on the full common tariff the application of which result in a smaller reduction when the national tariffs are higher than the common external tariffs. Such requests have been made by France and Italy and approved by the Commission for a number of products, including cocoa in paste and in powder form and certain types of rough, squared and sawn tropical woods. It is also understood that the alignment on the basis of the full rate should be carried out also of member states not having made the request.

1/ The reduction applies in principle to the difference between the duty applicable to products imported from the member state with which the associated country has special relations and the duty applied to other member states. It is only in the case of former French West Africa that existing regimes of associated countries involve tariff [illegible] tion between EEC member countries.

12. The repercussion on third countries of the first step taken to align the national tariffs to the common EEC tariff where national tariffs are lower than the EEC tariff has been partly alleviated by the granting of tariff-free or tariff-reduced quotas for a number of commodities, including many tropical. By 30 April 1961 the Commission had received 117 requests, 70 of which had been granted. The quotas so far introduced have been granted under article 25 of the Treaty and primarily aims at alleviating harmful effects for the Community's processing industries by changes in sources of supply.

13. A third internal increase in the global quotas were also introduced 1 January 1961. This increase was made applicable to imports from the associated states and territories following a decision in the Council in December 1960. The quota disarmament measures have, however, only positive interest for the few associated states outside the franc area in relation to their exports to France, which is the one member of the Community still applying considerable and general quantitative restrictions on imports of tropical products.

14. Internal taxes having an effect equal to import duties apply almost exclusively to agricultural products, including many tropical commodities. The associated countries have been very critical of the imposition of these internal charges.[1] These internal taxes tend to detract from the effect of the tariff reductions and thus deprive the associated countries of advantages they otherwise would have received from the association.[2]

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[1] At the Conference of the European Parliament with the Parliaments of African States and Madagascar in Strasbourg in June 1961, Mr. Yace from the Ivory Coast declared that "total revenue from such taxes on tropical products in the Community member countries exceeded each year the five-yearly contribution from these countries to the Development Fund". In one of its recommendations the Conference also called for "the abolition, without delay, of these internal consumer taxes on tropical products". Bulletin of the EEC, No. 7-8, 1961.

[2] For further details see table in "The Impact of Western European Integration on African Trade and Development" (E/CN.14/72) paras 71-72

The Commission of the Community is at present carrying out an examination of these taxes.

A new agreement of association

15. The present Implementing Convention relating to the association of overseas countries and territories expires at the end of 1962. The question of a new convention or agreement has in recent months been discussed in numerous meetings and conferences both within the Community and between the EEC and the independent associated countries. An African-European Ministerial Conference will be convened in Paris 6 and 7 December on this problem. It is hoped that the Council of Ministers at its meeting in November will be able to agree on a set of proposals to be forwarded to this conference.

16. The position of the associated countries belonging to the organization of African states and Madagascar (OAMCE)[1] was defined at conferences at Ougadougou in June and Tananarive in September 1961. The main points emerging from these meetings were:

(1) An acceleration of the implementation of the Rome Treaty, particularly in the field of financial assistance.

(2) Introduction of a system of price stabilization of tropical products.

(3) Development of technical assistance in the form of scholarships and an acceleration of the vocational training.

17. Statements and resolutions from other conferences of African countries and Madagascar show great concern lest the preferences enjoyed should be either reduced or abolished. This is especially pronounced in connection with the discussions on dismantling of the

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[1] OAMCE includes all associated African countries with the exception of Congo (Leopoldville), Mali, Somalia and Togo.

privileges enjoyed by franc zone countries on the French market.[1] Some member states also appear to feel strongly that the principle of tariff preferences should not be called into question.

18. The views on the future policies varies, however, between the member countries of the EEC. France and Belgium, on one extreme, appear not to consider the newly independent associated countries as "third" countries. According to these countries, the present system of commercial preferences should be maintained. They seem, however, to be willing to change it in view of experiences gained during the first years of applying the Implementing Convention. Western Germany and the Netherlands, on the other hand, appear to be in favour of abolishing commercial preferences and substituting it with other forms of assistance. The implication is that the associated countries would have to face competition on the EEC markets on equal terms with third countries.[2] Italy and Luxembourg take up intermediary positions.[3] The Commission itself has put forward its proposals in a detailed document in June 1961.[4] It is here indicated that the present systems regulating the relations between EEC and member countries of EEC and the associated countries have been beneficial to the latter.

