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Commonwealth Asia and the Enlarged European Economic Community*

I. Introduction

The Commonwealth Asian countries are anxious that an enlarged European Economic Community (E.E.C.) should give proper consideration to their legitimate interests. This article considers the effects which U.K. entry into the E.E.C. will have on these countries and the measures that need to be taken to counter their worst effects.

At a very early stage in the Heath negotiations in the 1960s the E.E.C. made it crystal clear that in the event of U.K. entry Commonwealth Asian countries would not be eligible for associate status under Part IV of the Treaty of Rome. This privilege, they intimated, would only be made available to Commonwealth countries with economies similar to those of the existing associate territories. It thus came as no surprise when during the negotiations last year it was decided that, while Commonwealth African and Carribean countries would have the option of negotiating one of three sorts of agreement with the E.E.C. (association under the Yaounde Convention, association along the lines of the Arusha Agreement between East Africa and the Six or a simple trade agreement), the trade of Commonwealth Asian countries would have to be left for examination after U.K. entry by the enlarged E.E.C.

The E.E.C. have not stated publicly what sort of concessions they will be prepared to grant to Commonwealth Asia, though it is generally assumed that each country in that classification will in turn try to negotiate some sort of trade agreement with the Community. All that the E.E.C. have said for certain is that, in their consideration of Commonwealth Asian trade, account will be taken of the General Scheme of Preferences (G.S.P) organised under the auspices of the United Nations Conference on Trade and Development (UNCTAD), and that Hong Kong, whose status was earlier in doubt, will be classified as a "developing country" for the purposes of the scheme and thus eligible to join it.

Given the uncertainty as to the policy the E.E.C. is likely to adopt towards Commonwealth Asia it is essential that the issues involved should be clearly stated so that there is no cause for doubt as to what line of action the enlarged E.E.C. should take. While it is not practical to expect the E.E.C. authorities to eliminate all the adverse effects of U.K. entry on these territories, it is of the utmost importance that these effects should be minimised.

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II. Current Trade Position

a) Commonwealth Asian Trade and the United Kingdom

Commonwealth Asian exports, in common with exports from other Commonwealth countries, at present have privileged access to the U.K. market under the scheme of Commonwealth Preferences. This in many cases means that exports enter duty free or, alternatively, that they attract duties smaller than those payable by third countries. Commonwealth Asian exports to the U.K. at all events have a considerable advantage against exports from third countries. Compared with E.F.T.A. countries, on some items Commonwealth Asian exports have an advantage, on others a disadvantage.

The situation has been complicated to a certain extent by the introduction on January 1, 1972, of the U.K. version of the G.S.P. The G.S.P. is for the benefit of developing countries and is the U.K. counterpart of the E.E.C. scheme referred to above.

Under the G.S.P. exports from developing countries of industrial and certain other products within Chapters 25–99 of the U.K. tariff enter the U.K. duty free, with the exception of most textiles and apparel and goods subject to revenue duty. Those textile materials, textiles and apparel which are not subject to duty include carpets and floor coverings of all materials; twine, cordage and rope and goods made from these materials; yarn and fabrics of jute (within the import quotas laid down), of paper and of miscellaneous vegetable fibres; felts and felt articles; and footwear. Those goods which are still subject to revenue duty include hydrocarbon oils, perfumed spirits, matches and portable lighters. Certain exports from the developing countries of processed agricultural products (Chapters 0–24) also enter duty free. This category includes tomato juice, bone meal, chocolate, sweetened cocoa powder and sugar confectionery.

The U.K. Government has reserved the right to withdraw or modify any of the concessions granted under the scheme. Such action would be taken if domestic industry sustained serious injury; if it became necessary to bring the scheme into line with those of other preference-giving countries; if it were considered that Commonwealth developing countries had not benefited sufficiently from the G.S.P. introduced by other industrial countries; or if the U.K. were required to align the scheme to the E.E.C. G.S.P.

The major result of the introduction of the U.K. G.S.P. is, of course, that the value of Commonwealth Preference has been reduced. A lot of the concessions granted under the scheme were already enjoyed by Commonwealth Asian countries under Commonwealth Preference. On the other hand exports from developing countries to the U.K. which were previously subject to the full tariff now enter duty free over a range of goods. However, the value of Commonwealth Preference is still substantial. The G.S.P. only applies to certain goods and to exports from developing countries.

