THE IMPLICATIONS OF EEC ENLARGEMENT FOR THE ASIAN COMMONWEALTH COUNTRIES

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ABSTRACT

For over a decade it has been obvious that the entry of Britain into the EEC would be likely to call for adjustments in the trading patterns of all her Commonwealth partners, but only comparatively recently have the lines been clearly drawn for the period of intense negotiations which will shape the future trading relations of developing Commonwealth countries with the EEC. In a Joint Declaration of Intent relating to the independent Commonwealth countries in Asia, the signatories to the Treaty of Enlargement declared their readiness, from the date of accession of the new member states to the EEC, to examine with the above countries in Asia such problems as might arise in the field of trade, with a view to seeking appropriate solutions.

In this paper, the trends and patterns of trade of the Asian Commonwealth countries, India, Bangladesh, Singapore, Malaysia and Sri Lanka, are examined, and then the different treaties and trade agreements which will determine the implications of the EEC enlargement. The impact of the harmonisation of British commercial policy with the EEC is discussed in general, and the specific problems of each country described. Finally some alternative approaches to the solution of the problems arising from EEC enlargement are suggested, and the implications for development assistance are described.

INTRODUCTION

The European Economic Community of six members was enlarged to nine on January 1, 1973, by the accession of the UK, Denmark, and Ireland to the Treaty of Rome. After a transitional period, the new member states are required under the Treaty of Accession to align their external tariff and agricultural protection systems to those prevailing in the EEC. The enlargement of the EEC will have far-reaching economic consequences for the developing Commonwealth countries as the UK harmonises her economic policies with those of the EEC. These consequences will be particularly marked in the field of trade, flow of private capital and development assistance from the UK to these countries and the role of sterling in financing trade and as a reserve asset. This paper is concerned largely with the trade consequences of the enlargement of the EEC, though consequences for development assistance are also touched upon.

The Treaty of Accession envisages different commercial arrangements with different groups of developing Commonwealth countries. Those listed in Annex VI to the Act of Accession comprising the African, Caribbean and Pacific Ocean Commonwealth countries, are being offered three options in their relationship with the enlarged EEC: associate membership along the lines of the present members of the Yaounde Convention; conclusion of special conventions of association on the basis of Article 238 of the Treaty of Rome, of which the Arusha Agreement is one example; and the negotiation of special trade agreements designed to enhance trade between the two parties.

It is further stated that negotiations between these countries and the enlarged EEC should begin after August 1, 1973, and in the case of countries choosing the first option, should be conducted simultaneously with the renegotiation of the Yaounde Convention, which is due to expire on January 31, 1975. In the intervening period, a standstill clause is to apply to any special trade relations which the old and the new EEC members have with the associable and associate countries. In other words the Commonwealth Preferences will continue to apply to imports into the UK from the Annex VI countries, and the provisions of the Yaounde Convention and Arusha Agreement to imports into the EEC of signatories to these treaties. However, imports from these countries will not benefit from the liberalisation of trade between the EEC and the new members.

The Treaty of Accession envisages different treatment for the Asian Commonwealth countries of India, Bangladesh,[1] Singapore, Malaysia. and Sri Lanka.

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1 In the Treaty, the reference is to Pakistan. It is, however, assumed here that Bangladesh will be entitled to the same treatment as other Asian Commonwealth countries. Pakistan has not been included in this study as she is no longer a member of the Commonwealth.

There is no standstill clause comparable to that applying to Annex VI countries: i.e. the application by the UK in stages of the Common External Tariff (CET) and the Common Agricultural Policy (CAP) of the EEC will apply even in the transitional phase to the UK imports from the Asian Commonwealth countries. Nor does the Act of Accession propose any definite commercial arrangements with the Asian Commonwealth countries after the enlargement of the EEC. The joint Declaration of Intent, issued at the conclusion of the agreement on British accession to the EEC, merely states that "the European Economic Community is ready, from the date of accession, to examine with these 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".

The purpose of this paper is to identify the main problems in the field of trade that are likely to arise for the Commonwealth Asian countries as a result of the British membership in the EEC and to consider various proposals to solve them. The paper begins with an analysis of the direction and pattern of trade of each of the Asian Commonwealth countries, with a view to bringing out their main export markets and products. This is followed by a general discussion of the main factors determining the implications for them of the British entry into EEC. Among the factors considered are the scope of the Commonwealth Preferences, the British Generalised Scheme of Preferences and the Common External Tariff, the Common Agricultural Policy and the Generalised Scheme of Preferences of the European Economic Community. In the light of this analysis, a general assessment is made of the main problems likely to arise for the Asian Commonwealth countries following British entry into the EEC. There is then a more detailed discussion of the individual products likely to be adversely affected as well as of other specific problems likely to be faced by each country. The paper considers a number of proposals to meet the trading problems of the Asian Commonwealth countries. In the concluding section, reference is made to the implications for development assistance of the enlargement of the EEC.

TRENDS AND PATTERNS OF TRADE OF ASIAN COMMONWEALTH COUNTRIES

A study of the trends and patterns of trade of the Asian Commonwealth countries provides an indication of the dependence of these countries on various markets, including the UK, as well as of the degree of diversification of their exports. It should also provide some evidence on the structure of production and hence the stage of development of these countries.

India

Table I shows the direction of Indian exports and imports for selected years. On the export side, the most notable development is a substantial fall in the share to the UK, from 23% in 1963 to 12% in 1970, and a doubling of the share to Japan and the USSR. The share to the EEC has remained constant over the period while that to the US declined in 1970. As a result of this, the UK, Japan and the USSR constituted markets of equal importance for Indian exports - about 14% each - in 1970. The enlarged EEC will become the largest market for India, accounting for roughly 20% of her exports. On the import side, the US is by far the most important trading partner, though its share has declined considerably since 1966-68. The UK share has fallen steadily from over 15% in 1963 to less than 7% in 1970. The share of Canada and the USSR has risen sharply over the period.

Table II indicates the principal export products from India and the changes therein over the past decade. In comparison with most other developing countries, an interesting feature of Indian exports is their relative diversification: even in 1960/61, the three most important exports constituted less than half of the total export earnings. There has been a significant further diversification of exports in the sixties. The relative importance of the three leading traditional exports - jute manufactures, tea and cotton fabrics - has fallen from 48% to 27% over the period 1960/61 to 1970/71. A number of non-traditional exports such as iron ore, iron and steel and engineering goods have become major earners of foreign exchange; while goods such as chemical and allied products, fish and fish preparations, leather and leather manufactures, coffee, sugar and oil lacs have also increased their share of total export earnings.

India's main exports to the UK and the EEC are shown in Table III. The major exports to the UK are tea, tobacco, oil cakes, leather hides and skins, cotton piece goods and jute products. The relative importance of several of these products - tea, piece goods, jute and bags - has fallen considerably over the period. The main exports to the EEC comprise precious and semi-precious stones and jewellery, tea, iron ore and concentrates, cotton piece goods, leather products and hides and skins and jute cloth. Among the products whose exports have fallen sharply are coffee, oil cakes, manganese ore, coir yarn and jute bags.

Bangladesh

Prior to independence, the foreign trade statistics of Bangladesh were included in the figures for Pakistan. Nevertheless, it is possible to reconstruct a picture of the direction and pattern of her foreign trade, although as shown later the post-independence trade flows are likely to diverge substantially from the period when Bangladesh was a part of Pakistan.

Table IV shows the direction of exports from Bangladesh for three years - 1967/68 to 1969/70. There have been no major changes in the shares of different markets. Over 35% of exports went to Pakistan and nearly 13% to the EEC. The United States took about 10% of her exports and the UK nearly 8%. Exports to China rose rapidly to account for 4% by 1969-70.

On the import side, as Table V shows, Pakistan was again the most important trading partner for Bangladesh, accounting for nearly 44% of her imports during the period 1960/61 to 1962/63. The ratio rose to 47% over the three years 1967/68 to 1969/70. The US also increased its share from 13.5% to 17.2% over the period. On the other hand, trade with India disappeared from around 4% at the beginning of the sixties to zero towards the end. The UK share fell from 10.2% to 7.2%. The EEC and Japan accounted for roughly similar shares at around 7%.

Table VI shows the relative importance of the main exports from Bangladesh to Pakistan and other countries for three year averages at the beginning and the end of the sixties. The major change over this period relates to the decline in the share of raw jute from 50% to 31% of total exports, and an increase in manufactured jute goods from 25% to 35%. Although Bangladesh continues to be heavily dependent on jute - raw and manufactured - for export earnings, its share declined from nearly 75% at the beginning of the decade to 66% at the end. Three-quarters of total export earnings, however, still came from jute and tea in the closing years of the sixties. While all of raw jute and nearly 75-80% of manufactured jute goods were sold to other countries, tea was exported exclusively to Pakistan. Other important exports were leather goods (one-third to Pakistan), matches and paper and paste board (all to Pakistan). Excluding Pakistan, 94% of export earnings were derived from jute, of which a little more than a half came from raw jute.

The picture outlined above relates to the pre-independence period. Owing to massive dislocation and damage to the economy caused by the floods and the war in the period immediately preceding independence and the realignment of external economic relations since independence, it will be several years before the new direction and pattern of trade are established. The trade with Pakistan has disappeared and is unlikely ever to attain the relative importance of the pre-independence period. On the other hand, both exports to and imports from India, the Soviet Union and some European countries should show considerable increases. The pattern of exports is unlikely to show major changes in the near future, though new markets will need to be found for exports which were formerly directed primarily to Pakistan such as tea, matches and paper and paste board.

Singapore

A description of Singapore's trade is complicated by the fact that a considerable proportion of it consists of entrepot trade. As an entrepot centre, Singapore collects various agricultural and mineral products from South East Asian countries for re-export to industrial countries. Likewise, she imports manufactured goods from various parts of the world for re-export to South East Asian and other countries. The entrepot function may involve a wide variety of activities ranging from a mere transhipment in original form to a considerable degree of [illegible] and assembling. Apparently no clear cut criteria are currently used in classifying trade between the entrepot and non-entrepot categories.

The data issued by the Singapore Government do not distinguish between entrepot and non-entrepot trade. However, it is possible to get figures on the breakdown between these categories of trade. Some international sources such as the IMF and IBRD series on "Direction of Trade" give trade data for Singapore which are derived from the returns of other countries. For our purposes neither of the two sets of data are entirely satisfactory. On the one hand, Singapore clearly derives a significant proportion of national income, employment and foreign exchange earnings from entrepot activities which encompass a wide range of operations. Thus the total exclusion of entrepot trade from overall trade figures will obscure the vital contribution made by it to the Singapore economy.

On the other hand, inclusion of all entrepot exports and imports in the overall figures can give a misleading picture of the productive structure of the economy and of the overall importance of trade in the economy; for instance, restrictions on imports of palm oil in the industrialised countries will obviously not have the same impact on the Singapore economy as on that of Malaysia, though the published figures show both as important exporters of this product.

In order to avoid these difficulties, wherever possible both sets of data have been used; where this is not possible, as with the pattern of exports, it should be remembered that virtually all primary product exports do in fact constitute entrepot trade.

Table VII shows the relative importance of entrepot trade in Singapore. It will be noticed that there has been a considerable decline in the relative importance of entrepot trade over the period, especially on the import side. This trend has been greatly accentuated since 1969, a reflection of the extremely rapid growth of the Singapore economy in recent years.

Table VII. Share of Entrepot Trade in Singapore's Exports and Imports (%).

	1961	1963	1965	1967	1969
Entrepot Imports as % of all imports	64.2	57.9	50.9	47.1	43.0
Entrepot Exports as % of all exports	93.0	90.2	85.9	89.1	88.4
Total Entrepot Trade as % of all trade	77.3	72.4	66.4	67.4	62.4

Source: NG Hean Weng, "External Trade: Trend, Composition and Direction", in You Poh-Seng and Lim Chong Yah, editors, The Singapore Economy, Singapore, 1971, Table 2, p.167.

Table VIII shows the direction of trade by total exports and imports, as reported by the Singapore Government. On the export side Malaysia is by far the largest market, accounting for about 23% of total exports, followed by the US (12%), and then a group of countries with similar shares - Japan, Vietnam, the EEC and the UK. On the import side, Japan and Malaysia account for nearly one-fifth each of total imports, followed by the US at 13%, and the EEC and the UK at 8% and 7% respectively. It should be noted that in Table VIII the trade with Indonesia is not shown separately and has not been included in the total figure. It is, however, known that Indonesian trade accounts for a substantial proportion of the total trade.

Table IX shows the direction of exports and imports on the basis of data derived from the returns of importing countries. These figures may be taken as a rough approximation of non-entrepot trade. They show that the major destinations for Singapore's exports are the US (17%), Japan (16%), the UK (15%) and Hong Kong (11%). It should also be noted that whereas the UK share has very nearly halved between 1963 and 1970, the US has increased one and a half times. The importance of the Japanese market has increased, while that of the EEC and India has gone down sharply.

As for imports, calculated on the same basis, apan emerges as far and away the most important supplier, accounting for nearly 30% of total imports, followed by the US (16%), the EEC (11%) and the UK (10%). While both the UK and the EEC have suffered a decline in their share, the US and Japan have increased theirs since 1963.

The structure of Singapore's domestic exports is suggested in Table X. It is clear that Singapore has a highly diversified export base with a wide range of manufactured and agricultural processed goods, including electrical machinery, wood products, clothing, fixed vegetable oils, animal feeding stuffs and office machines.

Singapore's major exports to the EEC and the three new member states for 1971 are shown in Table XI. The major exports to the new member states (for the most part to the UK) are: timber, electrical machinery and clothing excluding fur and cotton fabrics. Important exports to the EEC are: timber, electrical machinery goods, telecommunications apparatus, clothing, scientific instruments, crude vegetable materials and musical instruments.

Singapore's non-entrepot exports have increased at an extremely high rate in recent years, and their structure is undergoing rapid changes with the skill-intensive and technologically sophisticated goods replacing traditional manufactured consumer goods. This trend is likely to continue in the coming years.