19. The Commission's views on the various aspects of the new relationships with the associated countries probably constitute the

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[1] See for instance the recommendations from the Conference of the European Parliament with the Parliaments of African States and Madagascar, where it inter alia is stated that "care must be taken to see that the tariff preference margins are strictly maintained". Bulletin of the EEC No. 7/8, p. 135.

[2] The divergent philosophies behind these attitudes are also reflected in their views on the legal basis for the new agreement of association. France and Belgium would prefer to base it on Article 136 of the Treaty, intended for countries having special relationships with member countries of the EEC, while Germany and the Netherlands apparently would like to see it based on Article 238, intended for third countries.

[3] Marchés Tropicaux et Mediterraneens, 9 September 1961.

[4] Europaische Wirtschaft, 15 October 1961

most important in the present stage of the negotiations. It is therefore considered useful to give a short account of them in the following. It should, however, be borne in mind that these proposals are only presented as a basis for discussion and that, if a final solution is found, it may in various respects differ significantly from what is presented below.

20. The Commission proposals envisage a balanced scheme for tariff policy, financial aid and technical assistance. The combined effect of the advantages offered under the new agreement should at least be equivalent to the advantages enjoyed at present. The new convention would also have to be flexible enough to be adopted to new developments in inter-African economic relations, which may involve non-associated countries. For the same reasons it is considered necessary to limit the implementing period to seven years.

21. The reduction of customs duties within the Community and the introduction of a common external tariff for certain products including bananas, tea, coffee, cocoa, pineapple, vanilla, clove, nutmeg and tropical woods should be accelerated. It will be noted that vegetable oils are not included. For the former products the duties on imports from associated countries would be reduced by 50 per cent from 1 January 1963 and be completely abolished from 1 January 1965. At the latter date the common external tariff would be finally established following an alignment of 50 per cent between the national tariffs and the common tariff on 1 January 1963.

22. The Commission on the other hand proposes that the common external tariff on imports of coffee, bananas and cocoa should be reduced by 50 per cent. This means that the preferences originally envisaged for associated countries would be reduced by the same amount. The EEC external tariff on cocoa will accordingly be 4,5 per cent, on coffee 8 per cent and on bananas 10 per cent. The introduction of lower duties on coffee and bananas may be followed by a modification of the protocols attached to the Rome Treaty establishing tariff quotas for imports of bananas into Germany and of coffee into Italy and Benelux. The effect for third countries

of the lowering of the common tariff may therefore be smaller than it appears at first glance.

23. The tariff protection offered is undoubtedly advantageous for the associated countries. The Commission as well as some member states appear, however, to consider its value as rather limited. Other preferences, as for instance restrictions on imports into certain states from third countries are thought to play a much more important role. High internal taxes on consumption goods in some member countries furthermore reduces significantly the relative importance of the tariff preferences.

24. From 1 January 1963 the discriminatory parts of the duties on imports from Member States of EEC and associated countries into associated countries should be reduced by 50 per cent and from 1 January 1965 be completely abolished. Quantitative restrictions on imports from Member States and associated countries should be eliminated from 1 January 1963. If it is found necessary for development, budgetary or balance of payment reasons to impose or maintain quantitative restrictions, this would still be permitted after consultations.

25. There is a danger that the privileges offered under the Rome Treaty to foster industrial development may increase an already existing tendency aiming at national industrial self-sufficiency in a region sub-divided into a large number of relatively small countries and accordingly quite inadequate markets. If the Treaty exemptions are applicable only on a strictly single state basis, the countries concerned may be tempted to establish industries which are uneconomic and thus perpetuate an inferior productive position . It is on the other hand not clear whether the possibilities of imposing duties or quantitative restrictions may not be extended to groups of countries, i.e. establishing regional preferential zones among the associated countries. The limitations of the single country approach are apparent and the need for coordination is imperative. There are, however, signs that the members of the community recognises the need for new institutional arrangements (see paragraph 20).

26. The elimination of quantitative restrictions in the EEC countries would be accomplished during a period and in a rhythm which will be established in conformity with the introduction of other measures described below.

