CHAPTER V

IMPACT ON RELATIONS WITH THE COMMONWEALTH
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The question of Britain's relationship with the Commonwealth was a matter of vital concern in the consciousness of British policy-makers since the end of the Second World War. As already noted, all British Governments, Labour as well as Conservative, have been wary of becoming party to any moves that could have adverse repercussions on ties between Britain and the Commonwealth, especially the 'old Commonwealth', countries. Indeed one of the prime considerations for keeping away from "any new participation in Europe", as Harold Macmillan put it, was the fear that this might prove irreconcilable with other traditional ties.¹

The importance of the Commonwealth lay in the fact that besides having historical and emotional ramifications, it was the major supplier of food to Britain, and, at the same time, provided market for British industrial manufactures as well. To have joined the Common Market would have led to the subjection of all Commonwealth exports to Britain, to the EEC's agricultural levies as well as its Common External Tariff (CET), thus undermining one of the principal pillars of British ties with its erstwhile colonies. It was politically impossible for any British Government to allow this to happen and still retain their support at home.

However, as Commonwealth preferences declined over the years economic and political necessities made an accommodation with the countries of the EEC indispensable. Thus, as already noted, self interest inexorably drove the British towards a decision for membership of the Community in 1961.

As the Commonwealth countries, especially those like New Zealand which were heavily dependent on the British market, were expected to face difficulties if Britain joined the Community the issue was uppermost in the thinking of the Government which was evident in the pronouncements of its leaders in Parliament.² Countries like Australia, Canada, New Zealand, India, etc., apprehensive about the prospects of British entry and its effects on their trade, had expressed their concern to the British Government.³ Hence the British efforts, during the first entry negotiations in 1961-62 as well as the final negotiations preceding entry in 1973, to safeguard the special interests of these countries which stood to be jeopardized by the structure of the EEC customs union.⁴

The arrangements made with the countries of the Commonwealth in 1971 and their subsequent impact were not the same and varied according to the levels of advancement and development of the countries concerned. For the sake of convenience in the discussion these are proposed to be classified under the following heads: the Developing Commonwealth Countries of Africa, Caribbean and the Pacific (ACP), India and other developing Asian Commonwealth Countries and the developed countries like Canada, Australia and New Zealand.

³ Ibid., cols. 1564-65.
⁴ See Chapter one, pp. 24-25, 41-43. The importance of the British market to the Commonwealth lay in the fact that of the total British imports of £5700 million in 1965, £1700 million or 29 percent of the total came from the Commonwealth and about £1000 million from the EEC. 14 per cent, 18 per cent and 18 per cent of the exports of Canada, Australia and India respectively went to the British market that year. See UK, Commons, Parliamentary Debates, Session 1966-67, vol. 746, col. 1175.
I. The Developing Countries of Africa, Caribbean and the Pacific

This group of countries, as is evident from the title, stretches from the Caribbean in the Western hemisphere to the Pacific in east. They are mostly countries which won their independence from Britain in the recent past, very poor and underdeveloped at the time and mainly dependent on the export of primary commodities for their foreign exchange earnings. Typical examples would be cases of countries like that of Ghana, 64 per cent of whose foreign exchange earnings came from its export of cocoa, and Uganda which was dependent on coffee for 66 per cent of its incomes from exports.  

Another important case was the problem of the sugar producers. These were countries which ranged from developed to newly emerging independent territories whose prosperity, and in some cases the very survival of their whole economies, depended on sugar production. The prospect of these countries was bound up with the security of the market which they enjoyed in Britain.

This was made possible by the Commonwealth Sugar Agreement (CSA) which guaranteed the sugar producers a market in Britain for a fixed quantity of sugar each year at a price which covered their costs of production. Implementation of the Common Agricultural Policy was to affect this position very badly with the imposition of the EEC's agricultural levies; hence the need for some arrangements to protect the vital interests of these sugar exporters.

Thus, one of the principal British objectives in the 1971 negotiations was to "obtain a firm assurance of a secure and continuing market in the enlarged Community on fair terms for the sugar exports of the developing countries which are members of the Commonwealth Sugar Agreement (CSA)."  

