

Letter from the Commonwealth Relations Office on association agreements with the European Communities (London, 19 September 1967)


Caption: Following the United Kingdom’s second application for accession to the European Communities (EC), in order to prepare for the future cooperation of the Commonwealth countries with the EC, Ken Gallagher from the Commonwealth Relations Office sends Noel Salter from the Commonwealth Secretariat two memoranda on the different types of association agreement with the EC.

Copyright: Historical Archives of the European Union

Note: This document has undergone optical character recognition (OCR), so that full text search and copy/paste operations can be carried out. However, the result of the OCR process may vary depending on the quality of the original document.

URL:
http://www.cvce.eu/obj/letter_from_the_commonwealth_relations_office_on_association_agreements_with_the_european_communities_london_19_september_1967-en-bdod127b-702b-4f3f-87e2-028e6699815d.html

Last updated: 01/03/2017





(RESTRICTED)

COMMONWEALTH RELATIONS OFFICE,
DOWNING STREET, S.W.1.

19 September 1967

Dear Noel,

Britain and the E.E.C.

Following our telephone conversation this morning, I am enclosing for your information copies of two memoranda which we have prepared on Association.

2. The first of these sets out briefly the main principles governing a Yaoundé-type association. The second is concerned with the association of Dependent Territories; but the annex to this does, in fact, provide some detailed information about the content of the Yaoundé Convention.

3. I hope that these two documents will be of some use to you; but please do not hesitate to let me know if you require any additional information, either orally or in writing.

Yours sincerely,

Ken Gallagher

(F.G.K. Gallagher)

Noel Salter, Esq.,
Commonwealth Secretariat,
Marlborough House,
London, S.W.1.

Seen. Clerk.
10
13/10/67

Mr Salter

22 September, 1967.

BRITAIN AND THE E.E.C.

Thank you very much for sending me
copies of the two memoranda on Association.

(N. SALTER)

F. G. K. Gallagher, Esq., C.M.G.,
Head of the E.E.C. Department,
Commonwealth Office,
Downing Street,
London, S.W.1.

RESTRICTED

NOTE ON THE ASSOCIATION OF DEPENDENT TERRITORIES
WITH AN ENLARGED EEC

It was agreed during the 1961-3 negotiations that if Britain joined the European Economic Community, association under Part IV of the Treaty of Rome would provide the most suitable arrangement to meet the needs of the majority of British dependent territories.

2. The arrangements for the association of the dependent territories of the Six were laid down in the Decision of the EEC Council of 25 February, 1964 on the association of Overseas Countries and Territories with the European Economic Community.
3. A summary of the provisions of this Decision is annexed.
4. The following considerations are relevant to the study of this document:

- I. The Council Decision of 25 February, 1964 is valid only until 31st May, 1969. Discussions within the Community on arrangements to succeed them may be expected to begin during 1968. It is impossible at this stage to relate the timetable with that of negotiations for British entry into the Community, or to say whether Britain is likely to participate in the negotiations concerning future arrangements.
- II. The Council Decision of 25 February, 1964 exempts imports from the associated territories from the Community's common external tariff, but does not exempt them from any levies chargeable under the Community's common agricultural policy. The Community's only commitment is to take account in determining its common agricultural policy of the interests of the Associated States as regards produce /similar

RESTRICTED

RESTRICTED

similar to, and competitive with, European produce. But the common agricultural policy has already been largely determined for most such products. The interests of dependent territories in these products are being borne in mind by the British Government.

RESTRICTED

RESTRICTED

ANNEX

SUMMARY OF THE DECISION OF THE E.E.C.
COUNCIL OF 25 FEBRUARY, 1964 ON THE
ASSOCIATION OF OVERSEAS COUNTRIES AND
TERRITORIES WITH THE E.E.C.

Trade

1. As the association is essentially an economic arrangement, the provisions for trade are the backbone of the system. Theoretically the association aims to establish a series of "free trade areas" between the Community on the one hand and each of the associates separately on the other, providing for the elimination of tariffs and other barriers to trade between them. But there are very important provisions permitting associates to maintain tariffs and other barriers to trade against E.E.C. countries in certain circumstances (described below). Furthermore, because the arrangement is basically a free trade area and not a customs union, the associates are allowed to retain their own tariffs against third countries and they are not required to adopt the Community's common external tariff as Britain would have to do if she became a full member.