27. To compensate the associated countries for the losses incurred by the reduction of the common external tariff and the elimination of quantitative restrictions, the following schemes are envisaged:

(1) It is anticipated that a $50 million revolving fund is to be established[1] to alleviate price fluctuations on tropical agricultural products. The advances and reimbursements would be made according to whether the market price is lower or higher than an average price calculated on quotations for many years. As this is intended to stabilize incomes and not prices, the advances would be based on fixed quantities and not actual production. It appears, however, that the determination of the quantities may take account of production developments.

(2) It is also thought necessary to introduce direct subventions for certain products. Such aid is in the first instance envisaged for bananas, coffee and cotton. For rice, tobacco, sugar and vegetable oil - where African producers compete with European producers - the interests of the associated countries are supposed to be taken care of in the formulation of a common European agricultural policy. The subventions are estimated at $30 - 35 million annually.

(3) The EEC will take actively and positively part in international endeavours to stabilize commodity prices. It seems that the Community in the first instance is interested in the study groups for coffee and cocoa, but it apparently also envisages consultations on cotton[2].

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[1] To be administered as part of a Production Fund (see para. 28)

[2] It is most probably thought of bilateral negotiations with the USA on the American surplus stocks of cotton.

28. It is furthermore proposed that the internal consumption taxes in member countries on coffee and cocoa should be reduced by 50 per cent 1 January 1963 and be completely abolished 1 January 1965.

29. The present Implementing Convention has, by the creation of the European Development Fund, directed its efforts in the financial field primarily towards investments. The new proposals envisage the establishment of a Common Production Fund to advance aid directly to the producers, particularly in the agricultural field and certain changes in and expansion of the activities of the Development Fund. The Production Fund would especially be concerned with the financing of studies to improve agricultural production and promote new industries. The Fund would have at its disposal annually $25 million to be contributed both by member states and associated countries. For the latter it is mentioned an annual contribution equivalent to 1 per cent of their annual budget expenditures.

30. The present activities of the European Development Fund have been limited to social institutions and economic investments of general interest. The Commission appears to draw the conclusion after the first four years of activity that this field has been too limited and that a renewal of the Convention will have to create possibilities for a more varied approach particularly as regards programming and private investments. The proposals from the Commission accordingly anticipates a Development Fund with a much wider operational field. One of the reasons for the slow growth of the present Fund has apparently been insufficient preparation of development projects. To alleviate this situation it is anticipated that the new Fund would finance necessary studies for the establishment of development programmes, study missions and other pre-investment projects. It is furthermore envisaged that this Fund would not be restricted to direct aid, but would also be in a position to grant loans - either at market interest rates or special rates to be decided in each case. The new Fund would have at its disposal $ 220 million annually as compared with an annual average of $116 million

for the present Fund.[1]

31. The position taken in respect of establishment rights assumes that a member state cannot expect abolition of restrictions in this field if it is not willing to concede the same concession to the associated country in question.

32. Neither the treaty nor the Implementating Convention have provisions for technical co-operation. Recent years, however, have seen an increasing importance being attached to this question.[2] The new proposals imply an anticipated outlay of $25 million annually under this title, which include scholarships, interneships and expert advice.

Financial aid operations

33. From tables 1 and 2 it appears that the authorizations and actual payments of the European Development Fund have been speeded up, partly as a result of measures taken by the Commission to accelerate the submission of projects by sending to the spot longer and more frequent technical missions. It is furthermore expected that the disbursements will increase significantly when current studies of development needs and preparations of development plans materialize. Apparently a major part of this programming is conducted with non-Fund means.

34. It is clear, however, that it may be difficult to achieve the aims of the Fund by the end of 1962. So far only approximately 2 225 million of the $581 million for the five-year period has been approved, whereas the original time schedule envisaged that around 60 per cent should have been earmarked by the end of 1961.

35. The administrative procedure between the authorization and the execution of the projects also requires a long time. Seven months have so far been needed for a decision to finance a project and 15-16 months

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[1] The figures cited in paragraphs 27-30 may be compared with an estimate of official assistance to Africa of slightly more than US$ 300 million in 1961. FAO Africa Survey, p. 63.

[2] In 1960-61 distributed the [illegible] 70 scholarships for study in member coun[illegible] In 1961-62 the number is increased to 300 sholarships. (Information suppl[illegible] by the [illegible].)

usually elapse after this decision before the contracts are signed[1]. This fact is reflected in the relatively small amount of payments effected.

