

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 their GSPs.

VI 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 of trade barriers in 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, 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.¹ 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 simplification in the administration of these schemes. An approach like this is only feasible if adopted collectively by all the developed countries. Perhaps the 1973 GATT Negotiations could provide an appropriate setting for moving towards this ideal of free trade.

However, the past discussions among the rich countries on the generalized 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 measurements 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 the 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

¹ 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 specialization among developing countries.

associable countries than 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 and 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 associate 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 not apply the UK mfn rates to them at the time of the first move towards alignment with the common tariff.

Either in addition to or in substitute of 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.

VII. 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 arisen 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 UK to