Obligations of the Community

2. All the E.E.C. countries are required to remove by stages their customs tariffs and other restrictions on imports - other than those applying to agricultural produce which is, or will be, covered by the Community's common agricultural policy - from the associates. They will have eliminated all their tariffs on (non-agricultural) imports from the associates by 1st July, 1968. The present stage reached is an 85% reduction. The timetable for the elimination of tariffs on agricultural items varies from product to product, /but

RESTRICTED

RESTRICTED

but only small tariffs now remain. The Community have also already gone a long way towards the complete elimination of quantitative import restrictions on imports from the associates and cannot apply any new quantitative restrictions to that trade. At the same time as they are reducing tariffs on imports from the associates, the European countries are also moving their external tariffs by stages towards the common external tariff, so that by 1st July 1968, they will all be applying the same common external tariff to imports from third countries. The associates, who will by then be entitled to free entry into the Community, will consequently benefit from preferences throughout the E.E.C. equivalent to the level of the common tariff.

3. This timetable was accelerated for certain tropical products (coffee, cocoa beans, fresh pineapples, coconuts, pepper, vanilla, cloves and nutmegs), in respect of which it was agreed that the associated countries would be granted free entry throughout the Community as soon as the Association arrangement came into effect, and that the common tariff at the same time be applied throughout the Community in one move on imports of these products from third countries.

4. If Britain joined the Community, Commonwealth countries and territories which became associated would continue to receive the same free entry into the British market as they do at present. In so far as there are any customs duties these would be gradually eliminated (except, of course, the U.K. revenue duties - e.g. those on spirits and tobacco - which would be adjusted so that they did not discriminate against the products of associates by comparison with British domestic products; apart from the revenue duties, there are few cases of U.K. tariffs on Commonwealth goods). Britain would also bring its

/m.f.n.

RESTRICTED

RESTRICTED

m.f.n. tariffs, and hence the level of tariff preference for Commonwealth associates, into line with the other members of the E.E.C. thereby adopting the Community's common external tariff. In addition Commonwealth associates would benefit from the reduction of duties in the other E.E.C. countries and the establishment of preferences at the level of the common tariff as explained in paragraph 2 above; and also from the immediate granting of preferential free entry in respect of the tropical products listed in paragraph 3. Likewise Britain would have to confer the same privileges on her imports from the present associated countries and territories.

Obligations of the Associates

5. The associated countries and territories in their turn are required to give the same tariff treatment to all Member States of the Community, and at no time should the treatment accorded to Member States be worse (it may of course be better) than the treatment accorded to imports from any third country.

Associates are also required in principle gradually to eliminate their customs duties on imports from Member States (by 15% a year), except that they are permitted to retain or to introduce such duties as are required for fiscal purposes or to meet the needs of their development or industrialisation. If Britain joined, these provisions would apply to Commonwealth associates and the practical effect would be that where the territories have a Commonwealth (or British) preferential tariff rate this rate could probably be defended as the necessary rate for fiscal purposes or to meet the needs of development of industrialisation. The tariff rate applied to products from other E.E.C. countries would have to be brought into line with the Commonwealth (or British) preferential rate.

/6. Associates

RESTRICTED

RESTRICTED

6. Associates are also required gradually to remove quantitative import restrictions on imports from Member States (subject to certain exceptions permitted on grounds of public morality, public policy etc.). Here also, however, they may retain or impose quantitative restrictions if needed for their development or industrialisation, or to protect their balance of payments. To the extent that associates maintain any quantitative restrictions, they must open any quotas they establish on an equal basis to all E.E.C. countries without discrimination. Again in this case, associates should not accord to any third country treatment better than they grant to E.E.C. countries. Since few Commonwealth countries and territories now have quantitative restrictions, this provision is of minor importance.

7. The association arrangements also permit the continuance or establishment of customs unions or free trade areas between one or more associated territories, and allow for the continuance or establishment of such arrangements between one or more associated territories and one or more third countries, in so far as they are not incompatible with the principles and provisions of the Council decision.