According to the arrangements worked out, the British Government undertook to fulfil its contractual obligations to buy agreed quantities of sugar under the CSA from all participants, including Australia, until the end of 1974. Thereafter imports of sugar from developing Commonwealth sugar producers were to be guided within the framework of an association agreement or trading agreement with the enlarged Community. As part of this understanding the EEC expressed its "readiness to offer the Governments concerned a choice of forms of association or a trading agreement"; and also its "readiness to recognise the United Kingdom's contractual commitments to all the CSA member countries up to the end of 1974". This offer was considered by Britain and the countries concerned to be "a specific and moral commitment by the enlarged Community" and "a firm assurance of a secure and continuing market in the enlarged Community on fair terms" for the participants of the CSA.  

However, during the course of the domestic debate the Labour Party raised serious doubts, - largely for political purposes, - about the reliability of these assurances. In a Parliamentary debate on the European Communities in July 1971 Harold Wilson had flatly declared that he did not "regard the arrangements..."
made as a clear and unequivocal guarantee.\footnote{9} The issue was subsequently included as one of the Labour Party's re-negotiation objectives under the item of a better deal for the Commonwealth and the developing countries.

Some uncertainty was indeed created about the prospects for continuing entry of the quantity of 1.4 million tons of sugar from the CSA countries on fair terms after December 1974. This followed the statement of the Labour Trade Secretary, Peter Shore, in Parliament that according to his information within the EEC the assurances given to the Conservative Government in this regard were not confirmed by the Community's most vital organ, the Council of Ministers, though the figure was endorsed by the Commission and the European Parliament.\footnote{10}

The issue however soon became part of the process of negotiations that was then going on between 46 ACP countries and the Community for a new agreement for trade and aid between the two sides. The Conservative Government's white paper in 1971 had indicated that the developing ACP countries of the Commonwealth would be given opportunities for a relationship with the Community which would be mutually beneficial to both sides.\footnote{11} Under protocol 22 of the Treaty of Accession that Britain signed in January 1972 twenty developing countries of the Commonwealth were offered 'Association' with the enlarged European Community. The protocol further said:

\footnotesize{\begin{itemize}
\end{itemize}}
The provisions of this association ... must ... take into account of the special economic conditions common to the independent developing Commonwealth countries situated in Africa, the Indian ocean, the Pacific ocean and the Caribbean and the Associated African and Malagassy states, the experience acquired within the framework of association, the wishes of the Associated States and the consequences for those states of the introduction of the Generalised Preference Scheme.(12)

It also spelt out the commitment of the Community towards those states. "The Community will have as its firm purpose the safeguarding of the interests of all the countries referred to in this protocol whose economies depend to a considerable extent on the export of primary products, and particularly of sugar". 13

The commitment made to the developing Commonwealth countries of the ACP was very much in line with the acknowledgment by the Community, from its very beginning, of certain special responsibilities towards the world's newly emerging poor, underdeveloped countries. Initially, these responsibilities were confined to the colonies and dependent territories of the original Six members of the Community by virtue of part IV, Articles 131 to 136, of the Rome Treaty. Later, when the African colonies of France and other EEC states achieved independence, a new relationship was established between the Community and the eighteen African and Malagasy states (AAMS). This was done through the Yaounde Convention of 1963 which associated the AAMS with the Community on the basis of their mutual colonial heritage. The second Yaounde Convention of 1969 reaffirmed the relationship between the EEC and the AAMS and was scheduled to expire on 31 January 1975. 14

13 Ibid.
14 Carol Cosgrove-Twitchett, n. 5, p. 125.
The Yaounde Convention created a new framework for development assistance by emphasising the promotion of trade between the two sides along the provisions for technical and financial assistance by the Six to the Eighteen. Emphasis was placed on the sovereign equality of all the parties throughout, though the AAMS were economically dependent on their former colonial masters. Under the Convention the AAMS were granted preferential or duty free access to the markets of the Community, usually in return for preferences which they granted on exports from the Community in their markets. The principal exceptions were the temperate foodstuffs which were subjected to the restrictions of the Community's Common Agricultural Policy (CAP). The AAMS also received limited development assistance from the European Development Fund which were increased under the second Yaounde Convention.15