Finally, Commonwealth Asian exporters have special consideration in the U.K. market as far as textile exports are concerned (including some made-up articles). The countries principally concerned are Hong Kong and India, both of which have large bilateral export quotas with the U.K. The U.K. authorities originally intended the textile quotas to be abolished from January 1, 1972, and to be replaced by a 15 per cent tariff; but in fact they are to continue until the end of 1972, when the situation will be reviewed.

b) Commonwealth Asian Trade and the European Economic Community

Commonwealth Asian countries, together with most other Commonwealth territories, are regarded as third countries by the E.E.C. and as such their exports to the Six are subject to the Common External Tariff (C.E.T.). Indeed the only Commonwealth countries not subject to the C.E.T. are Kenya, Uganda and Tanzania, which under the Arusha Agreement have duty free access for most of their exports.

As with the U.K., the general situation in the E.E.C. needs to be qualified, to take account of the G.S.P. introduced last year. However, whereas in the U.K. the introduction of the scheme has meant in most cases a loss of advantages by Commonwealth Asian countries vis-a-vis developing countries subject to the full tariff, so far as the E.E.C. market is concerned the scheme has meant a net gain by Commonwealth Asia vis-à-vis territories holding associate status and against third countries not eligible to join the scheme.

The E.E.C. G.S.P. has important differences as compared with the U.K. scheme. Exports of manufactures and semi-manufactures from developing countries to the E.E.C. within Chapters 25-99 of the E.E.C. tariff enter duty free without exception. No modifications are allowed to the system as in the U.K. to protect, for example, domestic industries in trouble – but the E.E.C. authorities are able to keep a strict control by means of a system of quota ceilings calculated to a standard formula.

The basic part of the equation used to calculate each quota is the total value of imports of the product in the base year 1968. A supplementary amount equal to five per cent of total imports into the Community from all sources other than beneficiary countries is then added. Internal trade between the member states is excluded from this total but trade from associate states is included.

The E.E.C. authorities can in theory apply a quota ceiling to all goods eligible for privileged access under the scheme. They have stated, however, that their intention is to enforce quotas only on a limited range of products. The scheme has not been running long enough yet to see whether or not they have lived up to their promise. With regard to the quota ceilings for each individual commodity it is laid down that no one developing country can fulfil more than 50 per cent of the total.

The situation for cotton textiles is somewhat different from the general position. The ceiling is calculated using the same formula, but duty-free entry is afforded only to those countries whose exports to the Community are subject to the quantitative restrictions under the GATT Long Term Agreement or to countries who have given similar undertakings. Both coir and jute textiles are subject to similar special arrangements.

The textile provisions under the E.E.C.'s G.S.P. are an extension of the bilateral textile agreements which have been the E.E.C.'s policy of regulating textile imports in the past. India is the major beneficiary under the scheme and Hong Kong is excluded. The latter country does, however, have a bilateral agreement with the Six. The regulations governing textile imports into the E.E.C. are to say the least extremely complex, largely because of lack of harmonisation amongst the member countries. Certain made-up cotton garments are also covered by the regulations.

III. Tariff and Regulative Changes

U.K. entry into the E.E.C. will mean a large-scale reorganisation of tariffs and trade regulations. For inter-territorial trade in the enlarged E.E.C. tariffs are to be eliminated in five reductions each of 20 per cent, the first to be made on April 1, 1973, and the other four on January 1, 1974, 1975, 1976 and 1977. The U.K. full tariff rate is to begin to align with the C.E.T. with a move of 40 per cent at the beginning of 1974 and thereafter adjustments are to be made at the same rate as the internal cuts. U.K. tariffs on export from those E.F.T.A. countries which have not applied for membership of the E.E.C. will likewise have to adjust, but as these territories are to negotiate special relationships with the enlarged E.E.C. the adjustments here need not be towards the C.E.T. Countries which have duty-free access to the Six under the Yaounde Convention will by the end of the transition period have gained free access to the U.K. market.