Malaysia

A description of Malaysian trade is also complicated by Singapore's entrepot role with respect to her exports and imports. Therefore, we shall use two sets of data to illustrate the direction of Malaysian trade.

Table XII shows the direction of exports and imports for the years [illegible] to 1970 as reported by the Malaysian Government. On the export side Singapore is the most important market, accounting for nearly 22% of exports, followed by Japan (18%), the US (13%), the EEC (12%) and the UK (7%). An interesting feature of the table is the relative stability of the shares of major markets over the period. Table XIII shows the direction of Malaysian exports according to the data derived from the importing countries (with due allowance made for freight, insurance and other expenses). These figures should approximate roughly the ultimate destination of Malaysian exports after taking account of re-export from Singapore of products of Malaysian origin. Japan now emerges as the largest market, taking in nearly 30% of Malaysian exports, with the US accounting for a further 20% and the EEC 18%. The UK share stays roughly the same under both sets of data. On the import side, as shown in Table XII, Japan emerges as the most important supplier, having increased her share from 12% in 1966 to 18% in 1970, followed by the UK (14%), which experienced a fall in her share. The EEC, the US and Singapore account for roughly similar proportions of imports coming into Malaysia. The trade data derived from the returns of exporting countries yield a similar picture except for the relative insignificance of Singapore as a source of imports.

Table XIV shows the major exports from Malaysia from 1966 to 1970. Although there are considerable annual fluctuations in the importance of individual products, the share of three leading exports taken together - rubber, tin and tin concentrates and timber - has remained relatively stable at around 70%, thus indicating heavy reliance on a narrow range of products. The dependence on rubber alone has varied from one-third to two-fifths of total export earnings. Over the period, iron ore has declined in importance, while timber and palm oil have increased their relative shares.

Table XV shows Malaysia's major exports to the UK and the EEC. As might be expected, the main exports to the EEC comprise rubber, palm oil, timber and tin, while to the UK canned pineapples are also important in addition to the above.

Sri Lanka

The direction of trade is shown in Table XVI. The UK is by far the most important market for Sri Lanka's exports, though its importance has declined steadily in the sixties; it now accounts for a little more than a fifth of the total exports. China is the second most important trading partner, having increased its share of the market from 6% in 1963 to 13% in 1970. The share of the EEC has been fairly stable around 9%, as has that of the US at around 8%.

On the import side, there is greater diversification. The UK is the largest supplier but its share has fallen from nearly 20% in 1963 to over 14% in 1970. China is the second important source of imports, followed by the EEC, Japan and the US.

Table XVII shows the principal exports from Sri Lanka from 1967 to 1971. The three principal exports - tea, rubber and coconut products - have continued to account for nearly 90% of total export earnings, though the relative importance of tea has declined somewhat and that of coconut products has risen over the period. Nevertheless, even in 1971 tea provided 60% of the export earnings. Thus the export structure of Sri Lanka illustrates in extreme form the characteristic dependence of most developing countries on a narrow range of exports for the generation of export earnings.

Sri Lanka's main exports to the UK and the EEC are shown in Table XVIII. The main exports to the UK are tea, desiccated coconut, coir fibre, unmanufactured tobacco and rubber. Tea in its various forms accounts for 85% of exports to the UK. The five main exports to the EEC, in order of importance, are tea, rubber, desiccated coconut, coir fibre and coconut oil.

Concluding Remarks

A number of conclusions may be drawn from the preceding description of the direction and pattern of trade of the Asian Commonwealth countries. In the first place, the importance of the UK as an export market has declined steadily in the sixties; this is especially the case with India and Sri Lanka. On the other hand, the importance of Japan, the USSR and the US has risen in most countries. Measured by the proportion of exports sold to the three most important trading partners, India shows the greatest diversification (39%), followed by Sri Lanka (44%), Singapore (non-entrepot exports - 48%), Bangladesh (58% including Pakistan) and Malaysia (67%). In terms of concentration of exports by products, the proportion of export earnings accounted for by the three leading exports are: 27% for India, 30% for Singapore (all exports), 70% for Malaysia, 76% for Bangladesh (including exports to Pakistan) and 89% for Sri Lanka.

These are, however, rather general measures of the dependence of the Asian Commonwealth countries on export markets and products. In order to assess the impact of the British entry into the EEC, it is essential to evaluate the likely changes in access to various markets and their effect on individual exports from the Asian Commonwealth countries.

FACTORS DETERMINING THE IMPLICATIONS OF THE EEC ENLARGEMENT

A complete analysis of the implications for the Asian Commonwealth countries of the enlargement of the EEC presents difficult and complex problems. This would require knowledge of the likely changes in the pattern of production and rate of growth of the economies of the member countries as a result of the enlarged Common Market, because it is these changes which in turn affect the pattern and volume of imports from outside the bloc. Another difficulty arises in assessing the impact on the direction of imports of the new member states of the elaborate network of special trade agreements which the EEC has negotiated with the third countries and to which the members will be required to subscribe.

There continue to be many imponderables as regards the future relationship of the EEC with the third countries: it is for example not known what kind of special arrangements might be made with the Mediterranean countries with which the EEC has so far had no treaties or the number of Commonwealth countries which might seek association with the enlarged EEC under the terms of the Treaty of Accession. There is also uncertainty about the nature of the association agreement that the present as well as the potential associates might be able to negotiate to replace the current Yaounde and Arusha Agreements. It is clear that the outcome of these issues will significantly affect the trading prospects of the Asian Commonwealth countries in the enlarged EEC.

Even if the above difficulties could somehow be resolved, we would still be handicapped in making precise estimates of the effect of the EEC enlargement due to lack of information on the supply elasticities of exports from the Asian Commonwealth countries. Nevertheless, it is possible to indicate in general terms the likely effects of the EEC enlargement on the basis of various assumptions and to specify the main products that are likely to be adversely affected.

The major changes associated with the British entry into the EEC relevant for this study are: the abolition of Commonwealth Preferences - as modified by the UK Generalised Scheme of Preferences (GSP) - currently enjoyed by the Asian Commonwealth countries; adoption by the UK in stages of the Common External Tariff (CET), the Common Agricultural Policy (CAP), and the GSP of the European Economic Community; and the arrangements made by the EEC with the third countries.

Several consequences flow from these changes for the Asian Commonwealth countries. In the British market, they are likely to face greater competition from a large number of countries which hitherto had either equal or less advantageous access. The first group of countries are the six members of the EEC which after the transitional arrangements will enjoy free access to the British market for all their products, while the Asian Commonwealth countries will be faced with the CET and CAP of the Community, as modified by the GSP. Thus the current preferential access enjoyed by the Asian Commonwealth countries in the British market in relation to the EEC will be replaced by a situation where they will be discriminated against in the same market. The greater European competition would affect a range of agricultural and manufactured exports from the Asian Commonwealth countries.

The second group of countries is the Commonwealth developing countries which choose to seek association with the enlarged EEC. These countries have up till now enjoyed equal access to the UK market with the Asian Commonwealth countries, but under the new arrangements their exports will enjoy a preferential treatment. The third group is the Yaounde Convention countries which after the transitional period will also enjoy preferential access to the UK market, whereas at the moment they are placed in a less favourable situation. The same sort of considerations apply to a number of countries in the fourth group with which the EEC currently has or may in the future have preferential trade agreements of various sorts, including Spain, Greece, Turkey, Israel, Morocco, Tunisia, as well as the EFTA and the other Mediterranean countries. The fifth group consists of all other countries which currently have less advantageous access to the UK market than the Asian Commonwealth countries, but will be treated on par after the British accession to the Community.

The result of these developments will be that whereas until now many imports from the Asian Commonwealth countries to the UK have enjoyed preferential treatment over imports from countries in groups one, three and four, the position will be reversed after the transitional period following the UK entry in the EEC. With respect to group two countries, parity of access will be replaced by favourable treatment for those which choose to seek association. Finally with respect to the fifth group of countries, the current preferential access will give way to parity of access.

The Asian Commonwealth countries will also be placed in a less advantageous position in the EEC. In the first place, they will face greater competition in the old EEC market from the new members - the UK, Denmark, and Ireland. Secondly the other EFTA countries which until now have been treated on par with the Asian Commonwealth countries enjoy preferential access for their industrial goods. Thirdly, the Commonwealth developing countries which opt for association will enjoy a favourable position in the EEC as compared with the current parity of treatment with the Asian Commonwealth countries. Finally, there is the group of countries with which the EEC is currently negotiating or may in the future negotiate trade arrangements.

The Asian Commonwealth countries may be discriminated against by the countries which enter into special arrangements with the enlarged EEC. If the Yaounde and the Arusha countries continue to offer reverse preferences and these are adopted by the new associates, the markets in the latter countries will be accessible to the Asian Commonwealth countries on a less favourable basis than to members of the enlarged EEC. The same applies to those countries such as the remaining members of EFTA and some Mediterranean countries which may develop free trade in industrial goods or enter other preferential trade arrangements with the EEC.

The effect of all these developments will be to adversely affect the access of the Asian Commonwealth countries to markets in a large number of countries in relation to one group of countries or another, and hence their export earnings. However, the magnitude of this effect, as also the individual products affected, will depend on the details of the present Commonwealth Preferences, the GSP implemented by the UK, the CET, CAP and GSP of the European Community and the number and nature of the special agreements with the third countries.

Commonwealth Preferences

The general features and evolution of the Commonwealth Preferences are well-known and have been treated in detail elsewhere.[2] It is, therefore, necessary to summarise only those features which are relevant to this study. Under the Commonwealth Preferences, most of the exports from the Asian Commonwealth countries enter the UK duty-free. There are, however, some exceptions, the main ones being jute manufactures and cotton textiles which are subject to quotas from individual Asian Commonwealth countries who have entered into bilateral arrangements; carpets, on which the preferential rate is lower than the most favoured nation rate (mfn); certain products subject to revenue duties like tobacco, on which there is a small Commonwealth Preference. Apart from tariff preferences, the Commonwealth countries have also benefited from quota restrictions on certain imports from non-Commonwealth sources, the most important being sugar, bananas, rum, cigars, apples and pears, and certain citrus products.

The Asian Commonwealth countries in turn accord preferences on selected items of imports from the UK, usually in the form of duties lower than the mfn rates. Preferences granted by Malaysia and Singapore are minor, following the substantial curtailment of their preferential schedules in 1966 and subsequent years.

The real value of the preferences granted by the UK to the Asian Commonwealth countries has been steadily eroded in the post-war period by a number of factors. The general rise of prices has lowered the preferential margin on products subject to specific duties. The successive rounds of multilateral tariff negotiations conducted under the auspices of GATT, starting in 1947 and culminating in the Kennedy Round, have reduced preferential margins, particularly on manufactured goods. Likewise the formation of EFTA which resulted in the removal of protective tariffs on industrial and some agricultural goods among member states further reduced the scope of benefits from the preferences. Finally, the implementation of the GSP from January 1, 1972 has

2 Most notably in Commonwealth and Generalised Preferences, Commonwealth Secretariat, June, 1972.

eliminated the advantages of Commonwealth Preferences on manufactured and semi-manufactured goods in relation to other developing countries.

It is extremely difficult to assess the impact of these preferences on exports from the Commonwealth developing countries, and there continues to be controversy about it.[3] Nevertheless, it would seem that the existence of the tariff preferences and of non-tariff advantages such as quotas, special historical links, marketing and monetary connections have conferred considerable advantages on exports from the Asian Commonwealth countries to the UK. A number of important agricultural exports have benefited in relation to competitors from other developing countries, and the preferences have enabled these countries to establish manufactured exports in a substantial way and often at the expense of other countries which did not enjoy them.[4]

The British Generalised Scheme of Preferences

In order to assess the implications for the Asian Commonwealth countries of the enlargement of the EEC, it is necessary to see what is left of the Commonwealth Preferences since the implementation of the British GSP. A detailed discussion of the individual products of export interest to the Asian Commonwealth countries will be found in a subsequent section. Here it is intended to describe the general features of the scheme.[5]

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3 See D. Wall, "The Commonwealth Preference System and its Effects on the United Kingdom's Imports from Latin America", Journal of Development Studies, January 1971; and John Naranjo and Richard C. Porter, The Impact of the Commonwealth Preference System on the Export of Latin America to the United Kingdom, Disucssion Paper No. 18, Centre for Research on Economic Development, University of Michigan.

4 Naranjo and Porter, op.cit., estimate that total exports from Latin America would have been higher by US $280-570 million in 1968 but for deflections caused by tariff and non-tariff advantages in favour of Commonwealth developing countries.

5 For more details on the UK GSP, readers are referred to: UNCTAD, Generalised System of Preferences: Scheme of the United Kingdom, TD/B 373/Add.8/Annex III, January, 1972. Summaries of the GSP of various countries are contained in the Commonwealth Secretariat publication, Commonwealth and Generalised Preferences, op.cit., and also in UNCTAD, Operational Guide to the Generalised System of Preferences, TD/B/AC.5/41, May, 1972.

The British scheme applies to all the member countries of the Group of 77 and dependent countries with the exception of Bhutan and Cuba. It provides for duty-free imports from these countries of all products included in the Brussels Tariff Nomenclature (BTN) chapters 25-99 with the exception of most textiles, casein, other kinds of leather, pig iron and unwrought zinc. Also excluded are products subject to revenue duties such as perfumed spirits, matches, portable lighters and hydrocarbon oils.

Within the BTN chapters 1-24, i.e. agricultural and processed goods, the UK scheme gives preferences on 65 items, including roasted chicory; extracts of coffee, tea, or mate; mustard, sauces, soups, products of the milling industries, malt and starches and preparations of cereals, flour or starch. Products covered only to a certain extent include preparations of vegetables, fruit and residues and waste from food industries. Most of these products are admitted duty-free but a few bear the Commonwealth preferential rate or a 50% rate of the full duty.[6]

As a safeguard clause, the United Kingdom reserves the right to withdraw or modify the preferential tariff treatment if a product is imported "in such increased quantities and under such conditions, as a result of the preference, as to cause or threaten in the opinion of the United Kingdom serious injuries to domestic producers of like or directly competitive products".