36. To utilise the ample resources of the Fund the Commission has submitted proposals to use part of them for refundable loans to stabilize producer incomes in associated countries. The prodedure would be the same as outlined in the proposals for a new agreement of association (see par. 26 (1)). No decision appears to have been taken on this issue, which after all would be operative only one year if the proposals for a new agreement were adopted in their present form.

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[1] Quatrième rapport général sur l'activité de la Communauté III/9

TABLE 1

The European Development Fund

Projects approved in associated African countries and territories as of 30 September 1961[a]. Thousand EPU accounting units[b]

	30 June 1960 Total authorisations	31 Oct.1960 Total authorisations	30 September 1961 Authorisations			Payments effected
			Social Projects	Economic Project	Total	
Congo(Léopoldville)	9,384	9,384	2,054	7,330	9,384	485
Ruanda-Urundi	1,886	2,297	1,338	1,245	2,583	426
Cameroun	4,788	7,322	3,890	11,260	15,150	188
Central African Republic	710	710	1,101	3,297	4,398	116
Camores	81	81	923	1,146	2,069	61
Congo(Brazzaville)	6,209	8,019	457	5,552	6,009	16
Ivory Coast	4,486	5,188	5,418	12,077	17,495	957
Somali Coast	742	742	742	-	742	123
Dahomey	990	1,077	3,641	4,051	7,692	89
Gabon	1,018	5,070	4,006	4,052	8,058	31
Uppor Volta	2,290	2,290	7,240	7,566	14,806	373
Mauritania	1,947	2,343	4,198	681	4,897	401
Madagascar	11,505	13,455	3,710	21,852	25,562	3,153
Mali	5,525[c]	3,185	2,374	5,155	7,529	190
Niger	7,290	7,290	2,781	4,509	7,290	237
Reunion	-	-	697	985	1,682	3
Senegal	-[d]	9,837	4,579	9,280	13,859	26
Chad	6,203	8,067	8,226	3,625	11,851	2,198
Togo	660	5,204	3,265	4,795	8,060	124
Somalia (former Italian Somaliland)	1,950	1,950	2,170	-	2,170	1,646
TOTAL for associated countries and terriotries	66,783	100,224	62,810	110,468[e]	173,278	10,843

Source: Direct communication from the EEC

a/ Excluding administrative expenses
b/ Equivalent to United States dollars
c/ Mali federation
d/ See Mali
e/ Including a project for the railway Abidjan - Niger.

TABLE 2

The European Development Fund
Project approved or pending approval as of
30 September 1961 by type of product[a)]
Million EPU accounting units[b)]

	Approved by the Commission or the Council		Projects pending approval	
	Amount	Number of Projects	Amount	Number of Projects
Education	25.7	37	-	-
Health	34.8	40	-	-
Hydro-electricity	9.3	11	-	-
Town planning	7.1	10	-	-
Miscellaneous studies	12.1	11	-	-
Transport and communications	75.2	53	13.2	5
Agriculture	43.9	26	-	-
Other	1.8	3	2.0	2
TOTAL	210.0	191	15.2	7

Source: Direct communication from the EEC

a) Total cost of projects excluding administrative expenses (including Algeria and territories outside Africa

b) Equivalent to United States dollars

Establishment rights

37. The Treaty confines itself to establishing a general framework which is sometimes rather vague in this field[1]. The proposals submitted by the Commission to the Council in March 1960 were adopted with some modifications by the Council in October 1961. The provisions agreed upon, which are still not made public in detail, are said to extend establishment rights to associated countries according to the principles laid down in Article 132 of the Rome Treaty. The new provisions will apparently be of little practical value as far as associated countries are concerned, as they will have to be substituted by new rules with the expiry of the Implementing Convention.

Developments towards a common agricultural policy

38. Inasmuch as the bulk of African exports to the EEC consists of agricultural products, some of which directly compete with goods produced within the metropolitan countries of the EEC, the common agricultural policy envisaged by the Rome Treaty is of direct interest to many African associated and non-associated countries.

39. The increases of global import quotas provided for by the Rome Treaty do not apply to those non-liberalized agricultural commodities that are subject to marketing arrangements or minimum pricing in the member countries which include certain products of interest to Africa such as coffee, oil-seeds and oil, bananas and wine in the case of France, and bananas in the case of Italy. A removal of quantitative restrictions on these products must therefore await the working out of new marketing arrangements on an EEC wide basis to replace those currently operated nationally.