Commonwealth Preference will be progressively eliminated during the transitional period, to be replaced by the C.E.T. unless special arrangements apply. As mentioned above, Commonwealth African and Caribbean countries have the option of negotiating one of three sorts of agreement which would give duty-free access in the enlarged E.E.C. to all or most of their products. The fate of Commonwealth Asian exports subject to Commonwealth Preference will not be known until the matter has been considered by the enlarged E.E.C. but it is hoped that bilateral trade agreements will be negotiated to cover "problem" commodities.

Exports from developing countries, including Commonwealth Asian exports, will continue after U.K. entry to benefit from the G.S.P., but the respective E.E.C. and U.K. schemes will have to be harmonised. The textile legislation in the E.E.C. and the U.K. will likewise have to be harmonised.

To summarise, the following effects on Commonwealth Asian trade will result from U.K. entry into the E.E.C.:

The advantage of Commonwealth Preference will be lost in the U.K. market.

Compensation at least in part may or may not be forthcoming in the form of bilateral trade agreements with the enlarged E.E.C.

Increased competition will be experienced in the U.K. market from exports originating in the Six, which will have duty-free access.

Increased competition will be encountered in the U.K. market and in the markets of the Six from African and Caribbean Commonwealth countries which obtain duty-free access to the enlarged Community under the Yaounde Convention or similar arrangements.

Increased competition will be experienced in the U.K. from the 18 signatories of the Yaounde Convention, which will receive duty free access.

A net gain or loss may be sustained depending on what bilateral agreements Commonwealth Asian countries and those E.F.T.A. countries choosing to stay outside the Community are able to negotiate with the enlarged E.E.C.

A net loss may be sustained in the U.K. market depending on which formula is used to harmonise the two G.S.P.'s.

Finally a net loss may be sustained depending on how the respective sets of textile legislation in the Six and the U.K. are harmonised.

IV. Structure of Commonwealth Asian Trade

Before attempting to assess the significance of these changes a useful purpose would be served by giving a brief outline of the structure of Commonwealth Asian trade. In the first place, how important is the U.K. market to Commonwealth Asia? In relative terms it is not so significant to these countries as it is, say, to Commonwealth African territories. Thus, while the U.K. accounts in general for just under one-fifth to just over onequarter of Commonwealth African exports and considerably more in the case of Malawi, Sierra Leone and The Gambia, it is responsible for

Commonwealth Asian Exports (U.S.$. million)

Ceylon	**1968**	**1969**	**1970**
Total	342.0	322.3	342.0
To U.K.	82.1	63.8	76.5
Per cent of total	24.0	19.8	22.4
To E.E.C.	32.8	28.9	29.9
Per cent of total	9.6	9.0	8.7
Tea	195.2	176.7	188.4
Per cent of total	57.1	54.8	55.1
Rubber	56.0	72.5	74.0
Per cent of total	16.4	22.5	21.6
Coconut products	56.0	37.1	40.0
Per cent of total	16.4	11.5	11.7
Hong Kong	**1968**	**1969**	**1970**
Total *	1,744.6	2,177.7	2,514.5
To U.K.	232.1	253.6	256.8
Per cent of total	13.3	11.6	10.2
To E.E.C.	136.5	205.1	259.4
Per cent of total	7.8	9.5	10.3
Textiles †	170.7	185.8	218.7
Per cent of total	12.3	10.7	10.7
Clothing †	497.4	631.7	715.7
Per cent of total	35.8	36.4	35.1
Other manufactures †	659.7	844.4	1,027.2
Per cent of total	47.4	48.9	50.4
Malaysia	**1968**	**1969**	**1970**
Total	1,323.0	1,621.7	1,689.0
To U.K.	86.0	87.1	108.8
Per cent of total	6.5	5.4	6.4
To E.E.C.	125.6	167.0	203.2
Per cent of total	9.5	10.3	12.0
Rubber	445.3	659.4	—
Per cent of total	34.4	40.7	—
Tin	279.6	302.6	—
Per cent of total	21.1	18.7	—
Timber	216.8	252.9	—
Per cent of total	16.4	15.6	—
Petroleum and petroleum products	114.2	110.1	—
Per cent of total	8.6	6.8	—
Vegetable oils	53.4	57.5	—
Per cent of total	4.0	3.5	—