The implementation of the British GSP has thus eliminated the preferences enjoyed by the Commonwealth countries vis-a-vis other developing countries in manufactures and semi-manufactures and a wide range of raw and processed agricultural goods. Manufactured products which are excluded from the GSP such as cotton textiles were already subject to various restrictions in the UK. The losses in export earnings likely to be experienced by the Asian Commonwealth countries as a result of the British GSP due to increased competition from other developing countries cannot clearly be attributed to the UK entry into EEC. They would have occurred anyway. Nevertheless, the Asian Commonwealth countries would have continued to enjoy the benefits of these preferences vis-a-vis non-Commonwealth countries outside the Group of 77 and for manufactured goods outside EFTA countries. British entry

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6 Commonwealth preferential rates apply to coffee, dried chicory roots, roasted chicory and other extracts; essences and extracts of coffee; while 50% of the full rates apply to meat extracts and canned tuna.

into the EEC would result in the erosion of these benefits by the adoption by Britain of the CET and CAP of the Community.

Furthermore, some important agricultural and processed goods of export interest to the Asian Commonwealth countries have not been included in the British GSP, such as sugar, tobacco, vegetable oils and fats, spices and certain processed fruits and vegetables. Exports of some of these products, as shown below, will be adversely affected by the British entry unless special arrangements are made for them. In order to see how these will be affected, we now turn to a discussion of the CET, CAP and GSP of the European Community.

Alignment of the British Tariff to the Common External Tariff of the EEC

The Treaty of Accession sets out the stages and the conditions under which the UK and other new members will adopt the external commercial system of the EEC. In the first place, it should be noted that the preferential arrangements entered into by the UK with the Commonwealth associable countries and by the EEC with the Yaounde and Arusha countries will continue in their existing form until January 1975. In other words, goods entering the UK from such Commonwealth countries will continue to benefit from the Commonwealth Preferences but will not circulate freely in the EEC. However, there are two qualifications: firstly, should any of the associable countries decide to seek association under the terms of the Treaty of Accession before 1975, their commercial relationship to the enlarged EEC will be governed by the provisions of the association agreement. Secondly, the new member states will apply the EEC policy on products subject to the CAP even if they originate from the Commonwealth Annex VI countries. This, however, does not apply to the customs duty levied on such imports into the EEC from the third countries. However, the Treaty provides for continuation of the old arrangements even in respect of agricultural products provided it is so decided by the majority of the Council. The Treaty also states that the new member countries, taking into account the transitional measures, will be expected to apply the EEC agreements with the third countries such as Greece, Turkey, Israel, Spain and Malta and any other agreements which the Community might negotiate with the Mediterranean countries prior to the enlargement of the EEC.

The process of alignment to the CET is quite complex and subject to many qualifications and exceptions for individual products, but the main points can be summarised here. Two steps are involved in the formation of the common market: the elimination of customs duties, quantitative restrictions and other charges having equivalent effect between the new members and the EEC; and the unification of the external tariff.

As far as the industrial products are concerned, the customs duties between the new member states and the EEC will be reduced to 80% of the basic duty on April 1, 1973, and by 20% in each of the following four years, starting on January 1, 1974, with all tariff barriers being eliminated by July 1977. Charges other than the customs duties are to be reduced by 40% on January 1, 1974, to be followed by annual reductions of 20% over the next three years, with all charges being eliminated by July 1977. The quantitative restrictions are to be lifted from the date of accession, and other measures having equivalent effect by January 1975.

The unification of the external tariff of the new member states with the CET of the Community will also be completed by July 1977. For certain products listed in Annex III of the Treaty, and for those products where duties do not differ by more than 15% in either direction, the CET will apply after 1 January, 1974. In all other cases, the difference between the national duties and the CET will be reduced by 40% on January 1, 1974, to be followed by annual reductions of 20%, with the complete unification being achieved by July 1, 1977, to coincide with the elimination of all tariff and non-tariff barriers between the EEC and the new member states.

<u>Adoption of the Common Agricultural Policy</u>

The adoption by the member states of the CAP involves three sorts of changes: the elimination of customs duties on trade among the member countries, the harmonisation of external tariff, and the alignment with the agricultural prices prevailing in the EEC. Customs duties on agricultural products will be reduced to 80% of the basic duty beginning July 1, 1973 for most products, to be followed by annual reductions of 20% over the next four years. The move towards unification of the external tariff is also to be completed over a five year period with annual reductions of 20% of the difference between the national rates and the EEC rates. Where these rates do not differ by more than 15% in either direction, unification is to be achieved at the time of the first move towards alignment. Thus the new member states will have to adopt the external tariff of the EEC in respect to agricultural products and all tariff barriers on trade in agriculture among the member countries will have been eliminated by January 1, 1978.

Likewise, the new member states are required to align their prices of agricultural products covered by the CAP to those prevailing in the EEC by January 1, 1978 at the latest. This is to be achieved in five steps by annual reductions of the difference between the national and the EEC prices by one-sixth, one-fifth, one-fourth, one-third and one-half in each of the following five years. Where, however, there is a "minimal" difference between the Community and the national prices, these will be aligned by a decision of the Council of the EEC. During the transitional period, arrangements will be devised to compensate for the difference in price levels - fixed levies on new members' exports to the other Community countries and fixed compensatory payments on their exports to the new members. The levies and export payments will be gradually reduced by six steps over the five years as prices come into line.

The Generalised Scheme of Preferences of the EEC

The EEC scheme of preferences came into operation in June 1971. It has a two-fold significance from the point of view of the Asian Commonwealth countries. Firstly, it offers improved market access for their exports, along with those of other developing countries. Secondly, according to Protocol No. 23 of the Treaty of Accession, the UK and other new members are to apply the EEC scheme after January 1, 1974.

The EEC scheme of preferences offers differential concessions on different groups of products.[7] The products on which concessions are offered are divided into five groups:

(i) BTN 25-99 manufactures and semi-manufactures, except those listed below;
(ii) Items covered by the Long Term Arrangement (LTA) on Cotton Textiles;
(iii) Other textiles and footwear;
(iv) Certain agricultural products in BTN 1-24;
(v) Iron and steel products in the European Coal and Steel Community regime.

In principle all manufactures and semi-manufactures are subject to tariff quotas, but in actual practice these will be enforced strictly with respect only to certain sensitive products in groups (i), (ii), (iii) and (v). The tariff quotas on products in group (i) are equal to the 1968 cif imports by value from beneficiaries, excluding those countries with which the Community has preferential trade arrangements, plus 5% of imports in the most recent year for which figures are available from all other extra Community sources, including countries with preferential trade arrangements. For 1972, the most

7 Full details of the scheme can be found in UNCTAD, Generalised System of Preferences: Scheme of European Economic Community for 1972, TD/B 396, February, 1972. A useful summary can be found in Peter Tulloch, "Developing Countries and the Enlargement of the EEC", in the Overseas Development Institute's Review 5, 1972.

recent year taken was 1969. The products on which quotas will be enforced strictly cover a wide range of goods in which developing countries are substantial exporters.[8]

These tariff quotas will be distributed among the member states of the EEC according to a pre-determined proportion,[9] and are not transferable. If the allocation for any member state is exceeded, subsequent imports in the same year carry the full duty. The scheme also provides for export ceilings for the countries benefiting from the GSP. In general, the ceiling for any country is 50% of the tariff quotas for a given product. However, there are also lower country ceilings, ranging from 10 to 30%, for certain sensitive products.[10]

For products included in group (ii), the beneficiaries are the less developed members of the GATT LTA on Cotton Textiles (Colombia, India, Jamaica, South Korea, Pakistan, Mexico and Egypt). The tariff quotas are calculated on the same basis as for group (i) products for non-sensitive items.[11] For other items, duty-free imports from the beneficiary countries will be equal to the quantities delivered of various products in 1968 by these countries.[12] The

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8 These include various items in the following product groups: petroleum. fertilisers, rubber tyres, leather, travel goods, articles of apparel and clothing, wood products, paper and paperboard, wigs, bricks and tiles, tableware, glassware, imitation jewellery, tubes and pipes; wrought bars, rods, angles of iron; wrought plates, sheets and strips of zinc; locks and padlocks; sewing machines; various electrical goods; generators, motors, transformers, batteries, radiotelegraphic and radiotelephonic transmission equipment, valves and tubes, transistors; cycles, telescopes, microscopes, gramophones, dictating machines, record players, records, toys, carnival articles, vacuum flasks, chairs and other seats.

9 For 1972, the shares are: Germany - 37.5%, Benelux - 15.1%, France - 27.1%, Italy - 20.3%.

10 For instance, 20% on petroleum, fertiliser, rubber tyres, travel goods, articles of apparel and clothing, tableware, paper and paperboard, and most electrical goods; 10% for basketware, and 30% for sewing machines and glassware.

11 These include certain items of cotton yarn, knitted or crocheted fabric, gloves, outergarments, undergarments, handkerchiefs, travelling rugs and blankets, sacks and bags used for packing of goods, tarpaulins, tents and camping goods.

12 These include certain items of cotton yarn, other woven fabrics of cotton, yarn of man-made fabrics, woven fabrics of man-made fibres; stockings etc., knitted or crocheted; undergarments; bed, toilet, kitchen and table linen; certain categories of sacks and bags.

country ceilings in respect of these products are 30% except for undergarments. The tariff quotas for EEC members will be in the same proportion as for products in group (i).

Group (iii) includes other textiles and footwear. Preferences in respect of these products consist of tariff quotas calculated in accordance with the formula for group (i) products and will be extended to all developing countries except for Hong Kong. As with group (ii) products, the ceilings are fixed at 30% except for certain items where these are fixed at 20% and 50%.[13]

For other types of non-sensitive items of textiles and footwear, the quantities to be imported duty-free are not specified and the country ceilings are fixed at 50%.

Group (iv) includes agricultural and processed goods in BTN 1-24. A total of 50 items are included under the scheme.[14] Preferences consist of reductions in duties amounting to an unweighted average of about one-third. There are no quotas but as with preferences on other products, there is an escape clause which allows the reintroduction of the full tariff in the interests of either associates or domestic producers.

Group (v) contains certain iron and steel products which are admitted duty free from the developing countries. The tariff quota for sensitive products is specified, along with country ceilings for certain items.[15] The

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13 The sensitive list includes certain items of yarn of man-made fibres, woven fabrics of man-made fibres, carpets, carpeting and rugs, twine, cordage, ropes and cables, stockings, certain types of undergarments, outergarments, corsets, and footwear with outersoles of rubber, leather or artificial plastic material. The 20% country ceilings apply to garments, certain types of footwear and carpets and rugs, and 50% to certain types of twine, cordage, ropes and cables.

14 These include various items of meat, bird skins; dried, dehydrated or evaporated vegetables; frozen or preserved fruit; flours of fruits and vegetables, plants, trees etc., vegetable saps and extracts, lard, fats and oils of fish, meat extracts and meat juices, prepared or preserved fish, sugar confectionery, chocolate and other preparations containing cocoa, foods prepared from cereals; preparations of flour, starch or malt extract; preserved or frozen vegetables, fruit juices and vegetable juices, roasted chicory and other roasted coffee substitutes; extracts, essences or concentrates of tea or mate; mustard flour and prepared mustard; soups and broths, natural yeasts; and lemonated and aerated waters.

15 These include items of iron and steel coils, bars and rods, angles, shapes and sections, sheets and plates and various products of alloy steel. The country ceiling is 50% except for 30% on sheets and plates.

quota is calculated on the same basis as for products in group (i). Non-sensitive items carry a country ceiling of 50% but no quantities are specified.[16]

It is clear from the above description of the GSP of the European Community that it is considerably less generous than the UK scheme, which allows, with relatively few exceptions, for duty free imports of manufactures and semi-manufactures from developing countries without any restriction on quantities. Furthermore, it covers a large number of items in BTN 1-24, and in most cases preferences amount to complete abolition of duties. The EEC scheme includes preferences on textiles, unlike the UK scheme, but its system of tariff quotas and member country quotas for sensitive products and substantial import duties on agricultural and processed goods in respect of which preferences are given, makes it altogether much more complex and restrictive than the UK scheme.

Because of the nature of tariff quotas, an essential feature of the EEC scheme is "that it is most generous for those products in which the developing countries are least competitive, and the most generous quotas of all are for those products, such as jet aircraft and advanced computers, which the developing countries have little hope of exporting for many years, duties or not. In contrast, it offers little incentive, or none at all, to expand exports of those products which are currently of greatest interest to the developing countries, for such exports must pay, or expect soon to pay, the full tariff duty,"[17] Richard Cooper has estimated that if the scheme had been in operation in 1970, the unused quotas of manufactures and semi-manufactures would have amounted to $338 million which compares with total imports by the EEC from the developing countries of $1,459 million, or 23% of the total. However, if we exclude machinery and transport, the unused quotas would have amounted to $121 million, or about 9% of the total EEC imports from the developing countries in these categories.

In actual practice, the quotas will be enforced strictly with respect only to sensitive products, and thus the actual situation may be more favourable than indicated above. But it is precisely in these sensitive products that the developing countries are the most competitive and have the best prospects of substantially increasing their exports. Of the 75 categories in which

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16 Items include blooms, billets, slabs and sheet bars; plates of iron and steel; hoop and strip, railway and tramway track construction material.

17 Richard N. Cooper, "The European Community's System of Generalised Tariff Preferences: A Critique", in the Journal of Development Studies, July, 1972, p.381.

manufactured imports from the developing countries were divided by Cooper, no less than 25 would have exhausted their quotas by 1970 if the scheme had been in operation, as compared with 18 in 1969.[18] In 1971 the number of items with unused quotas would have been even smaller.