40. In July 1961, the Commission prescribed draft proposals for a common agricultural policy on a number of products, among which were fruit, vegetables, fats, oils and wine. These proposals, which are summarized in paragraphs 42-50, also include interim arrangements.

41. The Council of Ministers at a meeting in October discussed steps to

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[1] Quatrième rapport general sur l'activité de la Communauté, p.5

be taken in the introduction of a common agricultural policy. The progress made at this meeting apparently leaves little hope that the time schedule envisaged in the Treaty will be accomplished. It was decided to convene two special sessions by the end of November to continue the discussion.

Oils and fats

42. In the Commission proposals for a common market in animal and vegetable oils and fats (excluding butter) the special interests of the associated countries and territories are taken into account by transitional measures only as far as the groundnut producers are concerned. There is apparently not envisaged that any special steps would be necessary at present for other vegetable oils. It is known that the overseas franc-zone groundnut producers in recent years have been subsidized by $3-20 million annually according to world price fluctuations. The annual aid to be given under the EEC-scheme is not yet established. The first disbursements would be made in the 1963-1964 crop year. It is anticipated that the common market would be fully established by 1968.

43. It is intended that this aid should only be transitional and that it would have to be abolished after some time, which is not specified. The EEC is prepared to help the associated countries and territories with technical assistance and loans or grants from the Development Fund to improve production and diversify their economies with this aim in mind.

44. The common external tariff on imports of oils and fats will be introduced as foreseen in the Treaty. Quantitative restrictions on imports from third countries should be abolished at the latest from 1 January 1965.

Wine

45. Both France and Italy are to establish annual import quotas of 150,000 hl each open to all members beginning with 1 January 1962. Algerian wines would be included among French wines in the application of the quotas in Italy.

46. By 30 June 1963 a full register containing information on cultivated area, by type of culture, method of processing, age, stocks available, etc.

is to be established. On the basis of information thus assembled, the Commission will work out a balance sheet of supply and demand at the beginning of each year for regulation purposes. Work on this register is to begin on 1 January 1962.

Fruit and vegetables

47. The gradual establishment of a common marketing organization for fruits and vegetables is to begin on 1 July 1962. The common market envisaged is to be completely established within 6 years. The common external tariff is deemed sufficient to protect the common market. All other protection devices including State subsidies are to be abolished.

48. Common quality standards will be introduced, first for cauliflower, tomatoes, apples, pears and peaches. As standards are worked out for other products, these will similarly be included. A product not conforming to the quality controls may no longer enter trade among the Six after the final establishment of a common market for that product.

49. The internal tariff reductions on fruits[1] and vegetables are to proceed annually beginning with a 30 per cent reduction on 1 January 1962 for products which had been liberalized on 1 January 1961 (and where tariffs were reduced by 5 per cent at that time) and with a 35 per cent reduction for products that had not been liberalized then. By 1 January 1964, tariffs should have been reduced by at least 60 per cent as compared with their base level, but each yearly reduction must be at least 10 per cent. All the internal tariffs are to be completely eliminated by 1 January 1967.

50. Quantitative import restrictions are to be abolished progressively beginning with the highest quality products on 1 July 1962 and ending with the lowest quality products on 1 July 1965.

The Agreement of Association with Greece

51. The Agreement of Association with Greece which was signed on

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[1] Including bananas, coconuts, cashew nuts and citrus fruits.

9 July 1961 may serve as a precedent for future association agreements to be signed. More than two years transpired between the original approach made by the Greek Government to the EEC and the signing of the agreement, giving evidence to the complexity of the problems involved. The agreement becomes effective two months after it has been ratified by Greece, the European Parliament and all member states.

52. Despite the considerable efforts towards industrialization and modernization that have been made, Greece's economy, based mainly on agriculture, and yielding a per capita national income of about $320 per annum, can still be classified as a less-developed one. The concessions that have been made by the Six to take Greece's special problems into account may well indicate to prospective African associated states what type of arrangement they may negotiate for with respect to their particular problems.