India	**1968/69**	**1969/70**	**1970/71**
Total	1,776.5	1,863.9	1,952.6
To U.K.	263.5	217.8	194.8
Per cent of total	14.8	11.7	10.0
To E.E.C.	145.3	132.7	131.6
Per cent of total	8.2	7.1	6.7
Tea	205.1	164.7	–
Per cent of total	11.5	8.8	–
Hides and skins	101.3	117.4	–
Per cent of total	5.7	6.3	–
Cotton fabrics	116.4	114.5	–
Per cent of total	6.6	6.1	–
Animal feeding stuffs	67.4	57.2	–
Per cent of total	3.8	3.1	–
Tobacco	43.5	43.3	–
Per cent of total	2.4	2.3	–
Iron ore	115.4	125.1	–
Per cent of total	6.5	6.7	–
Jute goods	284.3	271.2	–
Per cent of total	16.0	14.6	–
Singapore	**1968**	**1969**	**1970**
Total	1,157.1	1,435.0	1,422.4
To U.K.	58.1	66.0	84.7
Per cent of total	5.0	4.6	6.0
To E.E.C.	80.2	103.9	116.6
Per cent of total	6.9	7.2	8.2
Food	162.5	170.5	–
Per cent of total	14.0	11.9	–
Crude rubber	283.8	458.4	–
Per cent of total	24.5	31.9	–
Mineral fuels and lubricants	262.1	302.3	–
Per cent of total	22.7	21.1	–
Machinery and transport equipment	81.9	113.6	–
Per cent of total	7.1	7.9	–
Other manufactures	221.7	249.4	–
Per cent of total	19.2	17.4	–

* Including re-exports.
† Domestic exports only.
– Not available.

Source: Commonwealth Trade and Direction of Trade Annual.

only six to ten per cent of the bulk of Commonwealth Asian exports, the only exception being Ceylon which sends around one-fifth of its total.

Having said this, however, the situation looks very different when comparison is made of absolute figures. Of the total imports into the U.K. from the two areas in 1971 Hong Kong was the most important single source, with trade valued at £164.8 million, followed by Nigeria £139.6 million, India £111.2 million and Zambia £56.8 million. Of the remaining countries imports from African countries (excluding the ex-High Commission Territories) varied from between £4.6–£32.2 million, those for Asian countries from £29.3–£3.75 million.

The commodity break-down of Commonwealth Asian trade shows considerable variation from country to country. At one extreme stands Ceylon, whose exports consist almost entirely of primary produce, while at the other extreme Hong Kong's exports are composed almost solely of manufactured goods. However, there is a fair amount of similarity as to the type of primary produce and manufactured goods exported from the region. The principal primary commodities exported are tin, tea, rubber, palm and coconut products, jute, timber, hides and skins, animal feed, tobacco and raw cotton. The main manufactures exported are textiles, jute products, clothing and goods generally requiring relatively little technical expertise.

V. General Trade Effects

Certain Commonwealth Asian exports, including rubber, tin, raw jute, hides and skins and raw cotton, will be completely unaffected by U.K. entry into the E.E.C. These commodities have a nil tariff in both the U.K. and the E.E.C.

Tea exports could also be totally unaffected, but here the position is not clear. At present the 1p preference for tea in bulk and the C.E.T. of nine per cent imposed by the Community are both in suspension pending review. During the entry negotiations the U.K. delegation obtained the concession that, in the process of aligning tariffs, tea should be treated, with certain other commodities, as a special case. The final outcome could lead to one of four situations:

Firstly, the enlarged E.E.C. could reimpose the nine per cent C.E.T., which could mean that Asian Commonwealth producers might suffer heavily in the U.K. market and also to a lesser extent in the markets of the Six because African producers would have duty-free access as a result of their associate status.

Secondly, the E.E.C. could reimpose the C.E.T. on tea but at a reduced rate, which would mean that Asian producers would still suffer but to a lesser extent.

Thirdly, the E.E.C. could bring tea under the G.S.P., which would ensure that duty-free entry was maintained for Commonwealth Asian producers, thus leaving them unaffected.

Finally, the same result as from the last-mentioned possibility could be achieved by continuing a nil C.E.T. on tea.