The analysis has so far assumed the existence of global quotas, but the fact that tariff quotas are apportioned among countries and are not transferable further reduces the number of items with unused quotas.

It might be argued that even if in respect to certain categories of goods actual imports have reached or exceeded the tariff quotas, the developing countries will still benefit from the tariff revenue foregone from the goods up to the level of the quota. This outcome, however, is most unlikely. Where actual imports exceed the quotas, the competition among exporters in developing countries is likely to bid down the sales price even on duty-free imports to the same point prevailing on dutiable products. Thus under these circumstances, "the real beneficiaries of the Community's generalised tariff preference scheme will be the European importers lucky enough to get duty-free quotas",[19] and not exporters from developing countries.

IMPACT OF THE HARMONISATION OF BRITISH COMMERCIAL POLICY WITH THE EEC

Before coming to the details of the individual products that might be adversely affected from the Asian Commonwealth countries, it is useful to consider in general terms the impact of the harmonisation of the external commercial policy of the UK with the EEC. The Treaty of Accession does not spell out clearly the transitional arrangements for the phasing out of the Commonwealth Preferences for "non-associables"; there is also the possibility of modification in the EEC scheme of preferences when it is merged with those of the new members. The prospects for Asian Commonwealth countries will be substantially affected by the outcome of these issues.

As for the phasing out of the Commonwealth Preferences, one interpretation might be that these will be replaced by mfn duties at the time of the first move towards alignment with the CET i.e. in January 1974, and in the subsequent steps the non-associable Commonwealth countries will be treated on par with the non-Commonwealth, non-EFTA countries. This gives the Asian Commonwealth countries only one year to adjust to the new situation. The other

18 Items for which quotas would have been exhausted in 1970 include leather manufactures, worked woods, paper and paper board, cutlery, travelling goods, handbags, clothing, footwear, toys, sports goods, jewellery, etc. It should be noted that the categories used by Cooper are derived from the Standard International Trade Classification (SITC), and are not, therefore, strictly comparable with the BTN items used in the Community's GSP. They are also more aggregative than the classification used in the preference scheme.

19 Cooper, op. cit., p.382.

interpretation which is more favourable to the Asian Commonwealth countries and is more in accord with the Treaty is to assume that the alignment with the CET will proceed parallel for Commonwealth and non-Commonwealth countries but in the former case it will involve a gradual increase in tariffs, starting from a position of zero tariffs for most products, so as to reach CET at the end of the transitional period. This is clearly preferable from the point of view of the Asian Commonwealth countries as it will enable them to adjust more gradually to greater competition in the British market from producers in the UK, EEC, EFTA and the associable Commonwealth countries. At the same time, the elimination of the tariff advantages they enjoy over non-Commonwealth non-EFTA countries will also be phased out over a longer period.

The adverse effects flowing from the elimination of Commonwealth Preferences and the adoption of the CET will be considerably alleviated by the operation of the British GSP, which allows for unlimited duty-free importation of most industrial products and a substantial number of agricultural and processed goods. Although the Asian Commonwealth countries will lose the advantage they enjoy over non-Commonwealth developing countries, they will have access to the British market in respect to the products covered by GSP on the same terms as the EEC, EFTA and associable developing countries. But under the terms of the Treaty of Accession, the UK system will need to be harmonised with the Community GSP after January 1974. Since the latter is more restrictive, this will have further adverse effects on manufactured exports from the Asian Commonwealth countries.

Wtih respect to certain agricultural products, the consequences for the Asian Commonwealth countries could be even more serious. This is because the EEC preferences here are restricted both in terms of products and the depth of tariff cuts. Furthermore, the level of protection for some of the relevant products is relatively high, and the main instrument for protection - the variable levies - are not covered by the preference scheme.

SPECIFIC PROBLEMS OF INDIVIDUAL ASIAN COMMONWEALTH COUNTRIES

We can now draw upon the earlier analysis to focus on the specific problems faced by individual Asian Commonwealth countries. The difficulties faced by them will depend on the extent to which enlargement of the EEC will affect the access to different markets of their current and potential exports. It was noted earlier that this will affect not only access to the markets of the new members but also to those of the Six and a number of third countries with which the EEC has preferential trade agreements.

There are individual products of special interest to specific countries, but there are also changes of a more general nature which affect them all in varying degrees. The replacement of the British GSP by that of the Community will adversely affect the export opportunities for a wide range of manufactured and some agricultural products of current or potential interest to all Asian countries. Likewise, the rules on origin of products under the general preference schemes of both the UK and the EEC are much less favourable than those prevailing under the Commonwealth Preference system. Singapore will be particularly affected by them, as discussed in detail in the section dealing with her, but other countries will also be affected.

India

Principal exports from India to all countries and to the UK and EEC are shown in Tables II and III. Some of the major exports such as tea, iron ore, engineering goods, chemicals and manganese ore will not be affected by the enlargement of the EEC, though in the case of some manufactured goods the extention of reverse preferences by the third countries to the UK and the possible increase in the number of new associates offering reverse preferences to the enlarged EEC could have an impact on Indian exports to these countries. The main products likely to be adversely affected in the UK and the EEC markets are as follows.

Unmanufactured Tobacco:[20] Exports to the UK and Irish Republic in 1970 amounted to 41.0 and 3.7m. lbs. respectively. In value terms, exports to the UK in 1969/70 were $21.2m. In recent years India has been supplying some 12-13% of the total tobacco imports in the UK. This is largely due to the special marketing links that have been built up over the years.[21] Both in the UK and in Ireland, there is a heavy revenue duty on imports of unmanufactured tobacco, in the case of the UK amounting to 13 times the import value of the leaf. There is a small preference for Commonwealth imports at 2.6% less than the basic rate. The EEC has much lower customs duties on tobacco, though cheaper varieties are taxed relatively more than the expensive ones. Furthermore, different countries have different excise and other taxes on manufactured tobacco. The UK will be required to replace its revenue duties by internal taxes and to conform to the

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20 For an excellent discussion of the world trade in tobacco and the implications arising from the enlargement of the EEC, see the Commonwealth Secretariat Paper, Tobacco - The Position of Commonwealth Countries, June, 1972.

21 In this connection, it might be pointed out that in the 1939 Indo-UK Trade Agreement, the latter undertook to take all practical measures to encourage the marketing of Indian tobacco for use by British manufacturers.

EEC structure of customs duties by January 1978. Indian exports to the UK will be faced with increased competition from the producers in the Community and Turkey, Greece, Yaounde and Arusha countries and possible new associates like Malawi, since imports from these countries will be duty-free while those from India will bear the CET. They are likely to be adversely affected especially since most of the new competitors produce cheaper varieties of tobacco as does India.

Leather and Leather Goods: Leather and leather manufactured exports to all sources amounted to over $96m., or a little less than 5% of Indian exports. These are admitted duty-free in the UK and have also been included in the UK preference scheme. The Community preference scheme also includes them, but as indicated earlier, the quotas for most items in this category had already been exceeded in 1970. Thus if the UK adopts the Community GSP, imports into the enlarged Community beyond a certain value will attract the CET. This could adversely affect Indian exports of this important product category.

Oil Cakes: Exports of oil cakes to the UK amounted to [illegible].3m. in 1969/70. As shown in Table XIX these are admitted duty-free in the UK under the Commonwealth Preference, while the mfn rate is 15%. Although the EEC does not levy any tariff on oilcakes, the UK entry will result in the loss of Commonwealth Preferences and hence greater competition from countries such as the US and Argentina.

Sugar:[22] Exports of sugar to the UK amounted to over $3m. in 1969/70, and nearly 60% of this was sold at the negotiated price which has tended to be higher than the world market prices in most years. It has been agreed that until February [illegible], 1975 the United Kingdom is authorised to import, from the exporting countries referred to in the Commonwealth Sugar Agreement, quantities of sugar within the negotiated price quotas under that agreement, after which new arrangements for sugar imports from developing Commonwealth countries, including India, will be considered. If no satisfactory arrangements are made, this could affect Indian exports to the UK, as the EEC is currently a net exporter of sugar because of high internally supported prices.

Textiles: Textiles of various sorts are the single most important export from India, and the UK forms a substantial market for them. At the same time, textile imports are subject to complex regulations in both the UK and the EEC; and different regulations apply to different categories of textile products. Here we shall consider three main varieties: cotton, jute and coir.

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22 For a full discussion of the sugar problem for Commonwealth countries, see the Commonwealth Secretariat Paper, Sugar in the Commonwealth, March, 1972.

1. Cotton Textiles: Exports to UK of cotton piece goods amounted to $25m. in 1968/69, $20m. in 1969/70. They are subject to quantitative restrictions; in addition from January 1972, they have also been subject to tariffs, though the rates are somewhat below the mfn rates. The EEC has entered into a bilateral agreement with India, as part of the GATT Long Term Arrangement for Cotton Textiles, which provides for fixed quantities of imports for different categories of cotton textiles. The arrangement is to run until September 1973. Meanwhile the EEC preference scheme provides for tariff quotas for textile imports from the developing members of the GATT LTA on Cotton Textiles, including India. Some of the items in these categories have been placed in the sensitive group and quotas will be equivalent to the 1968 value of imports from these countries; for other products, the quotas will be based on the usual EEC formula. The UK, on the other hand, has not included cotton textiles in its scheme of preferences.

It is difficult to say how Indian exports of cotton goods will be affected by the enlargement of the EEC because of the extremely complex regulations relating to different sub-categories of these products. The present EEC system allows for expansion of exports from India for items which are calculated according to the usual formula for tariff quotas, but for other products the exports may already have reached their limits. Furthermore, the conversion of bilateral into limited multilateral quotas under the Community's GSP may pose difficulties for Indian exporters. If the UK adopts the EEC preference scheme, the maximum exports permitted to India under country ceilings will probably be exceeded in most of the items, thus blocking further expansion of exports. Furthermore, competition among exporters of the LTA countries is also likely to erode the price advantages of tariff quotas.

2. Jute Manufactures: Jute products are the single most important export from India, and both the UK and the EEC are substantial markets. Currently, exports of jute yarn and fabrics are subject to global quotas in the UK, though licences for bags and sacks are given freely. Commonwealth exports benefit from duty-free treatment, while mfn rates are 10-15% for yarn, 20% for fabrics, and 17-25% for bags, sacking etc. Competition from non-Commonwealth sources is negligible as India and Bangladesh have a virtual monopoly. However, there is considerable competition from substitute products, both synthetic and natural.

India has an agreement with the EEC which expired in December 1972, and which provided for a gradually increasing quota. Negotiations are now underway for a renewal of this agreement. However, the operation of country quotas within the EEC has hindered jute exports to the Community. The CET on yarn is 8%, on fabrics 15-22% and on bags and sacks 15-20%.

Most of the jute products have been included in the UK scheme of preferences but have been excluded from the EEC. However, the latter has indicated its willingness to enter into a special agreement with the interested parties. Negotiations between India and the EEC have been going on with a view to reaching such an agreement. After the British entry, the tariff preference on jute products in the British market will disappear and will be replaced by the CET. Unless satisfactory arrangements are made for jute products, they will suffer further from competition from synthetics and other substitutes.

3. Coir Products: These have entered the UK market duty-free and without any quota restrictions under Commonwealth Preferences. The mfn duty on mats and mattings is 20%, and 10% on other products. All coir products have been included in the UK preference scheme. Despite the existence of a joint Committee on coir products for several years, no agreement has so far been reached with the EEC. They are not included in the Community GSP but the EEC has indicated willingness to negotiate a special agreement with the interested parties. If no satisfactory agreement is reached, exports of coir products could be adversely affected because of the loss of Commonwealth Preferences and the discrimination in favour of the EEC producers in the UK market. The CET on coir manufactures (excluding yarn) is 23%.

<u>Cashew Kernels, Walnuts, Canned Prawns, Granite, Tanning Extracts of Vegetable Origin, Cashew Shell Oil, Turmeric; Fresh, Chilled or Frozen Fish; Mangoes, Guavas, Tamarind, Chillies, Unground Pepper, Cinammon, Cassia, Celery Seed, Tejpat, Senna Leaves, Lentils, Papad and Fresh Vegetables:</u> These items make small but valuable contributions to Indian export earnings. They are currently admitted duty-free in the UK, but are subject to CET and have not been included in the EEC preference scheme. Full details of the import tariff in the UK and the EEC are given in Table XIX.

Mushrooms, Saffron, Prepared and Preserved Tropical Fruits, Nuts and Vegetables, Rice, Bran and Meal, Purified Rice Cornflakes and Mango Slices in Brine: For these items, Commonwealth preferences will be replaced by the CET. Although they figure in the GSP of the Community, the tariff reductions are marginal. Full details are given in Table XIX.

Certain Sensitive Manufactured Goods and Steel and Iron Products: Apart from the individual manufactured goods identified above, there is a wide range of simple consumer and investment goods which have been admitted duty-free into the UK market under the Commonwealth Preferences. Virtually all these products have been included in the UK general preference scheme. On the other hand, the Community GSP grants only tariff quotas on these products. It has already been shown that for many of the items in these categories the actual value of imports is already in excess of the tariff quotas. If the UK adopts the Community GSP, a wide range of these products will become subject to the CET. Thus the Commonwealth Asian countries along with other developing countries which are not able to negotiate a special agreement with the EEC will face greater competition in these products from producers in the enlarged EEC, EFTA and other countries with special trade agreements.

Bangladesh

The major products of export interest to Bangladesh in the short run are raw and manufactured jute, tea and leather and leather goods. Raw jute and tea are admitted duty-free both in the UK and the EEC. There should thus be no problems from the British entry into the EEC. Virtually all of the tea was previously exported to Pakistan, but now new markets may have to be found for it. The position with respect to jute products has already been discussed above and is applicable to Bangladesh. The need to arrive at a satisfactory agreement is even greater for Bangladesh than for India as the country is more dependent on export earnings from jute products. Similarly, the remarks about leather and leather goods are equally applicable to Bangladesh.