53. The tariff reductions are in principle to be carried out over 12 years on both sides.

EEC Reductions

1. EEC members will give Greece the reductions (excluding the accelerated reductions) already granted to other members.

2. Acceleration measures may also be applied to Greece, but these must be acompanied by reciprocal efforts on the part of Greece.

Greek Reductions

1. Greece will reduce tariffs towards EEC members according to the Rome Treaty.

2. For certain non-agricultural products comprising about one-third of Greek imports from EEC,[1] the tariff reduction schedule has

1/ Annex I to the Agreement.

been extended to 22 years. For these goods there will be four successive reductions of 5 per cent each over 7½ years. Beginning with the end of the tenth year tariffs on these products will be reduced according to a 12-year schedule.

3. To protect infant industries Greece may during the 12 first years introduce and raise tariffs but not exceeding 25 per cent. However, they will have to be eliminated or reduced to their former level within 9 years.

54. Export taxes or their equivalent are to be eliminated both by the Six and Greece within four years of application of the Agreement.

55. Fiscal duties are also included in the tariff reductions. If these should prove difficult, fiscal duties may be maintained in Greece for the first six years with the approval of the Council of Association[1].

56. Greece will align her tariffs to the common external tariff simultaneously with tariff reductions on imports from the Six. For certain goods the introduction of a common external tariff is extended to 22 years.

57. For goods not exceeding 3 per cent of total Greek imports in 1958, Greece may maintain duties higher than the common tariff even at the end of 22 years after consultation with the Council of Association.

58. Tariff quotas for certain goods may be introduced with permission of the Council of Association, but such tariffs may never be lower than those applied to imports from the Six.

59. Any changes in the common tariff of more than 20 per cent during the transition period of 12 years for goods of particular importance to Greek exports[2] must be submitted to the Council of Association for prior approval

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1/ This Council is composed of representatives from EEC Member Governments, the Council of Ministers and the Commission on one side and the Greek Government on the other side. All decisions have to be agreed upon by both parties.

2/ Tobacco, dried raisin, olives, rosin, turpentine oil.

For tobacco such approval must be sought for changes exceeding 10 per cent. For these products any tariff reductions by any member state must be given prior approval of the Council during 12 year transition period. The same applies to the introduction of tariff quotas exceeding 22,000 tons of tobacco yearly for the Six as a whole, and 15 per cent of last year's imports by the Six in the case of other products. Such tariff quotas should, however, not discriminate against Greece.

60. No new quantitative restrictions on the trade between Greece and the Six are to be introduced by either Greece or the Six, but

(a) for the Six this only applies as far as global quotas have not yet been established.

(b) for Greece, this rule applies initially to 60 per cent of private imports from the Six in 1958. This percentage is to be raised to 75 per cent and 80 per cent after five and ten years respectively.

All quantitative restrictions on imports are to be abolished after 22 years at the latest. Quantitative restrictions with the same effect as import quotas, however, are to be abolished by both sides within 12 years.

61. Quantitative restrictions on exports and all measures with similar effects are to be abolished within 12 years. Greece may nevertheless maintain or introduce such restrictions on raw materials after consultation with the Council of Association if it is thought essential for promoting economic activity or to safeguard supply of basic foodstuffs.

62. All state monopolies, franchised monopolies or commercial enterprises directed by the state both in the Six and in Greece are to act in such a fashion that no discrimination will persist between citizens of the Six and Greece at the end of 22 years. This decrease in discrimination on the part of monopolies is to be effected according to the same schedule as that foreseen for quantitative restrictions. In the case of Greek monopolies, the schedule of elimination of discrimination will be determined by the Council within two years.

63. Agricultural products are put into a special category pending the formulation of a joint agricultural policy by the Six and Greece and because agricultural products constitute about 80 per cent of Greek exports to the Six. Full harmonization of Greek and EEC agricultural policies and the elimination of all discriminations is to be achieved at the end of 22 years at the latest. Pending the formulation of a common agricultural policy the following rules apply:

1. For certain agricultural goods[1] (including vegetables, fruits, spices, vegetable oils, tobacco) the reduction of tariffs and quantitative restrictions will take place as provided for non-agricultural goods within the 12 year period.