After the enlargement of the Community a significant modification in the association's relationship became inevitable in view of the expected impact on the Commonwealth countries through the accession of Britain. A form of association arrangement with the Community had already been enjoyed by three East African Commonwealth countries - Kenya, Tanzania, and Uganda - for some time through the Arusha Convention under Article 238 of the Treaty of Rome which provided for more limited preferential arrangements compared to the Yaounde Convention and there was no provision for development aid from the Community. Besides its promise of association to the developing ACP Commonwealth countries, the Community also agreed to the continuation of both its association relationships and Britain's trading relations with the Commonwealth LDCs

15 Ibid. See also UK, HMSO, n. 7, para 114, p. 29.
side by side for two years from January 1973 so that these countries were not unduly affected during the course of their transition from the existing Commonwealth arrangements with Britain to the new ones with the Community to be negotiated during this period. 16

Negotiations between the EEC and the enlarged ACP countries (now including the developing ACP countries of the Commonwealth), initiated in Brussels on 25 and 26 July 1973 were long and tortuous. A compromise, however, was finally reached by the beginning of February 1975 and the Convention on trade, aid and cooperation between the ACP and the EEC was signed at Lome, the capital of Togo in West Africa, on 28 February 1975. Henceforth it came to be known as the Lome Convention which was to guide the relationship between the EEC and the large number of countries of Africa, Caribbean and the Pacific. 17

The Lome Convention came into force on 1 April 1976 after it was ratified by all the 55 signatories (46 ACP and 9 EEC) concerned. According to its preamble the Convention, which was to remain valid for a period of 5 years, aimed "to establish, on the basis of complete equality between partners, close and continuing cooperation in a spirit of international solidarity". 18 Under the Convention nearly all ACP products (99.2 per cent) was to have access to the Community market free of duties or charges having equivalent effect and without any restrictions on quantity. This facility however would not apply to products covered directly or

16 Ibid., p. 129. See also UK, HMSO, n. 7, para 115, p. 29.
17 EC, Bulletin of the European Communities (Brussels), vol. 8, No. 2, 1975, point 2324.
indirectly by the CAP though these were to receive preferential treatment as opposed to similar products from non-member countries. In a rare gesture the principle of non-reciprocity, not allowed in the Yaounde Conventions, was granted to the ACP countries who now would not have to assume corresponding obligations in respect of imports from the Community as the Community had for imports from the ACP. 19

The objective of safeguarding the interests of countries whose economies depended to a considerable extent on the export of primary products through stabilisation of export earnings was implemented by the STABEX scheme. This guaranteed the developing countries exporting raw materials a certain levels of export earnings by protecting them from the normal fluctuations caused by market forces and the uncertainties of production. Thus the scheme acted as an insurance against bad years for those producing countries which were particularly dependent on exports of one or two products. Twelve principal primary products were included in the final list of STABEX as against the Commission proposed 8. These were groundnuts, cocoa, coffee, cotton, coconuts, palm and palm kernel products, bananas, tea, raw sisal and iron ore, hides and skins, wood products and certain sub-products making a total of 29 products with an individual guarantee for each. 20

Special arrangements were made for sugar which was to benefit the sugar producers from the Commonwealth, affected, as already noted, by Britain's accession to the EEC. These included not only stabilisation but also meant that the prices guaranteed to the producing countries were practically indexed to the prices

19 Ibid., point 1105.
20 Ibid., point 1106.
guaranteed to the Community producers. The Community undertook to buy and the ACP states to supply, given amounts of sugar amounting to a maximum of 1.4 million tonnes.\footnote{This adequately covered the assurance given to the sugar producers by the Conservative Government at the time of Britain’s entry.} The guaranteed price, which was the maximum price, was to be negotiated annually within the range of prices obtaining within the Community. The ACP countries also were to be consulted before the Community made its proposals on its own sugar prices. The protocol on sugar was to remain valid for an indeterminate period with an escape clause providing the possibility of termination after expiry of the Convention (5 years) with 2 years notification. The requirement for such termination was unanimous Council decision.\footnote{EC, Bulletin of the European Communities, vol. 9, No. 3, 1976, point 1107.}