Among the potential exports are marine fisheries, newsprint and paper, nitrogenous fertilisers, textiles, carpets, shrimps and fishmeal. The situation with respect to textiles, fish and shrimps has already been noted. Fertilisers, carpets and paper are admitted duty-free in the UK from the Commonwealth countries and have been included in its GSP. However, in the EEC they have been included among the sensitive items, and thus British entry in the EEC could make it more difficult for Bangladesh to develop exports of these products to the UK if the latter adopts the Community GSP.

Sri Lanka

The major exports to the UK are tea, coconut products, unmanufactured tobacco and rubber. The duty on tea has been suspended both in the UK and the EEC. Provided this is made permanent, exports of tea will be unaffected after UK entry into the EEC. However, Sri Lanka has been attempting to develop exports of packeted and instant tea. Both these items are imported freely into the UK under the Commonwealth Preference but attract a duty of 5% (legal duty 15%) and 12% respectively in the EEC. The duty on instant tea has been reduced under the Community GSP to 6%. The adoption of the EEC import tariff by the UK would be a setback to the efforts being made in Sri Lanka to develop exports of tea in these forms, especially of instant tea where a large capacity has been created. These remarks are equally applicable to India.

Rubber enters duty-free both in the UK and in the EEC. Thus rubber exports should be unaffected by the enlargement of the EEC. On the other hand, exports of unmanufactured tobacco could suffer as a result of British entry into the EEC, as shown earlier.

Exports of desiccated coconut have amounted to $5.8m to the UK in recent years.[23] There was a 10% tariff advantage under the Commonwealth Preference but this was removed after the introduction of GSP. Sri Lanka's main competitors are the Philippines and Indonesia. The Community has a 2% duty on this. This might give a slight advantage to the Pacific Islands if they join as associates.

Exports of coconut oil to the EEC and the UK in 1970 amounted to $2.1m. and $0.6m. respectively. Sri Lanka has enjoyed a 15% tariff advantage in the UK market over competitors like the Philippines and Indonesia.[24] Furthermore, coconut oil has not been included in the British GSP. This preference will be replaced by the CET of the Community which ranges from 5% to 15% depending on the use to which the coconut oil is put. Thus exports of coconut oil could be adversely affected by the elimination of tariff preference over the Philippines and by the more advantageous access in the UK to Papua New Guinea and Pacific Ocean countries. In the EEC also, coconut oil exports might be affected by the competition offered by substitute oils from the African Commonwealth countries if they decide to seek association.

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23 For a comprehensive discussion of tropical vegetable oilseeds and oils - groundnuts and groundnut oil, copra and coconut oil, palm kernel oil and palm oil, see the Commonwealth Secretariat paper, Tropical Vegetable Oilseeds and Oils - the Position of the Commonwealth Developing Countries, April, 1972.

24 A good discussion of the main products likely to be affected by UK entry into the EEC is contained in Nihal Wiratunga, Britain's Membership of the European Economic Community and its Implications for Ceylon, Central Bank of Ceylon Staff Papers, Vol. 1, No.2, September, 1971.

Ten per cent of Sri Lanka's cocoa bean exports go to the EEC where the CET is 4%. There could be increased competition from Nigeria and Ghana should they decide to seek association, as imports from the associated countries are duty-free. Sri Lanka is now trying to increase its production and exports of cocoa beans as part of its diversification policy.

While there are no other important exports which would be adversely affected, there may be greater effects on a number of minor and potential exports which Sri Lanka is trying to develop. These include cashew nuts, fish, shrimps, prawns, pepper, cloves, cinnamon, fruit juice, footwear, textiles and handicrafts. Most of these products enter the UK duty-free but will face CET or other restrictions after Britain's entry into the EEC.

Malaysia

Some of the major exports like rubber, tin and timber will be largely unaffected by the enlargements of the EEC. On the other hand, important exports like vegetable oils and canned pineapples may be faced with difficulties. Exports of coconut oil have been running at $2m. to the UK in recent years, and as seen earlier, these could be adversely affected by the UK adoption of the CET. Exports of palm oil have risen very rapidly both to the UK and EEC in the last five years. Nearly 40% of Malaysia's palm oil exports go to the UK. As with coconut oil, there is a Commonwealth tariff preference of 10%, which will be replaced by the CET. The latter is levied at different rates depending on the degree of processing and the end use to which the oil is put; the range is from 4% to 14%. With Britain's entry into the EEC, competition in the British market will increase from Indonesia and the Yaounde countries; and in the EEC market African Commonwealth countries like Nigeria could obtain advantageous access. These factors could have an adverse effect on Malaysian exports of vegetable oils, particularly palm oil, to the enlarged EEC.

Exports of canned pineapples to the UK have been in the region of $5-6m. in recent years, in large measure due to the existence of the Commonwealth Preference. Again the duty-free entry will be replaced by the CET of 22-24% after the UK joins the EEC. This will make it very difficult for Malaysia to maintain its present level of exports due to competition from the Yaounde and Arusha Agreement countries. This is shown by the failure thus far to expand exports of this product to the EEC.

As with other Asian Commonwealth countries, some of the other minor and potential exports of fruits and vegetables and some processed and manufactured goods will become more difficult to develop because of the adoption by the UK of the external commercial system of the EEC. If the UK adopts the EEC GSP, this may have adverse effects on Malaysian exports of plywood where the EEC country ceiling of 20% tariff quotas is already less than her exports to the UK.

Singapore

Singapore faces two kinds of problems arising from the enlargement of the EEC. First, in common with other Asian Commonwealth countries several of her exports would be faced with less advantageous access to various markets. Secondly, there is the possibility that Singapore may fail to derive full benefit from the GSP of the Community and the UK because of the conditions attaching to the rules on origin of products.

A substantial part of Singapore's export earnings are derived from her entrepot role which may, however, involve varying degrees of packaging and processing operations. Some of the important exports in this category are preserved fruit, especially canned pineapples, pepper, and coconut and palm oil. We have already discussed the adverse market conditions that are likely to arise for these products as a result of the UK entry in the EEC.

Singapore's non-entrepot exports are manufactured goods and are highly diversified. Currently, they enjoy duty-free access to the UK market under the Commonwealth Preferences. But if Britain were to adopt the Community GSP, several of these exports would be faced with the CET because their total imports into the enlarged EEC would be in excess of the duty-free quotas. Among Singapore's main exports, this could be true of telecommunications equipment, various kinds of electrical machinery, footwear, glassware, cotton fabrics, cutlery, toys and paper products. This would have an adverse effect on Singapore's attempts to expand manufactured goods rapidly in the enlarged EEC.

The other problem likely to face Singapore concerns the rules of origin of products. This problem applies in varying degrees to all beneficiaries of the GSP systems, but is especially acute for a country like Singapore which relies heavily on entrepot activities and on imported materials and components for its manufactured exports. The application of the rules of origin adopted by most preference-giving countries, including the UK and the EEC, is likely to result in a diversion of her entrepot and related functions to those developing countries from which the products originate; in Singapore's case, especially to Malaysia and Indonesia, but also to a lesser extent to other South and South East Asian countries. This is so because the rules of origin adopted by the preference giving countries specifically forbid the treatment of goods as originating from a developing country for purposes of GSP if they undergo storage and simple processing or assembly. Thus products which would otherwise qualify for preferential treatment would be excluded if they were exported from Singapore only after undergoing simple operations.[25] These functions will therefore be transferred to the country of first origin, thus depriving Singapore of a major source of revenue and foreign exchange earnings, although benefiting other countries.

The system of rules on origin adopted by the UK is identical to that of the EEC.[26] Under this system, products originating in a beneficiary country are goods wholly produced in that country or other products which have undergone sufficient working or processing. The requirements of sufficient working or processing are based on the process criterion, i.e. working or processing is considered sufficient if the goods obtained become classified under a tariff heading other than those covering any of the materials or components used. In addition, a number of working or processing operations are specified which result in a change of tariff heading without conferring the status of "originating" products on the products undergoing such operations, or conferring this status only subject to certain conditions (List A in the EEC and Schedule 2 in the UK), and a number of working or processing operations which do not result in a change of tariff heading, but which do confer the status of "originating" products on the products undergoing such operations (List B in the EEC and Schedule 3 in the UK).

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25 The following "minor" operations are listed by the UK, which are similar to those accepted by other preference giving countries, including the EEC:

(a) operations intended solely to ensure that the goods remain in good condition during transit or storage, including chilling, placing in brine or any other solution, drying, spreading out, ventilating and removing damaged parts;
(b) sorting, classifying, matching (including the making up of sets of articles), shifting, screening, removing dust, washing, painting or cutting into pieces;
(c) packing, repacking, or splitting into, or assembling into consignment;
(d) marking or labelling;
(e) mixing; or
(f) simple assembly.

26 For full details of the rules on origin, see the documents referred to earlier on the GSP in the UK and the EEC.

Under these rules, many of the processing operations such as freezing, dehydration, drying and other kinds of manufacturing from primary products do not qualify products as "originating" even if they have a different tariff heading from the materials and components. This, therefore, means that countries which export processed and manufactured goods from imported primary products may find that many of their exports do not qualify for preferential treatment under the rules of origin adopted by the UK, the EEC and several other countries.

The list A and Schedule 2 also specify other changes that may be necessary to qualify as "originating" products such as manufacture of materials from certain tariff headings, or the maximum proportion, usually 50%, that imported materials can form of the value of the final product. The latter condition is particularly relevant for countries which are significant exporters of manufactured goods but do not possess raw materials or a capital goods industry. A large number of such products will qualify for preferential treatment under the UK and EEC GSPs only if the imported materials and components amount to less than 50% or 40% of the value of the product.[27] The general effect of restrictive rules of origin will be to reduce the international division of labour among neighbouring developing countries.

In view of the complexity of regulations and lack of information on the local value added for different products it is not possible to say to what extent these rules will affect exports from Singapore. Under the Commonwealth Preference System, the non-originating proportion of the value of the goods could be as high as 75%. In this respect, the rules adopted by the EEC and the UK under their GSPs could deprive many of Singapore's exports of the advantages offered by the GSPs.

APPROACHES TO THE SOLUTION OF THE PROBLEMS ARISING FROM EEC ENLARGEMENT

Although formal negotiations within the framework of the Declaration of Intent are likely to take place later in the year, individual or groups of Asian Commonwealth countries have initiated exploratory discussions with the EEC. India has been attempting for some years to negotiate a comprehensive commercial treaty with the EEC, the main elements of which are reduction or elimination

27 Some of the items covered under this rule are: umbrellas, zinc, tin, aluminium and copper articles; hand and machine tools; knives and blades; refrigerators, sewing machines, electrical machinery, a wide range of electronic products, motorcycles, typewriters, dictating machines, optical, photographic and cinematographic goods.

of trade barriers by the Community on products likely to be adversely affected by the elimination of the Commonwealth Preferences, collaboration in the establishment of new industries and assistance with the marketing of Indian exports in the enlarged Community. It is understood that Sri Lanka has presented an Aide-Memoire to the Community setting out its views on the solution to the various problems it is likely to encounter as a result of the enlargement of the EEC. Malaysia and Singapore have been coordinating their position with other members of the Association of South East Asian Nations (ASEAN) which also includes Thailand, the Philippines and Indonesia. ASEAN has set up a special committee in Bangkok to coordinate the five members' position and has also established an ASEAN Brussels Committee comprising the five ambassadors accredited to the EEC. Exploratory talks have taken place between ASEAN members and the European Community.

There are several possible solutions of varying generality for dealing with the trading problems of the Asian Commonwealth countries identified in the preceding sections. These range all the way from major modifications in the general scheme of preferences of the enlarged Community to bilateral agreements on individual products. In this section we suggest a number of feasible approaches to a solution of these problems.

The most general approach is to aim at a really generous scheme of preferences to be offered collectively by the enlarged EEC. The discussions on the merging of the GSPs of the new and old members of the European Community could provide an opportunity for this. An ideal scheme would allow for duty-free and unlimited importation of all manufactures and semi-manufactures from developing countries and of agricultural and processed goods of export interest to them. In addition, the rules on origin of products would need to be made considerably more generous than they are under the present schemes.[28] The advantage of such an approach is that this would apply to all developing countries and would do away with a plethora of preferential arrangements that individual or groups of developing countries have with the UK and the EEC. It would be in keeping with the post-war trend towards progressive dismantling of trade barriers on a world-wide basis. At the same time, it would make for

28 This could be done either by raising the proportion of imported materials and components in the total value of a product needed for it to qualify as originating from a particular country; and/or by permitting cumulation of value added in all developing countries in calculating domestic share in total value. The latter would have the additional advantage of encouraging specialisation among developing countries.

simplification in the administration of these schemes. An approach like this is only feasible if adopted collectively by all the developed countries.

However, the past discussions among the rich countries on the generalised scheme of preferences have shown their reluctance to embark on such a generous and wide ranging scheme. Its implementation would have short run adverse effects on some of the most sensitive industries in these countries. Moreover, the main benefits from it would accrue to a small number of advanced developing countries. Although flows of private and development funds could be adjusted to compensate the less developed countries, it is not realistic to assume that the developed countries are prepared at this juncture to offer concessions of the magnitude implied by a scheme of this sort. A less generous alternative but a substantial improvement over the present position would be the adoption by the enlarged Community of the British GSP. However, even this is unlikely to be acceptable to the EEC since it would upset their carefully worked out scheme and come into conflict with the Common Agricultural Policy.

If general measures of this nature applicable to all developing countries do not prove acceptable, it may be possible for the enlarged Community to negotiate trade agreements either collectively with all Asian Commonwealth countries or on a bilateral basis. This approach is consistent with the practice adopted by the Community in its relationship with other countries. At the same time, it could assure adequate compensation to the Asian countries for the likely losses arising from the elimination of the Commonwealth Preferences. However, because of the differing economic conditions prevailing in different Asian countries, there may be a need for different types of arrangements with them. Of the five Asian Commonwealth countries considered here, Sri Lanka and Bangladesh have production and export structures which are closer to those of the associated and associable countries than of other Asian countries. If the options offered to African, Caribbean and Pacific Ocean countries in the Treaty of Accession are based among other things on considerations of economic structure and stage of development, Bangladesh and Sri Lanka could be accorded commercial advantages analogous to those which may become available to "associables". This would solve most of the trading problems they are likely to encounter as a result of the enlargement of the EEC without, at the same time, posing any major difficulties for the European Community.