2. For citrus fruits, dessert grapes and fresh peaches the Six may institute restrictions once Greek exports to the Six should surpass certain volume limits (which are increased yearly by a fixed percentage) provided that the members encounter difficulties in marketing these products within the Community[2]. Although the initial quotas established for Greece are about seven times as large as the volume of the 1960 exports to the EEC in these products, they are only a fraction of Italian and (in the case of citrus fruits) Algerian exports to the Six.

3. For agricultural goods listed in Annex II to the Agreement (all others) each side grants the other most favoured nation treatment both as regards tariffs and quantitative restrictions. However, since only Greece would benefit from the liberalization of goods in Annex III, a protocol provides for unilateral liberalization by Greece of certain agricultural imports from the Six.

64. Special additional facilities are granted by the Six for the following Greek exports:

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[1] Listed in Annex III to the Agreement.

[2] This provision was put in to safeguard particularly Italian interests.

1. For tobacco, comprising about 40 per cent of Greek export to the EEC countries in 1959/60, the Six will reduce their tariffs on Greek imports by 50 per cent when the agreement goes into effect. The first alignment to the common external tariff will take place at the same time. All tariffs on tobacco from Greece will be abolished by 31 December 1967 at the latest, at which time the full common tariff will apply. Member states where a tobacco monopoly exists (France and Italy) commit themselves to maintain imports from Greece at the average level prevailing during 1957-1959 for each of the first five years of the agreement. If tobacco imports from Greece into member states having no tobacco monopoly should increase as compared with the 1957-1959 average, members having a monopoly commit themselves to increase their imports from Greece proportionately.

2. For dried raisins the Six will reduce their tariffs on Greek imports by 50 per cent when the agreement goes into effect. The first alignment to the common external tariff will take place at the same time. At the end of the sixth year the full common tariff will apply while imports from Greece will enter duty free.

3. Although wine is not included in Annex III, and thus does not enjoy the reductions in tariffs and quantitative restrictions, tariff quotas have been established for Greece by West Germany. The Benelux countries will apply to Greek wine imports the same rules applying to the other members. France and Italy on the other hand will open quotas for Greek wine as soon as other members have done the same for French and Italian wines. Each time the internal quotas are increased in the Community, similar increase will be fixed for Greece by the Council of Association.

65. Greece accepts the rules regarding competition prevailing among the Six, but during the first ten years of the Agreement the special provision

of the Rome Treaty permitting state aids to promote economically under-developed region or regions suffering from chronic under-employment shall apply to Greece. This period may be extended if the Council of Association so decides. Dumping and fiscal arrangements affecting competitiveness in foreign trade shall be regulated along the lines of the Rome Treaty by decision of the Council.

66. A mutual right of establishment is to take effect so as to accelerate the flow of EEC capital into Greece. All payments within the Community and Greece made necessary by trade, labour and capital liberalization moves provided for in the Treaty shall be permitted. Further exchange liberalization shall be aimed at.

67. The commercial policy of the Six and Greece shall be harmonized at the end of 12 years, and close consultation shall take place during this transition period through the Council. The common commercial policy envisaged refers to tariff amendments, the conclusion of tariff or trade agreements, liberalization, export policy and protective measures against dumping and export subsidies.

68. In case a new country accedes to or becomes associated with the EEC, Greek interests will be taken into account. In case of an association, a special treaty may be signed between Greece and the new associate. In case of a new member, no new obligations will accrue to Greece until a special protocol to the present agreement of association with Greece has been signed. However, countries already associated with the EEC are not affected by these provisions.

69. A protocol to the agreement provides for loans up to $125 million to be made over the first five years of the agreement to be repaid within 25 years at the latest. The loans are to be made according to the procedures applied by the European Investment Bank. A declaration of intention foresees Greece's membership in the Bank. The country would then be eligible for loans directly from that institution on a continuing basis.

Negotiations with Turkey

79. Negotiations with Turkey on associate membership were started in May 1960, following exploratory consultations. It is not yet possible to

report much of interest on these negotiations. The Commission's view, which also seems to be shared by the Council of Ministers, appears to be that the State of the Turkish economy does not permit an associate agreement at present. The Six, however, seem to be willing to conclude a commercial and financial agreement with the country for a period of five to seven years, during which Turkey would have no liberalization obligations and the EEC would undertake specific development projects. After the end of this preparatory period the further trade policies would have to be established, apparently aiming at a customs union[1/].