Exports fo **vegetable oils** (principally palm and coconut) stand to be adversely affected unless special provisions are incorporated in bilateral agreements to protect the trade. Under Commonwealth Preference both palm and coconut oil enter the U.K. market without paying duty. The full rate in the U.K is 10 per cent for palm and 15 per cent for coconut, while the C.E.T. for the two oils is six per cent and 10 per cent respectively. Thus in the U.K. market Commonwealth Asian producers are not only going to suffer the loss of Commonwealth Preference over third countries like Indonesia and the Philippines, but they will suffer increased competition from Commonwealth African producers, who, because of their associate status, will continue to enjoy privileged access and from the present Yaounde countries who at present pay the full tariff but will in the future also have privileged access. Further, there will also be competition from the continental crushers operating within the Six who obviously will not be paying duty. Difficulties could also be experienced in the markets of the Six as a result of increased competition from Commonwealth African countries with privileged access. Finally, exports of oilseeds could also be affected. Thus for palm kernels the C.E.T. is nil, while for the U.K. Commonwealth producers have duty free access against a full rate of 10 per cent.

Mention should be made of desiccated coconut. For this, Commonwealth Asian producers have duty-free entry into the U.K. market while the Philippines, their major competitor, pays a 10 per cent duty. If the enlarged E.E.C. adopt the present C.E.T. of four per cent, the Philippines would find it much easier to encroach on the E.E.C. market. The latter would also be true if the enlarged E.E.C. adopted the U.K.'s suggestion that desiccated coconut should come under the G.S.P. The only thing which would help Commonwealth Asian producers here would be a quota within the U.K. market.

Some **timber** and timber products will be adversely affected while with other sorts the impact will be favourable. The overall implications for the Commonwealth Asian industry are not too bad. The impact on exports of **animal feed** is not straightforward, either, but here it is easy to distinguish between types of product. Thus oil-cake, which constitutes the larger part of the total, will be unaffected, having duty-free entry in both the U.K. and the E.E.C. Grain, on the other hand, will be subject to the Common Agricultural Policy and thus will be put at a disadvantage.

Tobacco is another commodity which it is difficult to assess because the E.E.C. has yet to complete its common policy. The basic regulations, involving a price and subsidy system and arrangements covering intervention purchases and trade, have already been introduced, but there is still a long way to go before fiscal duties are harmonised. France and Italy, being producers, are interested in minimising the poll tax element in the duty and maximising the ad valorem part, while West Germany and the Netherlands, being importers of expensive tobacco, would prefer to see the reverse, as would the U.K. The tobacco produced in Commonwealth Asia is flue-cured, poor quality and thus of the cheap variety – which means that producers there would prefer to see the French and Italians get their way. Excise duties apart, Commonwealth Asian producers stand to lose out in the enlarged E.E.C. to Commonwealth African producers who will have privileged access, and the loss of Commonwealth Preference in the U.K. will mean that the advantage over third countries will be lost.

Of the exports of manufactured products, **textiles** stand to cause the most trouble because of the sheer complexity of the regulations governing the trade. Depending on what action the enlarged E.E.C. take, textile exports could be affected in a number of ways. As far as Hong Kong is concerned much depends on whether the country can continue its present bilateral arrangements with the E.E.C. and the U.K. or, alternatively, negotiate a new arrangement with the enlarged E.E.C., for Hong Kong is excluded from the E.E.C.'s textile arrangements under the G.S.P. and could well be excluded from any scheme of the enlarged E.E.C. Failure to get any concessions would undoubtedly affect the Hong Kong industry.

The position of the other Commonwealth Asian textile producers will depend on what agreement the U.K. and the Six come to over harmonising their respective regulations. The problem is not simply one of the U.K.'s incorporating its regulations in a G.S.P. for the enlarged E.E.C., but rather one of trying to harmonise the respective regulations for the U.K. and the Six which have been built up for two completely different situations. Indeed the problem is not even as simple as this because, as mentioned above, the situation within the E.E.C. itself still varies from country to country. Whatever the outcome the Commonwealth Asian producers should continue to have privileged access into the U.K. market – but whether the privilege will be as great as at present is not clear.

The position with regard to **jute** manufactures is in a way similar to that for textiles, but the problem is by no means as severe and Commonwealth producers may not be affected too much. Jute goods are included in both the E.E.C. and U.K. G.S.P.'s. **Footwear** is also included in both schemes, which should ensure some protection. But there will be increased competition in the U.K. market from the Six, which will have duty-free entry; and, exports from the Six apart, the UNCTAD schemes do not give so firm a guarantee as Commonwealth Preference. Hong Kong is a special problem in footwear, because, though included in the U.K. scheme, it is excluded from the E.E.C. scheme. In the process of harmonisation it could lose out.