The enlarged Community could negotiate comprehensive trade agreements with India, Malaysia and Singapore along the lines concluded with such countries as Morocco, Tunisia and Israel. These agreements fall short of the eventual full membership of the sort negotiated with Turkey and Greece and of the associateship status enjoyed by Yaounde and Arusha countries and offered to

Commonwealth Annex VI countries. However, they provide for mutual reduction of trade barriers on a wide range of products of export interest to the two parties. An agreement of this nature embodying the main export products of interest to these Asian countries could meet most of their problems arising from the enlargement of the EEC.

An even more limited approach would be to aim at partial trade agreements confined to specific commodities. Again the precedents for such an approach are to be found in the EEC agreements with Iran and Argentina providing for suspension or reduction of import duties on mfn basis on dates and carpets for the former and beef for the latter. Similarly, the EEC has in the past negotiated agreements with India on jute, cotton textiles and handicrafts. An agreement of this sort could protect Indian exports in the enlarged EEC of jute, cotton textiles, coir products, sugar, tobacco, fish, spices, etc. For Malaysia, the agreement could provide for adequate access for canned pineapples and palm oil and coconut oil; for Singapore, the emphasis would be on these products as well as on certain manufactured goods. It should also take account of the special position of Singapore with respect to the rules on origin of products for purposes of the general scheme of preferences.

If Sri Lanka and Bangladesh could not be offered the commercial advantages available to associable Commonwealth countries, at the least special trade agreements could be negotiated to ensure adequate access for products of current and potential export interest to them, such as jute manufactures, textiles, fisheries, instant and packeted tea, desiccated coconut, coconut oil, spices, cocoa beans, and preserved and prepared fruits and vegetables.

An alternative approach to the problems of specific products and one which is fairer to countries which do not have any special trade arrangements with the EEC would be to have individual product arrangements. These could either be negotiated on a world-wide level on the lines of the recent arrangements on sugar and cocoa, or be restricted to the EEC and the interested developing countries. Precedents to such agreements are the Commonwealth Sugar Agreement and the GATT LTA on Cotton Textiles. It might be feasible for the enlarged Community to conclude special agreements either with the Commonwealth countries as a whole or with all interested developing countries with respect to such products as sugar, jute and coir products, coconut and palm oil, and preserved fruit and vegetables. If satisfactory arrangements could be made ensuring adequate access for the main exports adversely affected by the enlargement of the Community, this could take care of some of the more urgent problems likely to be faced by the Asian Commonwealth countries.

To ease the problem of adjustment, the transitional measures could be applied in a more generous manner. One approach would be to delay the unification of the external tariff of the UK with respect to Asian Commonwealth countries until such time as alternative trade arrangements have been negotiated, as is intended for the associable countries. Should this not prove feasible, the unification of the common external tariff should be interpreted to mean that tariffs on imports from the Asian Commonwealth countries would be adjusted upwards gradually to the Community level and the UK mfn rates should not be applied to them at the time of the first move towards alignment with the common tariff.

Either in addition to or substituting for some of the measures suggested above, the Asian Commonwealth countries affected adversely by the British entry into EEC could be offered additional financial and technical assistance to compensate for the losses incurred. This assistance should ideally be given in an united form. However, in specific cases it might be tied to diversification programmes or market development in the EEC where products adversely affected are uncompetitive in world markets.

SOME IMPLICATIONS FOR DEVELOPMENT ASSISTANCE

Although this study is concerned primarily with trade, the enlargement of the EEC will also have some implications for development assistance. In the first place, starting in 1975, Britain and other new members of the EEC will be required to contribute to the European Development Fund (EDF). The share of total development assistance channelled by the members of the European Community through the EDF has been relatively modest, though it has risen from 0.6 per cent in 1965 to 5.8 per cent in 1970. France and Germany disbursed a total of $ US 43.9m. each through the EDF in 1970. It is likely that Britain would have been expected to contribute a similar amount had she been a member then. For purposes of comparison, it may be noted that net flows of official development assistance from the UK to developing countries and multilateral agencies amounted to US $447 m. in 1970. Thus the British contribution to the EDF would have amounted to nearly 10 per cent of its total aid programme.

On the basis of the past trends and the declared policy of the EEC, it seems reasonable to assume that the share of aid going through the EDF will continue to rise in the future and that the necessary adjustments will be made to take account of increases in the number of associated countries. This, therefore, means that a certain proportion of British aid, say between 10 and 15 per cent, will be earmarked in the period 1975 to 1980 for disbursement through the EDF.[29] Even if the current bilateral aid given to the associable countries is adjusted after their association with the EEC, it is reasonable to expect some diversion of the British aid to the Yaounde countries, since this aid is negligible at the moment. It may, therefore, be concluded that the relative if not the absolute amount of British aid going to the Asian Commonwealth countries will be adversely affected by the enlargement of the EEC. Since Britain has been a significant source of development assistance to these countries, the overall effect could be considerable. This may be further reinforced by a similar shift of aid from the Six in favour of the associable Commonwealth developing countries should they decide to seek association.

SUMMARY OF MAIN FINDINGS AND RECOMMENDATIONS

(1) A study of the pattern and trends of trade of the Asian Commonwealth countries in the sixties indicates a steady decline in the importance of the UK as an export market. On the other hand, the importance of Japan, the USSR and the US has risen in most cases. The relative importance of the UK and the Six as export markets for these countries is shown below for 1970.

Per cent of Exports

	UK	EEC
India	11.6	6.5
Bangladesh	7.6	12.3
Singapore	15.1	7.5
Malaysia	7.5	18.2
Sri Lanka	22.8	9.0

(2) In terms of concentration of exports by products, the proportion of export earnings accounted for by three leading exports are: 27% for India, 30% for Singapore (including entrepot exports), 70% for Malaysia, 76% for Bangladesh (including exports to Pakistan), and 89% for Sri Lanka.

(3) A complete analysis of the implications for the Asian Commonwealth countries of the enlargement of the European Economic Community presents difficult and complex problems. This would require knowledge of how the rate and pattttern of growth of the member countries is likely to be affected by the enlargement of the EEC. It would also be necessary to know the supply elasticities of exports from the Asian Commonwealth countries. In addition,

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29 It has not been possible to estimate with any precision what proportion of British total aid would be channelled through the EDF. However, it is reasonable to expect that such a proportion would be influenced both by the number of Commonwealth "associables" likely to benefit from the fourth EDF facility and by the British view of the merits of multilateral as against bilateral aid.

export prospects will be affected by the number and nature of the trade agreements entered into by the enlarged EEC with the third countries, the outcome of which for some countries will not be known for some years. Nevertheless, it is possible to indicate how the access for exports from the Asian Commonwealth countries will be affected in a number of markets by the enlargement of the EEC.

(4) The major changes associated with the British entry in the EEC relevant for this study are: the abolition of Commonwealth Preferences - as modified by the UK Generalised Scheme of Preferences (GSP) - currently enjoyed by the Asian Commonwealth countries; the adoption by the UK in stages of the Common External Tariff (CET), the Common Agricultural Policy (CAP), and the GSP of the European Economic Community; and the arrangements made by the EEC with the third countries.

(5) These changes will have adverse effects on the access enjoyed by the exports from the Asian Commonwealth countries in a number of markets. First, the current preferential access enjoyed by the Asian Commonwealth countries in the British market in relation to the EEC will be replaced by a situation where they will be discriminated against in the same market. Secondly, the Commonwealth associable countries which up till now have enjoyed parity of access in the UK market with the Asian Commonwealth countries will under the new arrangements enjoy a preferential treatment in the enlarged EEC should they so decide. Thirdly, the Yaounde Convention countries after the transitional period will also enjoy preferential access to the UK market whereas up till now they have been placed in a less favourable position. Fourthly, a number of other countries such as the members of the European Free Trade Area (EFTA), Mediterranean countries and others with which the Six have preferential trade arrangements, which up till now have had access to the British market either on equal or less advantageous terms than the Asian Commonwealth countries, will now enjoy preferential treatment. Fifthly, all other countries which currently have less advantageous access to the UK market as compared with the Asian Commonwealth countries will be treated on par after the British accession to the Community.

(6) In the EEC market also, the Asian Commonwealth countries will face greater competition from the three new members, the remaining members of EFTA, the developing Commonwealth countries which opt for association and other countries with which the Six may in the future negotiate preferential trade agreements. Similar considerations apply with respect to access to the markets of all non-EEC countries with which the Nine have concluded or may in the future conclude preferential trade arrangements.

(7) It has not been possible to quantify the adverse effects on exports from the Asian Commonwealth countries of the above changes associated with the enlargement of the EEC. The phasing out of the Commonwealth Preferences and the adoption by the UK of the GSP, CET and CAP of the EEC will have an adverse effect on a wide range of agricultural and manufactured exports from the Asian Commonwealth countries. Furthermore, the more restrictive definition of "rules of origin" under the Community GSP as compared with that under the Commonwealth Preferences will accentuate these effects, particularly for countries like Singapore which are heavily dependent on imported materials and components for their manufacturing industry. The preferential access enjoyed by the Yaounde Convention countries in the British market and the associable countries in the enlarged EEC is also likely to have an adverse effect on a number of agricultural and processed exports from the Asian Commonwealth countries.

(8) It is possible to identify individual exports which may be adversely affected by the EEC enlargement. For India, apart from a host of minor agricultural and manufactured products, the major exports likely to be adversely affected are unmanufactured tobacco, leather and leather goods, oil cakes, sugar, cotton textiles, jute manufactures, coir products and preserved fruits and vegetables. For Bangladesh, the main products of actual or potential export interest likely to be adversely affected are manufactured jute, leather and leather goods, marine fisheries, newsprint and paper, nitrogen fertilisers, textiles, carpets, shrimps and fishmeal. Exports from Sri Lanka which are likely to face greater competition are instant and packeted tea, coconut oil, desiccated coconut, cocoa beans, fish, shrimps, footwear, textiles, handicrafts and processed fruits and vegetables. For Malaysia, the main exports likely to be adversely affected are vegetable oils, especially palm oils, canned pineapples and plywood. A wide range of exports from Singapore are likely to be faced with less advantageous access, including preserved fruit, pepper, coconut and palm oil, telecommunications equipment, footwear, various kinds of electrical machinery, cutlery, toys, glasswear, cotton fabrics and paper products.

(9) There are several possible solutions of varying generality for dealing with the trading problems of the Asian Commonwealth countries caused by the enlargement of the EEC. The most general approach is to aim at a really generous scheme of preferences to be offered collectively by the enlarged EEC. An ideal scheme would provide for duty-free and unlimited imports of manufactured and semi-manufactured goods from the developing countries, and would include agricultural and processed goods of export interest to them. This should be accompanied by more generous rules of origin for exports from developing countries.

(10) Should this not prove acceptable, it may be possible for the enlarged Community to negotiate trade agreements either collectively with all Asian Commonwealth countries or on a bilateral basis. Sri Lanka and Bangladesh have production and export structures which are closer to those of the associable countries than of other Asian countries. There would thus appear to be a strong case for offering them commercial advantages analogous to those which may become available to African, Caribbean and Pacific Ocean Commonwealth countries. India is already negotiating a Commercial Cooperation Agreement. Countries like Singapore and Malaysia could be offered the possibility of negotiating comprehensive trade agreements which will take account of their special interests and which could meet most of the problems likely to arise from the enlargement of the EEC.

(11) The third possibility is to conclude partial trade or individual product agreements. These could be concluded either at the global, or Commonwealth or individual country level. They could include such products as sugar, tobacco, jute and coir products, coconut and palm oil and preserved fruit and vegetables. Their purpose would be to ensure continued access for these products in the enlarged EEC.

(12) To ease the problem of adjustment, the transitional measures could be applied in a more generous manner. One approach would be to delay the unification of the external tariff of the UK with respect to the Asian Commonwealth countries until such time as alternative trade arrangements have been negotiated, as is intended for the associable countries. A less satisfactory alternative is that the unification of the CET should be interpreted to mean that tariffs on imports from the Asian Commonwealth countries should be adjusted upwards gradually to the Community level and the UK mfn rates should not be applied to them at the time of the first move towards alignment with the common tariff.

(13) Finally, financial and technical assistance given to these countries could be adjusted to compensate them for less advantageous access to a number of export markets. However, unless this is done deliberately, the enlargement of the EEC is likely also to result in less relative aid being given to the Asian Commonwealth countries from both the UK and the Six.

Table I. India, Direction of Trade (US $m and %).

	1963		1967	
Exports to:				
UK	363.3	22.5%	313.9	19.5%
USA	272.8	16.8%	275.2	17.1%
USSR	103.0	6.5%	171.5	10.6%
Japan	114.8	7.1%	178.8	11.1%
EEC	118.9	7.3%	115.0	7.1%
Others	641.7	39.8%	557.0	34.6%
TOTAL	1,614.5	100.0%	1,611.4	100.0%
Imports from:				
USA	826.1	33.2%	1,027.7	38.2%
EEC	318.4	12.8%	357.1	13.3%
UK	384.0	15.4%	217.8	8.1%
USSR	125.0	5.0%	133.1	4.9%
Canada	56.3	2.3%	137.1	5.1%
Others	778.1	31.3%	818.5	30.4%
TOTAL	2,487.9	100.0%	2,691.3	100.0%

Source: IMF and IBRD, Direction of Trade.