Implications for African countries and territories of the entry of the United Kingdom into the EEC

71. In the autumn of 1960 the United Kingdom embarked on a series of bilateral technical discussions with the principal EEC countries, and at the end of July this year the British Government made a formal application for membership of the EEC. The outcome of these negotiations, which have just started, cannot be assessed at present. It is thought, however, that it might be useful shortly to enumerate some of the implications of United Kingdom membership of EEC for African countries.

72. As far as can be seen the main implications may be found in the following fields:

1. The position of Commonwealth countries and third countries in Africa.
2. The position of other EFTA countries, particularly Portugal.

73. As regards point one of the preceding paragraph it is clear that the accession of the United Kingdom to the EEC, which would increase the population of the Community from 180 to 230 million, would significantly alter the repercussions the EEC probably already has on the trade of other countries. There appears to be broadly envisaged three alternatives as far as Commonwealth countries are concerned.

1. Open the EEC to African Commonwealth countries with the entry of the United Kingdom, either as a result of an agreement reached during the negotiations with the United Kingdom or following

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1/ Quatrième rapport général sur l'activité de la Communauté, p.5
Le Soir, Brussels, 25 October 1961, and Neue Zurcher Zeitung, 26 October 1961

bilateral negotiations between each Commonwealth country and the EEC based on general principles agreed upon during the discussions with the United Kingdom.

2. Let the Commonwealth countries stay outside the EEC, but maintain their preferential market in the United Kingdom.

3. Make no provisions for the association of African Commonwealth countries and leave the initiative to each country to apply for associate membership.

74. Point one is apparently the most probable alternative, leading to a series of bilateral negotiations after the conclusion of an agreement with the United Kingdom. These negotiations may partly be based on Article 136 of the Treaty and partly Article 238. (see footnote 1 to par.18) This solution is, however, likely to be resisted by some of the present associated countries as it would reduce their opportunities to capture more of the tropical products markets of the Six. On the other hand the preferences they would gain in the United Kingdom should partly compensate for this loss.

75. The assumption that Commonwealth preferential arrangements could be maintained after the United Kingdom joined the EEC is difficult to imagine, in view of expressed insistence of some EEC members that the United Kingdom must adopt the common external tariff if she is to be admitted to full membership.

76. As for point three it is obvious that Commonwealth countries which for some reason are unable to make satisfactory arrangements with the EEC would be adversely affected as the United Kingdom starts to apply the common external tariff to their exports. Similar problems will naturally arise also for those African countries and territories that belong neither to the presently associated countries nor have special relationships to any EFTA country. The most important countries in this group are the North-African countries, Sudan, Ethiopia, Liberia and Guinea.

77. The implications of associate membership for an African country is impossible to define with any precision. The relevant provisions of the Rome Treaty open up a wide range of possibilities. The Agreement of

Association with Greece may create a precedent in certain respects, although no firm conclusions can be drawn from it. It shows, however, that association arrangements may be tailored to fit the economic stage of development of the applicant country in various ways.

78. An association based on the customs union formula implies the abolition of internal obstacles to trade, the introduction of a common external tariff and the elaboration of common commercial policies towards third countries. This would not entail agreeing on the same timetable as member countries have agreed upon among themselves, neither does it necessarily mean that the associate country would have to subscribe to all sectors of activity covered by the Rome Treaty. Association on a free trade area basis would in principle involve obligations similar to those applying within the EEC with respect to internal trade barriers, but would not commit the associated country to a common external tariff, although some harmonization in that direction may nevertheless be conceived.

79. A special problem will arise as far as financial assistance is concerned if the United Kingdom joins the Community. On the basis of population or national income the contribution of the country to a European Development Fund should be around 30 per cent. Commonwealth Africa on the other hand would account for approximately 60 per cent of the population of the African associated countries. A proportionate distribution of the total aid available after an association of the Commonwealth countries may be resented by the presently associated members.

80. The position of the other EFTA countries is mainly of direct interest to African countries as far as it concerns Portugal, which has, however, so far not applied for membership in the EEC. The Portuguese overseas territories play a substantial part in the country's economy, and measures have recently been taken to bring about complete free trade between them and Metropolitan Portugal. Although Portugal regards her overseas territories as parts of Portugal itself, it is stated by the Portuguese Government that any question of adhesion to or association with the Six should at present only be directly applicable to the European territory of the country