The situation regarding exports of **clothing** is extremely complex. As far as the U.K. is concerned garments are excluded from the G.S.P. but some made-up cotton clothing is included in the bilateral textile arrangements of the constituent countries. The E.E.C. is not consistent in its bilateral agreements, some including cotton goods and others not. Some cotton garments are covered by the G.S.P. on a "restrained" basis, as for textiles. What is likely to happen during the process of harmonisation is anybody's guess. Some cotton goods should continue to get some sort of privileged access, which should cushion the effects of entry. Other types with no special provisions could, unless competitive, be seriously affected by the loss of Commonwealth Preference. This item will require careful consideration.

It is impossible to make generalisations on the effect of U.K. entry on a whole range of **miscellaneous manufactures.** Those included in the G.S.P. will have some protection, though greater competition will be experienced from the Six, and it is necessary to wait and see how the scheme is administered by the enlarged E.E.C. before a full assessment can be made. Those goods excluded from the G.S.P. will experience increased competition in the U.K. market from all exporting countries, and in certain cases special consideration in the form of concessions in bilateral trade agreements may be needed.

VI. Aid and Private Capital Flows

Aid and private capital flows to Commonwealth Asian countries should not be affected to any great extent by U.K. entry into the E.E.C.

Not being eligible to join the Yaounde Convention, Commonwealth Asian countries will, it is true, not receive aid from the European Development Fund (E.D.F.) to which the U.K. will have to make annual contributions at the rate of about £20 million a year. Indeed, the total amount of U.K. aid to these countries could be cut slightly because of the contributions to the E.D.F., or more likely grow at a reduced rate, an effect which could also be produced if entry had a debilitating effect on the U.K. balance of payments. However, whatever the effect it is not likely to be drastic, and anyway the U.K. is becoming increasingly less important as a source of aid to these countries. In 1970 U.K. aid to all Commonwealth Asian countries amounted only to £51.5 million net. To take one example the Aid India Consortium

in 1971–1972 has agreed to commit finance amounting to £520 million gross, of which the U.K. contribution was only £54.5 million.
The effect on private capital imports is less easy to determine. It perhaps could be argued that entry will lead to more U.K. investment in the E.E.C. and hence less U.K. investment in other countries, including Commonwealth Asian countries. This need not happen to any extent as the types of investment are very different. What could, however, well happen in the longer term is that, with the U.K. in the E.E.C., other member countries would become better acquainted with Commonwealth Asian countries and more willing to invest where suitable opportunities presented themselves. Thus in certain cases U.K. entry could be of benefit.

VII. Specific Effects

The effect of U.K. entry into the E.E.C. on each individual Commonwealth Asian country will depend on a variety of local factors but as far as trade is concerned three considerations stand out: the commoditiy composition of the trade, the relative importance of the U.K. market and the competitiveness of the exporting industries.

Bangladesh

While Pakistan has recently opted to leave the Commonwealth, and hence falls outside the coverage of this article, on the other hand Bangladesh has given notice that it would like to join. Since the application is unlikely to be refused, it would seem appropriate to comment briefly on the probable effects of an enlarged Community on this addition to the states of the Indian sub-continent.
Fortunately, the country's acute problems of economic reconstruction seem unlikely to be intensified. Of the two principal exports, raw jute is permitted duty-free entry both in the United Kingdom and the Six, while jute textiles should not suffer unduly from the harmonisation of the U.K. and E.E.C. regulations with regard to this commodity. In the future as in the past, the primary threat comes from low-cost synthetic substitutes.

Ceylon

Ceylon is more heavily dependent on the U.K. market than any other Commonwealth Asian country. Ceylonese exports to the U.K. in 1970 totalled $76.5 million[1], or 22.4 per cent of a total trade of $342 million. This compares with $82.1 million in 1968, or 24 per cent of a total trade of $342 million.
Tea is of principal concern to Ceylon, accounting for more than one-half of total trade in terms of value, and with the U.K. market taking about one-third of the commodity in terms of value. It is, therefore, of paramount importance that a favourable solution should be found to the problem of tea so that Ceylon's principal industry is not harmed.