1969		1970	
216.1	11.8%	234.7	11.6%
326.2	17.8%	274.2	13.5%
221.3	12.1%	271.5	13.4%
224.0	12.3%	281.4	13.9%
139.7	7.6%	130.7	6.5%
701.1	38.4%	831.9	41.1%
1,828.4	100.0%	2,024.4	100.0%
612.8	29.0%	614.1	29.3%
251.4	11.9%	229.2	10.9%
147.1	7.0	140.3	6.7%
275.3	13.0%	164.4	8.0%
103.7	4.9%	149.5	7.1%
725.9	34.3%	797.1	38.1%
2,116.2	100.0%	2,094.6	100.0%

Table II. India, Principal Exports (US $m and %).

	1969/61	
Jute manufactures	283.3	20.5%
Tea	259.5	18.7%
Cotton fabrics	120.8	8.7%
(i) mill-made	110.8	8.0%
(ii) handloomed	10.0	0.7%
Coir yarn and manufactures	18.3	1.3%
Iron ore	35.7	2.5%
Oil lacs	30.0	2.2%
Leather and leather manufactures	52.4	3.8%
Cashew kernels	39.7	2.9%
Tobacco	33.1	2.4%
Engineering goods	17.9	1.3%
Coffee	15.2	1.1%
Mica	21.3	1.5%
Sugar	5.1	0.4%
Pepper	17.9	1.3%
Manganese ore	29.5	2.1%
Hides and skins, raw; and fur skins	19.9	1.4%
Raw cotton	18.3	1.3%
Mineral fuels, lubricants etc.	15.6	1.1%
Iron and steel (excluding ferro-manganese and ferro-alloys)	11.6	0.8%
Chemical & allied products	7.2	0.5%
Fish and fish preparations	9.7	0.7%
Art silk fabrics	6.7	0.5%
Footwear	6.5	0.5%
Vegetable oils (essential and non-essential)	26.5	1.9%
Others	163.4	11.8%
OVERALL TOTAL	1,386.4	100.0%

Source: India, Ministry of Foreign Trade.

1968/69		1969/70		1970/71	
290.8	16.1%	275.5	14.6%	253.9	12.4%
208.6	11.5%	166.0	8.8%	197.7	9.6%
94.0	5.2%	92.9	4.9%	100.4	4.9%
87.3	4.8%	83.2	4.4%	90.8	4.4%
6.7	0.4%	9.7	0.5%	10.4	0.5%
18.5	1.0%	17.9	1.0%	17.3	0.9%
117.8	6.5%	126.1	6.7%	156.4	7.6%
66.0	3.6%	55.3	2.9%	73.9	3.6%
96.9	5.3%	108.7	5.8%	96.3	4.7%
81.2	4.5%	76.5	4.1%	69.5	3.4%
45.1	2.5%	44.5	2.4%	43.5	2.1%
89.8	5.0%	119.3	6.3%	155.3	7.6%
24.0	1.3%	26.2	1.4%	33.5	1.7%
18.0	1.0%	20.3	1.1%	20.8	1.0%
13.5	0.7%	11.4	0.6%	36.8	1.8%
12.9	0.7%	21.6	1.2%	20.4	1.0%
18.0	1.0%	14.8	0.8%	18.7	0.9%
7.1	0.4%	11.3	0.6%	5.1	0.3%
14.8	0.8%	19.6	1.0%	18.7	0.9%
16.1	0.9%	12.7	0.7%	16.8	0.8%
99.3	5.5%	102.9	5.5%	105.6	5.2%
23.3	1.3%	29.6	1.6%	39.2	1.9%
30.3	1.7%	42.0	2.2%	41.1	2.0%
4.7	0.3%	4.7	0.3%	6.9	0.4%
12.3	0.7%	12.0	0.6%	15.2	0.7%
21.5	1.2%	12.3	0.7%	14.4	0.7%
291.5	16.1%	367.4	19.5%	388.3	19.0
1,810.0	100.0%	1,884.4	100.0%	2,046.9	100.0%

Table III. India, Principal Exports to Britain and

Cashew kernels
Tea
Coffee
Black pepper
Oil cakes
Tobacco, unmanufactured
Wool, raw
Cotton, raw
Mica, uncut and unmanufactured
Iron ore and concentrates
Manganese ore and concentrates
Bones for manufacturing purpose
Gums and resins
Lac
Opium crude
Castor oil
Leather hides, skins tanned and dressed
Cotton piece goods
Coir yarn
Jute cloth
Jute bags
Woollen mats, matting carpets, carpeting etc.
Coir carpets, floor rugs, mats, matting etc.
Precious, semi-precious stones, pearls and jewellery
TOTAL
OVERALL TOTAL

Source: India, Ministry of Foreign Trade.

the EEC (US $m).

1960-61		1967-68		1968-69		1969-70	
UK	EEC	UK	EEC	UK	EEC	UK	EEC
2.8	1.1	3.1	1.7	2.8	2.2	2.3	2.1
162.9	2.9	133.1	8.8	102.0	9.2	62.0	7.7
0.4	7.9	0.8	2.4	0.3	1.6	0.1	0.6
0.1	2.3	0.1	1.5	-	1.3	-	1.2
22.5	2.0	12.3	1.2	9.5	0.4	14.3	0.7
22.8	1.2	27.2	0.1	26.0	1.5	21.2	1.2
5.6	1.6	2.2	1.1	20.8	0.7	1.7	0.6
0.2	0.9	0.2	1.1	0.1	0.6	0.1	0.5
3.6	4.8	1.9	2.0	2.6	1.9	1.6	1.9
-	2.4	-	5.8	-	4.6	0.5	5.4
4.5	5.2	1.9	0.9	0.8	1.8	0.3	1.0
2.2	2.2	2.0	2.1	1.8	3.0	2.0	1.7
0.2	1.3	0.3	0.7	0.5	0.9	0.7	1.5
1.7	2.0	1.0	1.3	0.9	1.3	0.9	1.0
3.0	2.5	1.8	1.1	2.2	1.5	3.3	2.2
5.7	0.3	0.3	-	3.9	0.1	-	-
30.7	13.2	20.9	20.8	24.9	28.4	22.9	15.6
32.0	2.6	32.2	0.2	24.8	4.0	19.9	6.9
1.0	6.1	0.7	3.7	0.7	5.3	0.6	3.6
13.1	5.7	11.7	4.7	5.3	4.9	5.3	4.6
4.2	5.5	0.9	6.4	0.2	2.7	0.1	0.7
5.1	0.3	3.6	2.1	3.9	2.1	2.3	2.3
2.8	0.5	1.8	1.0	1.7	0.9	1.6	0.9
-	-	4.4	19.1	4.6	33.1	3.7	26.3
327.1	74.5	264.4	89.9	240.3	114.0	167.4	90.2
401.6		354.2		354.3		257.6	

Table IV. Bangladesh, Direction of Exports (US $m and %).

	1967-1968		1968-1969		1969-1970	
Pakistan	78.49	34.7%	87.13	36.1%	92.34	35.6%
USA	18.49	8.2%	22.68	9.4%	25.21	9.1%
EEC	30.69	13.5%	30.74	12.8%	31.73	12.3%
UK	19.09	8.4%	18.41	7.6%	19.64	7.6%
USSR	9.66	4.3%	11.52	4.8%	12.70	4.9%
Mainland China	6.35	2.8%	4.18	1.7%	10.30	4.0%
Others	63.70	28.1%	66.46	27.6%	67.50	26.0%
TOTAL	226.47	100%	241.12	100%	259.62	100%

Note: The rate of exchange used is US $1 = Rupees 4.76.

<u>Source</u>: Bangladesh, Statistical Digest, 1970-1971, Tables 10.12, 10.6.

Table V. Bangladesh, Sources of Imports (%).

	Average: 1960/61 to 1962/63	Average: 1967/68 to 1969/70
Pakistan	43.6%	46.8%
USA	13.5%	17.2%
UK	10.2%	7.2%
Japan	6.1%	7.0%
Part EEC*	5.7%	5.9%
India	4.0%	-
Others	16.9%	15.9%
TOTAL	100.0%	100.0%

*Note: This includes West Germany, France and Belgium.

<u>Source</u>: Derived from I.N. Mukherji, "Bangladesh's Pattern of Foreign Trade, 1960-1970", in <u>Foreign Trade Review</u>, July-September, 1972.

Table VI. Bangladesh, Principal Exports (%).

	AVERAGE 1960-61 to 1962-1963 PAKISTAN	OTHER COUNTRIES	TOTAL	AVERAGE 1967-68 to 1969-1970 PAKISTAN	OTHER COUNTRIES	TOTAL
A. Food products of which:	8.59%	4.31%	12.90%	10.35%	0.85%	11.20%
(i) Fish	-	3.34%	3.34%	-	0.58%	0.58%
(ii) Tea	7.57%	0.58%	8.15%	10.05%	-	10.05%
(iii) Betelnuts	1.02%	0.39%	1.41%	0.30%	0.27%	0.57%
B. Crude materials, inedible, of which:	-	51.9%	51.9%	-	31.6%	31.6%
(i) Raw jute	-	49.8%	49.8%	-	31.0%	31.0%
C. Manufactured goods, of which:	10.93%	20.13%	31.06%	10.20%	31.12%	41.32%
(i) Jute goods	5.20%	19.70%	24.90%	6.50%	28.60%	35.20%
(ii) Leather	0.89%	0.30%	1.19%	1.13%	2.45%	3.58%
(iii) Matches	1.64%	-	1.64%	1.64%	-	1.64%
(iv) Paper & paste board	3.24%	-	3.24%	0.93%	-	0.93%
(v) Others	-	0.08%	0.08%	-	0.07	0.07%
D. Other goods	4.14%	-	4.14%	15.88%	-	15.88%
TOTAL	23.66%	76.34%	100.00%	36.43%	63.57%	100.00%

Note: Air-borne exports are excluded owing to lack of data.

Source: I.N. Mukherji, "Bangladesh's Pattern of Foreign Trade, 1960-1970", in Foreign Trade Review, July-September, 1972, Table IV.

Table VIII. Singapore, Direction of Trade (US $m and %).

	IMPORTS						EXPORTS					
	1969		1970		1971		1969		1970		1971	
UK	138	6.3%	186	7.6%	207	7.3%	89	5.8%	106	6.8%	109	6.2%
EEC	147	6.8%	185	7.5%	235	8.3%	118	7.6%	129	8.3%	116	6.6%
Malaysia	456	20.9%	459	18.6%	472	16.7%	356	23.0%	340	21.9%	401	22.8%
Japan	333	15.3%	477	19.4%	555	19.6%	110	7.1%	118	7.6%	124	7.1%
USA	162	7.4%	266	10.8%	360	12.7%	166	10.7%	172	11.1%	208	11.9%
Hong Kong	54	2.5%	62	2.5%	66	2.4%	47	3.0%	63	4.1%	95	5.4%
Vietnam	4	0.2%	2	0.1%	2	0.1%	146	9.4%	110	7.1%	128	7.3%
Others	888	40.8%	825	33.5%	931	32.9%	517	33.4%	516	33.2%	574	32.7%
TOTAL	2,178	100%	2,462	100%	2,828	100%	1,549	100%	1,554	100%	1,755	100%

Source: Singapore, External Trade Statistics.

Table IX. Singapore, Direction of Trade (US $m and %).

Exports to:	1963		1967
UK	42.7	28.5%	44.2
USA	10.2	6.8%	15.7
Japan	20.2	13.5%	32.4
EEC	17.3	11.5%	14.1
Hong Kong	-	-	36.6
Others	59.6	39.7%	103.8
TOTAL	150.0	100.0%	246.8

Imports from:	1963		1967
Japan	123.2	20.8%	176.2
UK	118.5	20.0%	109.8
USA	57.7	9.8%	72.1
EEC	74.2	12.5%	44.5
Others	218.0	36.9%	372.9
TOTAL	591.6	100.0%	775.5

Source: IMF and IBRD, Direction of Trade.

	1969		1970	
17.9%	66.7	16.4%	73.2	15.1%
6.4%	55.1	13.5%	81.1	16.7%
31.1%	60.0	14.7%	78.6	16.2%
5.7%	29.8	7.3%	36.3	7.5%
14.8%	42.4	10.4%	53.8	11.1%
42.1%	154.0	37.7%	162.0	33.4%
100.0%	408.0	100.0%	485.0	100.0%

	1969		1970	
22.7%	344.0	27.1%	465.3	28.8%
14.2%	133.1	10.5%	165.0	10.2%
9.3%	167.0	13.1%	263.7	16.3%
5.7%	125.8	9.9%	180.9	11.2%
48.1%	501.3	39.4%	542.1	33.5%
100.0%	1,271.2	100.0%	1,617.0	100.0%

Table X. Singapore, Selected Exports, 1970.

COMMODITIES	US $'000	%
Electrical machinery n.e.s.	42,304	2.7%
Wood, shaped or worked	35,787	2.3%
Clothing except fur	30,951	2.0%
Wood, simply shaped	17,678	1.1%
Other fixed vegetable oils	40,509	2.6%
Animal feeding stuffs	21,734	1.4%
Office machines	13,254	0.9%
Miscellaneous manufactures n.e.s.	12,562	0.8%
Metal scrap excluding iron	11,331	0.7%
Telecommunications apparatus	11,691	0.8%
Cotton fabric woven	19,591	1.3%
Printed matters	8,448	0.5%
Rubber manufactures n.e.s.	5,280	0.3%
Ships and boats	5,135	0.3%
Mineral tar, etc.	3,104	0.2%
Footwear	4,418	0.3%
Pottery	3,926	0.3%
Crude vegetable materials	12,561	0.8%
Soap and cleansing preparations	4,255	0.3%
Zoo animals and pets	2,325	0.2%
Fruits, preserved	18,594	1.2%
Travel goods	1,930	0.1%
Fish, fresh	7,186	0.5%
Articles of textile	4,278	0.3%
Special fabrics	2,239	0.1%
Furniture	1,953	0.1%
Others	1,211,147	77.9%
TOTAL	1,554,171	100.0%

Note: The rate of exchange used is US $1 = S $3.06.