Provision was also made for industrial co-operation involving a wide range of actions like the development of infrastructure linked to industrialization, assistance with setting up manufacturing industries particularly for the processing of raw materials, industrial training scheme both in Europe and the ACP states, schemes to transfer technological knowhow and adapt the technology involved, information schemes and the promotion of industrial studies and finally accompanying measures in the field of trade promotion.\footnote{Ibid., point 1109.}

There was a very significant improvement in the quantum of financial assistance at Lome in comparison to the Yaounde regime. While the global amount disbursed under Yaounde was only 918 million European units of Account (EUA) 3390 million EUA were to be
made available under the Lome Convention.24 Even taking into account the rise in the number of recipients from 18 to 46, this was a notable achievement.

Thus the Lome Convention was a substantial advancement over the previous Yaounde regime with its abolition of trade reciprocity, a substantial new aid fund and the new export stabilisation scheme 'STABEX'. For Britain it was a matter of considerable satisfaction that it had itself played a significant role in bringing this about. The British Minister for Overseas Development, Judith Hart, though an anti-Marketeer, involved herself wholeheartedly in the negotiations to secure a good deal for the Commonwealth ACP countries, especially the sugar producers. There is no doubt that without her committed support the latter would have been hard-pressed to achieve what they did.25 Hart herself described the arrangements a success of the British and Commonwealth efforts in safeguarding the interests of the Commonwealth countries concerned in the negotiations. It was a remarkable achievement from the point of view of the developing Commonwealth countries of the ACP. In quality, she stated in Parliament, the Convention was superior to any link with the Commonwealth which the United Kingdom, on its own, could have offered.26

The Commonwealth sugar producers emerged rather well from the dispensations of the Convention. The British objective of

24 Ibid., point 1108.

25 This was greatly due to, among other things, the very good relationship Judith Hart enjoyed with Claude Cheysson, the French Member of the Commission who was in charge of the negotiations. The present Author's interview with Sir Michael Palliser, Former United Kingdom Permanent Representative to the European Community and Head of the Diplomatic Service in London, 2 February, 1987. See also Harold Wilson, Final Term: The Labour Government 1974-76 (London, 1979), p. 103.

securing satisfactory access into the enlarged Community, at a fair price, for up to 1.4 million tons of sugar from the developing Commonwealth countries of the Caribbean and elsewhere (including India) was, as already noted, achieved. According to the Labour Government's White Paper on the achievements of re-negotiation the new arrangements, from the standpoint of Commonwealth countries, as a whole, were "at least as favourable as those previously available under the Commonwealth Sugar Agreement ..." 27

In fact the benefits obtained from the Lome Convention were so substantial that during the British re-negotiation debate most of the Commonwealth countries from ACP firmly supported Britain's continuing membership. The 22 Commonwealth countries involved, ranging from Nigeria to Fiji, gave the impression that they would be reluctant to see their new markets and increased aid and co-operation possibilities jeopardized by any British withdrawal. 28 After the signing of the Convention on 28 February 1975 Shridath Ramphal, the Foreign Minister of Guyana, who spoke for the 46, made it clear that he at least hoped Britain would remain a member. According to indications available the vast majority of the Commonwealth members among the 46 were opposed to any British withdrawal. 29

The basic achievements of the Lome Convention, as seen by the developing Commonwealth and other ACP states, can be summarised thus. Firstly, it promised rich economic benefits for the developing countries concerned. They were assured free access to the world's largest trading area for all their manufactures, which obviously meant little in concrete terms, and 90 per cent of their agricultural products, and they were also going to receive assistance to exploit this huge market. The Community's technology was also going to be made available to them through industrial co-operation agreements. Provision was made of a large European Development Fund of which 80 per cent was to be in the form of grants.\(^{30}\)

Secondly, the Stabex scheme and the degree of sympathy and co-operation extended by the Community and its Commission could form a model to be followed in future for co-operation between developed and developing countries and the producers and consumers of raw materials.