[1] All dollars referred to in this article are U.S. dollars.

The Ceylonese rubber industry (rubber is responsible for over one-fifth of total exports by value) will be completely unaffected as rubber is one of those commodities which attracts a nil tariff in both the E.E.C. and the U.K. – and anyway the bulk of the exports goes to China under the rubber-rice agreement, with the remainder divided between Eastern Europe and Western Europe.

Ceylon's exports of coconut products, accounting for 11.7 per cent of total exports in 1970, could be adversely affected. As far as coconut oil is concerned the U.K. is not a very important market, but what trade there is will suffer appreciably from increased competition. Trade with the Six, which is larger, could also be affected so that special consideration may be necessary here. Desiccated coconut is also a problem, for, if it is included in the G.S.P. so that the Philippines has privileged access into the U.K., it will not be easy to safeguard Ceylonese interests. As mentioned above the only way of doing this would be by means of a quota.

Providing safeguards are found for tea, and there is no reason why they should not be, the effect of U.K. entry on Ceylon should not be great overall. Certain individual commodities, particularly coconut products, could suffer, however, and help may be needed.

Hong Kong

The U.K. market accounted for 10.2 per cent of total Hong Kong exports in 1970; but, given that Hong Kong's total exports were valued at $2,514.5 million, this meant that exports to the U.K. alone were valued at $256.8 million. Compared with 1968 the relative importance of the U.K. market had dropped slightly, exports to the U.K. in that year having been valued at $232.1 million, or 13.3 per cent of a total trade of $1,744.6 million.

The complexity of the situation regarding textiles, which accounted for 10.7 per cent of Hong Kong's domestic exports in 1970, makes it difficult to predict the effects of entry, but, depending on what the outcome of harmonisation negotiations between the U.K. and E.E.C. is, it could suffer. Footwear, too, will have to await the outcome of the harmonisation of regulations between the U.K. and the E.E.C. regarding the two G.S.P.s, and here again the trade could suffer. The effect on exports of clothing, which is responsible for about one-third of total domestic exports, depends on the articles concerned. If included in the arrangements for cotton textiles they will probably suffer the same fate as cotton textiles. Where the situation is a straightforward loss of Commonwealth Preference, the effect will vary from article to article, but overall it need not necessarily be too bad. This is borne out by the experience of Hong Kong's clothing exports to the E.E.C., which have been expanding appreciably even over the C.E.T.

The fate of the miscellaneous group of manufactured items which account for around a half of the total will, of course, vary from commodity to commodity. Suffice it to say that exports of a wide range of goods to the E.E.C. have been increasing at a rapid rate over the C.E.T. which means that there is a good case for optimism. The G.S.P. will also afford useful compensation in certain cases.

In summary, Hong Kong could suffer to a certain extent with regard to textiles, footwear, some items of clothing and some miscellaneous goods. Where goods have been selling well in the E.E.C. over the C.E.T. there is, however, no reason to suppose that they should not continue to do well in the enlarged E.E.C., and with some goods the G.S.P. will cushion the effects of entry. Hong Kong could also gain marginally from increased E.E.C. investment.

India

Indian exports to the U.K. were valued at $194.8 million in 1970–71, which represented 10 per cent of a total trade of $1,952.6 million. This compares with $263.5 million in 1968–69 which was 14.8 per cent of a total of $1,776.5 million. Indian exports to all countries comprise a wide range of commodities of which only jute products (14.6 per cent) account for more than 10 per cent of the total. Other important commodities include tea, iron ore, hides and skins, cotton fabrics, animal feeding stuffs and tobacco.

Tea is by far the most important commodity going to the U.K. The U.K.'s imports of Indian tea amounted to £37.1 million in 1971 out of total Indian imports of £111.2 million. As with Ceylon this trade would suffer if U.K. entry meant a loss of privileged access into the U.K. market.

The textile industry, which exports a significant amount to the U.K. (U.K. textile imports including jute products totalled £18.6 million in 1971), should continue to get concessions in the enlarged E.E.C. as it has privileged access under the G.S.P. of the Six, but it could suffer to a certain extent in the harmonisation process.

The tobacco industry (U.K. imports from India were £10.1 million in 1971) will have to await the outcome of the harmonisation of duties within the E.E.C. before it knows fully the outcome of U.K. entry. There is also the problem of competition from African producers, who may get privileged access to the U.K. market while India is left out.