Temperate Agricultural Produce

8. The European Economic Community is establishing a common agricultural policy for products produced by European farmers and imports of the commodities affected by this policy will, for the most part, not be regulated by tariffs but by variable levies and other special arrangements. The Community, however, gave an undertaking that, in determining its agricultural policy, it would take into account the interests of Associated States as regards produce which they export similar to and competitive with European produce. Since the entry into force of the

/present

RESTRICTED

RESTRICTED

present arrangements the common agricultural policy has in fact been worked out for most of the important agricultural products, including cereals, meat, dairy products, vegetable oils and fats, sugar and fruit and vegetables. This means that the Community's only commitment on these products towards any new associates would be to exempt imports from them from the common external tariff: associates would not be exempt from levies chargeable under the common agricultural policy.

Certificate of Origin

9. The effectiveness of the preferential arrangements referred to above depends on the issue of certificates of origin for the goods concerned in the exporting Member State or Associate.

Right of Establishment

10. There are also provisions concerning the so-called right of establishment, that is the right to establish businesses or other enterprises and to undertake professional practice. The associated territories must accord equal treatment in this field to all Member States with reciprocal rights for the associates in the Member States, {subject to a reservation regarding certain special cases which might need specific arrangements.}

11

11. The Treaty of Rome provides for an E.E.C. Overseas Development Fund made up of contributions from Member States, to be used for economic and social development in the associated countries and territories. The size of the Fund for the first five years (1958-62) was 581 million units of account (U.S. dollars). Under the new association arrangements, coming into force in 1964, a second fund was

/set

RESTRICTED

RESTRICTED

set up, the European Development Fund, totalling £730 million, to which can be added £70 million which could be called on from the European Investment Bank, so that in all a further £800 million was made available over the period until 1969. This sum is for the benefit only of existing associated states and is allocated as follows:-

	<u>£ million</u>
For economic and social development and technical co-operation in independent associated states	500
For aids to diversification and production in independent associated states	230
For dependent territories	70
Total:	<u><u>£ 800m.</u></u>

12. As compared with the old Fund, which provided assistance only for economic and social development on a grant basis, the new Fund provides for certain additional arrangements. In the first place, aid is set aside to assist production and diversification in associated states in order to facilitate the marketing of their products at competitive prices in Community markets as a whole. The £230 million allocated for this purpose is to be used mainly to assist the change-over in certain ex-French associated states in Africa which have hitherto received premium prices through special arrangements for some of their commodity exports to the French market. Over the period until 1969 they are gradually having to adjust their arrangements so as to be able to sell in the Community at prices more related to world levels. Secondly, provision is made for certain aid to revenue-earning projects to be made available on a loan rather than a grant basis; for the most part these are "soft" loans with relatively low interest rates and long periods of repayment, but the terms in each case are tailored to the project concerned and to the credit-worthiness of the state

/receiving

RESTRICTED

THE MAIN PRINCIPLES GOVERNING YAOUNDE-TYPE ASSOCIATION

1. Imports from associated states and dependent territories into the Community in general benefit from the progressive elimination of customs duties and quantitative restrictions.
2. Likewise, customs duties and quantitative restrictions on imports from the Community into the associated states and dependent territories are in general to be gradually eliminated; but there is broad provision for the associated states and dependent territories to maintain customs duties where these are necessary for their development and industrialisation, or for revenue purposes.
3. The regime applied by associated states and dependent territories to imports from member states is not to be less favourable than that applied to corresponding imports from third countries.
4. Notwithstanding the foregoing, customs unions or free trade areas are permitted between associated states. they are also permitted between one or more associated state or dependent territory and one or more third country in so far as they are not incompatible with the remaining association arrangements.
5. The Community provides substantial aid to associated states and dependent territories.
6. In the case of the associated states there are common institutions in which they are able to exchange views and reach agreements with member states. There is a Council of Association, on which each associated state has a seat, and which meets at least once a year. There is also a Parliamentary Conference, meeting annually, and an Arbitration Court.

RESTRICTED

receiving the aid. Thirdly, provision is made for advances to stabilisation funds in the associated states to help mitigate the consequences of temporary fluctuations in commodity prices. These advances are repayable, and are charged against normal aid to the extent that they are not repaid. Finally, a part of the aid is used for technical assistance linked to capital investment (e.g. pre-investment surveys and assistance in preparation of projects) and for technical co-operation (e.g. provision of experts, research, assistance in drawing up development plans, fellowships, occupational training etc.).

RESTRICTED