Source: Singapore, External Trade Statistics.

Table XI. Singapore, Principal Exports to the EEC and its three new Members (US $'000).

COMMODITIES	EEC SIX	EEC THREE	TOTAL
Fish, fresh	220	451	671
Fruits, preserved	1,549	6,067	7,616
Cocoa	186	179	365
Food preparations n.e.s.	75	79	154
Wood, shaped or worked	7,401	3,429	10,830
Metal scrap excluding iron	657	112	769
Crude vegetable materials	2,916	852	3,768
Other fixed vegetable oil	5,289	32,418	37,707
Medical products	76	1	77
Essential oils, etc.	291	85	376
Chemical products, n.e.s.	4	6	10
Rubber manufactures, n.e.s.	183	15	198
Wood, simply shaped	1,432	7,984	9,416
Cotton fabrics woven	666	2,091	2,757
Other fabrics woven	84	40	124
Articles of textiles	18	136	154
Clay materials, etc.	175	-	175
Glassware	5	30	35
Cutlery	24	184	208
Household equipment	4	-	4
Machines n.e.s., non-electric	247	26	273
Telecommunications apparatus	2,439	400	2,839
Electronic domestic goods	33	53	86
Electronic medical goods	50	-	50
Electric machinery, n.e.s.	3,506	5,010	8,516
Road motor vehicles	167	1,074	1,241
Ships and boats	614	356	970
Furniture	31	52	83
Travel goods	49	6	55
Clothing except fur	5,621	2,389	8,010
Footwear	542	260	802
Scientific instruments	1,933	448	2,381
Musical instruments	930	9	940
Printed matters	84	657	741
Toys, games, etc.	233	111	344
Miscellaneous manufactured articles, n.e.s.	2,857	1,609	4,466
Special transactions	1,254	4,840	6,094
Zoo animals and pets	661	658	1,319
TOTAL	42,507	72,117	114,624

Note: The rate of exchange used is 1 US $ = S $2.82.

Source: Singapore, External Trade Statistics.

Table XII. Malaysia, Direction of Trade (US $m and %).

Exports to:	1966		1968		1969		1970	
Singapore	310	24.6%	278	20.6%	352	21.3%	363	21.6%
Japan	228	18.1%	254	18.8%	304	18.4%	308	18.3%
USA	158	12.6%	211	15.7%	247	15.0%	219	13.0%
EEC	130	10.3%	127	9.4%	169	10.2%	209	12.4%
UK	90	7.2%	89	6.6%	90	5.5%	111	6.6%
USSR	81	6.4%	66	4.9%	78	4.7%	69	4.1%
Others	262	20.8%	323	24.0%	410	24.9%	404	24.0%
Total	1,259	100.0%	1,348	100.0%	1,650	100.0%	1,683	100.0%

Imports from:	1966		1968		1969		1970	
UK	207	18.7%	161	14.0%	155	13.1%	190	13.6%
Japan	133	12.0%	156	13.5%	188	15.9%	245	17.6%
Singapore	128	11.6%	97	8.4%	95	8.0%	104	7.5%
EEC	101	9.1%	98	8.5%	105	8.9%	129	9.3%
USA	68	6.2%	72	6.3%	75	6.4%	121	8.7%
China	78	7.1%	79	6.9%	80	6.8%	74	5.3%
Others	391	35.4%	489	42.5%	483	40.9%	532	38.1%
TOTAL	1,106	100.0%	1,152	100.0%	1,181	100.0%	1,395	100.0%

Source: Malaysia, Ministry of Commerce and Industry.

Table XIII. Malaysia, Direction of Trade (US $m and %).

Exports to:	1963		1967		1969		1970	
Japan	164.7	20.8%	301.1	31.2%	371.3	28.8%	380.8	28.3%
USA	178.0	22.5%	195.6	20.2%	307.2	23.9%	270.2	20.1%
EEC	155.4	19.6%	146.1	15.1%	197.4	15.3%	245.7	18.2%
UK	60.0	8.3%	70.4	7.3%	73.2	5.7%	101.6	7.5%
Others	228.4	28.8%	253.2	26.2%	338.6	26.3	349.0	25.9%
TOTAL	792.5	100.0%	966.4	100.0%	1,287.7	100.0%	1,347.3	100.0%

Imports from:	1963		1967		1969		1970	
UK	131.1	23.0%	130.9	16.2%	154.6	13.1%	189.3	13.4%
Japan	55.9	9.8%	96.7	11.9%	188.2	16.0%	245.4	17.4%
EEC	67.4	11.8%	138.6	17.1%	105.0	8.9%	128.7	9.1%
USA	32.4	5.7%	54.1	6.7%	75.1	6.4%	120.0	8.5%
Others	284.0	49.8%	390.2	48.1%	654.9	55.6%	729.0	51.6%
TOTAL	570.8	100.0%	810.5	100.0%	1,177.8	100.0%	1,412.4	100.0%

Source: IMF and IBRD, Direction of Trade.

Table XIV. Malaysia, Principal Exports (US $m and %).

COMMODITIES	1966		1967	
Rubber	482	38.3%	417	34.3%
Tin & tin concentrates	259	20.6%	247	20.3%
Round timber	126	10.0%	155	12.7%
Sawn timber	27	2.1%	34	2.8%
Iron ore	45	3.6%	40	3.3%
Palm oil	39	3.1%	38	3.1%
Palm kernels	3	0.2%	3	0.2%
Pepper	12	1.0%	12	1.0%
Copra	6	0.5%	2	0.2%
Coconut oil (crude and refined)	7	0.6%	8	0.7%
Pineapple, canned	14	1.1%	14	1.2%
Total major products	1,020	81.1%	970	79.8%
Other exports	238	18.9%	246	20.2%
TOTAL EXPORTS	1,258	100.0%	1,216	100.0%

Source: Malaysia, Ministry of Trade and Industry.

1968		1969		1970	
422	32.8%	664	40.2%	563	33.5%
271	20.1%	307	18.6%	331	19.7%
179	13.3%	197	11.9%	210	12.5%
48	3.6%	54	3.3%	66	3.9%
36	2.7%	38	2.3%	35	2.1%
41	3.0%	50	3.0	86	5.1%
5	0.4%	4	0.2%	3	0.2%
12	0.9%	18	1.1%	19	1.1%
3	0.2%	3	0.2%	2	0.1%
13	1.0%	8	0.5%	14	0.8%
16	1.2%	15	0.9%	14	0.8%
1,066	79.1%	1,358	82.2%	1,343	79.9%
281	20.9%	295	17.8%	339	20.1%
1,347	100.0%	1,653	100.0%	1,682	100.0%

Table XV. Malaysia, Principal Exports to Britain and the EEC (US $m).

COMMODITIES	1966		1967		1968		1969		1970		1971	
	UK	EEC	UK	EEC	UK	EEC	UK	EEC	UK	EEC	UK	EEC
Natural rubber	52	67	46	56	44	55	56	91	50	95	43	76
Palm oil	6	5	7	5	9	4	10	5	19	10	23	17
Sawn timber	5	7	6	10	6	15	5	20	8	23	4	25
Canned pineapples	5	2	5	2	5	2	5	2	6	2	5	1
Tin metal	9	40	2	19	4	39	1	39	3	65	5	58
Coconut oil	1	-	1	1	3	2	1	1	2	—	2	—
Others	12	8	12	9	17	10	12	10	23	13	27	12
TOTAL	90	129	79	112	88	127	90	168	111	208	109	189

Source: Malaysia, Ministry of Trade and Industry.

Table XVI. Sri Lanka, Direction of Trade (US $m and %).

Exports to:	1963		1967		1969		1970	
UK	109.3	30.5%	97.5	28.9%	63.6	20.2%	76.4	22.8%
China	21.1	5.9%	37.1	11.0%	40.7	12.9%	42.3	12.6%
EEC	29.9	8.3%	28.5	8.5%	28.6	9.1%	30.0	9.0%
US	30.5	8.5%	28.6	8.5%	25.1	8.0%	24.2	7.2%
USSR	7.0	2.0%	11.8	3.5%	15.0	4.8%	13.8	4.1%
Others	160.4	44.8%	133.3	39.6%	142.4	45.1%	148.5	44.3%
TOTAL	358.2	100.0%	336.8	100.0%	315.4	100.9%	335.2	100.0%

Imports from:	1963		1967		1969		1970	
UK	63.3	19.9%	56.9	15.8%	74.4	17.4%	55.4	14.3%
China	29.1	9.2%	38.4	10.7%	47.7	11.1%	48.6	12.5%
EEC	34.7	10.9%	55.9	15.5%	54.4	12.7%	46.0	11.8%
Japan	20.8	6.6%	20.0	5.6%	31.4	7.3%	32.8	8.4%
US	12.3	3.9%	22.1	6.1%	35.7	8.3%	22.2	5.7%
Others	157.3	49.5%	166.4	46.3%	184.9	43.2%	183.9	47.3%
TOTAL	317.5	100.0%	359.7	100.0%	428.2	100.0%	388.9	100.0%

Source: IMF and IBRD, Direction of Trade.

Table XVII. Sri Lanka, Principal Exports (US $m and %).

	1967		1968		1969		1970		1971	
Tea	223	63%	195	57%	179	55%	188	55%	192	59%
Rubber	59	17%	56	16%	72	22%	74	22%	52	16%
Major coconut products	35	10%	56	16%	37	12%	40	12%	46	14%
(a) Copra	4	1%	6	2%	4	1%	4	1%	4	1%
(b) Coconut oil	18	5%	22	7%	18	6%	20	6%	25	8%
(c) Desiccated coconut	13	4%	28	8%	15	5%	17	5%	17	5%
Other domestic	25	7%	26	8%	27	8%	33	10%	34	10%
Total domestic exports	343	97%	332	97%	315	98%	335	98%	324	99%
Re-exports	12	3%	10	3%	7	2%	6	2%	3	1%
TOTAL	355	100%	342	100%	322	100%	342	100%	327	100%

Note: The exchange rates used are US $ 1 = 4.76 Rupees for 1964-67, and US $ 1 = 5.98 Rupees for 1968-71.

Source: Central Bank of Ceylon, Annual Report, 1971, Table II (J) 2.

Table XVIII. Sri Lanka, Principal Exports to Britain and the EEC (US $'000).

	1969		1970		1971	
	UK	EEC	UK	EEC	UK	EEC
Desiccated coconut	4,905	4,248	5,796	4,248	5,776	4,579
Tea in bulk	52,936	8,646	64,049	8,972	43,935	9,021
Tea in packets	194	53	68	100	94	108
Pepper	32	74	16	77	-	15
Cinnamon	190	775	40	594	50	477
Cloves	137	86	169	136	2	1
Cardamoms	69	5	63	10	59	1
Coconut oil	-	1,598	607	2,067	314	1,236
Cocoa	6	201	2	126	-	190
Instant tea	512	1	274	50	159	165
Tobacco manufactures	181	-	366	-	1,163	-
Graphite	195	87	174	70	153	54
Ilmenite	71	135	23	241	18	58
Essential oil	175	124	165	159	183	158
Rubber oil	1,788	8,636	1,443	7,993	755	6,823
Coir fibre	1,229	3,599	1,242	3,415	1,613	3,600
Others	317	143	380	150	278	138
TOTAL	62,866	27,680	74,877	24,408	54,552	26,624

Source: Sri Lanka, Ministry of Foreign and Internal Trade.

Table XIX. Tariffs in Britain and the EEC on some Indian Exports to Britain.

	Tariff Positions UK	Tariff Positions CET
Cashew kernels	10% (mfn) Nil (cwp)	2.5%
Walnuts	10% (mfn) Nil (cwp)	8%
Other granite etc.	7-27½% (mfn) Nil (cwp)	0-35%
Tanning extracts of vegetable origin	0-8% (mfn) Nil (cwp)	8-9%
Cashew shell oil	10% (mfn) Nil (cwp)	5-8%
Turmeric	10% (mfn) Nil (cwp)	20-25%
Fish, fresh, chilled or frozen	0-10% (mfn) Nil (cwp)	8%
Mangoes, guavas	10% (mfn) Nil (cwp)	6%
Tamarind	10% (mfn) Nil (cwp)	16%
Chillies	10% (mfn) Nil (cwp)	10%
Pepper, unground	Nil	17% (effective duty 10%)
Cassia	5% (mfn) Nil (cwp)	10-13%
Rice bran-meal	10% (mfn) Nil (cwp)	
Celery seed	10% (mfn) Nil (cwp)	20-25%
Senna leaves	Nil	1.5%
Lentils	7% (mfn) Nil (cwp)	2-5%
Papad	10% (mfn) Nil (cwp)	12%
Fresh vegetables	Nil	5.8%
Oil-cakes	15% (mfn) Nil (cwp)	
Opium, crude	10 (mfn) Nil (cwp)	

Table XIX - Cont.

	Tariff Positions UK	CET
Myrobalans	8% (mfn) Nil (cwp)	Nil
Cardamom, not crushed or ground	10%(mfn) Nil	Nil
Mango chutney	10% (mfn) Nil (cwp)	Nil
Tea in packets (up to 3 kg.)	Nil	11.5% (effective duty 5%)
Steatite	Nil	4%
Mushrooms, dehydrated	10% (mfn) Nil (cwp)	16%
Saffron	10% (mfn) Nil (cwp)	16-19%
Tropical fruits, fruit juices (prepared and preserved), all kinds	8-25% (cwp) Nil (cwp)	12-34%
Vegetables, prepared and preserved	8-15% (mfn) Nil (cwp)	20-22%
Purified rice cornflakes	Nil	Agricultural levy
Mango slice in brine	Nil	11%
Ferro alloys (ferro manganese)	Nil	4.8%
Ferro chromium		8%

Note: Abbreviations used in this table are mfn = most favoured nation rate; and cwp = Commonwealth Preferential rate.

Source: India, Ministry of Foreign Trade.