The bulk of Indian imports of animal feed valued at £7.6 million are of oilcake, and this will not be affected; but about one-quarter consists of grain and this will suffer from the implementation in the U.K. of the Common Agricultural Policy. The hides and skins trade, put at £11.1 million, will not be affected as there is a nil tariff in both the U.K. and the E.E.C.

India should therefore not suffer unduly from U.K. entry, providing the tea issue is settled satisfactorily and providing there is a satisfactory outcome to the textile harmonisation process. Exports of grain animal feed and tobacco could be marginally affected and may require special attention.

Malaysia

The U.K. market only accounted for 6.4 per cent of Malaysian exports in 1970; but, valued at $108.8 million, the trade is still important. The proportion taken by the U.K. has not changed a great deal in the last few years.

The two most important of Malaysia's exports, rubber and tin, attract zero tariffs in both the U.K. and the E.E.C., and as a consequence will suffer no ill-effects from U.K. entry. Tin exports to the U.K. are not important anyway. U.K. imports of Malaysian rubber in 1971 totalled £13.6 million out of total imports from Malaysia of £37.5 million.

Exports of vegetable oils (U.K. imports were £10.5 million in 1971) could, however, be seriously affected unless special concessions were granted under a bilateral

trade agreement. Any bilateral trade agreement would need to cover Malaysia's trade in palm products with the Six also. The timber trade (U.K. imports were valued at £5.5 million in 1971) should not suffer overall; some items will benefit, others suffer.
As a whole, therefore, Malaysian exporters have little cause for concern, with the major exception of vegetable oils and oilseeds. There could be a marginal gain as far as capital imports are concerned, but in general it is thought Malaysia will be affected more by the increasing interests shown in Indonesia than by U.K. entry into the E.E.C.

Singapore

The U.K. market was only responsible for 6 per cent of Singapore's exports in 1970, the trade amounting to $84.7 million, against total exports of $1,422.4 million. Rubber exports (U.K. rubber imports from Singapore amounted to £9.1 million in 1971 out of a total of £37.5 million) will be completely unaffected but exports of vegetable oils (U.K. imports from Singapore were put at £12.5 million in 1971) could be affected detrimentally along with those for Malaysia and Ceylon.
Some of the range of manufactures exported may be affected by the loss of Commonwealth Preference, but the overall impact should not be great. Looked at in the context of total trade Singapore has little to worry about regarding U.K. entry, though one or two firms, particularly those involved in vegetable oils, may feel the impact.
On foreign investment, Singapore has firm hopes that U.K. entry will lead to a significant growth in the import of capital from E.E.C. countries. This could well be so as contacts in London educate E.E.C. countries to the possibilities in Singapore.

VIII. Conclusions

To summarise, the effect of U.K. entry into the E.E.C. on Commonwealth Asian countries will not be disastrous overall, but there are particular aspects of the trade which could be seriously affected and may therefore require special consideration by the enlarged E.E.C.
The overal impact on Commonwealth Asia will not be disastrous because, in the first place, except for Ceylon the U.K. is not responsible for much more than 10 per cent of their trade, and, in the second place, because many important commodities such as rubber, tin, jute, hides and skins and raw cotton have a zero tariff in both the U.K. and the E.E.C. The need for concern is nonetheless crucial, for if the U.K. trade is not very important in relative terms, it is large in absolute terms, and if many commodities are unaffected by U.K. entry there are several "problem" commodities.
Thus, exports of certain primary produce such as palm oil, coconut products, tobacco and maybe tea also could be adversely affected and thus need special provisions, though with the last-mentioned commodity it may be that no action is necessary. Exports of textiles (and certain items of clothing) will also continue to need special consideration and should get this, but it must be ensured that the provisions given are adequate.

With regard to the range of other manufactures some will inevitably suffer from the loss of Commonwealth Preference and special provisions may be called for; but those goods covered by the G.S.P. should not fare too badly, and many goods which have shown themselves competitive in the E.E.C. market over the C.E.T. should continue to flourish.

Finally, U.K. entry into the E.E.C. may have a very marginally adverse effect on aid flows but could actually encourage private E.E.C. investment to some Commonwealth Asian countries.