Thirdly, the Commonwealth relationship, modelled on a colonial pattern, was placed by this Convention on the path of healthier relationship between continents and groups of powers. The countries of the Commonwealth, free from their compulsion to rely heavily on one country for their trade, were able for the first time to negotiate on something approaching more equal footing.\(^{31}\)

Thus, it is not surprising that these countries were reluctant to see Britain leave the organisation that had just offered them a trade and aid partnership that no other developed country

\(^{30}\) The Times, 8 April 1975.

\(^{31}\) Ibid.
or countries had ever done before. Indeed, the Lome Convention provided a powerful stimulus for a significant transformation of the economic relationship between Britain and its erstwhile colonies in the Africa, Caribbean and the Pacific regions. The opening of the markets of the other Community countries to the exports of the ACP countries of the Commonwealth released them from their dependence on the single British market with its consequent claustrophobia and uncertainties. As a result the diversification in trade that followed was reflected in the trading figures between the Community and these countries during the remainder of the period under study. Table 1 would make it evident.

Table 1
Trade between ACP Commonwealth and the EEC

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<tbody>
<tr>
<td>Ghana</td>
<td>37.39 (41.67)</td>
<td>44.67 (43.6)</td>
<td>8.49 (3.22)</td>
<td>5.95 (5.14)</td>
</tr>
<tr>
<td>Nigeria</td>
<td>37.63 (19.85)</td>
<td>32.25 (3.14)</td>
<td>15.39 (14.53)</td>
<td>19.09 (25.49)</td>
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<tr>
<td>Kenya</td>
<td>55.76 (37.66)</td>
<td>50.26 (36.4)</td>
<td>5.90 (5.03)</td>
<td>9.33 (6.90)</td>
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<tr>
<td>Uganda</td>
<td>40.13 (47.61)</td>
<td>55.51 (33.8)</td>
<td>6.41 (11.73)</td>
<td>11.91 (23.27)</td>
</tr>
<tr>
<td>Tanzania</td>
<td>42.72 (41.03)</td>
<td>41.45 (21.3)</td>
<td>5.14 (3.97)</td>
<td>7.75 (5.26)</td>
</tr>
<tr>
<td>Zambia</td>
<td>50.63 (39.08)</td>
<td>49.38 (19.5)</td>
<td>5.14 (15.14)</td>
<td>6.14 (33.91)</td>
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<tr>
<td>Jamaica</td>
<td>70.63 (96.7)</td>
<td>58.54 (92.4)</td>
<td>3.34 (0.32)</td>
<td>7.17 (2.32)</td>
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<tr>
<td>Guyana</td>
<td>72.40 (79.01)</td>
<td>68.10 (68.8)</td>
<td>4.10 (6.22)</td>
<td>3.82 (11.12)</td>
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<tr>
<td>Fiji</td>
<td>79.81 (99.10)</td>
<td>65.03 (98.6)</td>
<td>2.67 (0.05)</td>
<td>5.22 (0.11)</td>
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<tbody>
<tr>
<td>Ghana</td>
<td>26.42 (23.12)</td>
<td>27.04 (29.43)</td>
<td>8.98 (6.31)</td>
<td>9.67 (3.88)</td>
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<td>Nigeria</td>
<td>21.70 (27.51)</td>
<td>24.22 (25.79)</td>
<td>9.92 (1.93)</td>
<td>9.81 (13.04)</td>
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<tr>
<td>Kenya</td>
<td>18.25 (30.35)</td>
<td>21.77 (26.69)</td>
<td>7.46 (8.62)</td>
<td>6.95 (11.55)</td>
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<tr>
<td>Uganda</td>
<td>27.32 (21.27)</td>
<td>21.41 (15.70)</td>
<td>16.15 (11.50)</td>
<td>4.18 (7.90)</td>
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<tr>
<td>Tanzania</td>
<td>20.35 (19.63)</td>
<td>21.23 (39.73)</td>
<td>8.44 (8.64)</td>
<td>8.00 (13.44)</td>
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<tr>
<td>Jamaica</td>
<td>13.75 (1.72)</td>
<td>15.97 (2.35)</td>
<td>3.16 (0.19)</td>
<td>2.68 (0.70)</td>
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<tr>
<td>Guyana</td>
<td>7.32 (6.32)</td>
<td>5.70 (14.35)</td>
<td>2.27 (2.09)</td>
<td>2.24 (3.87)</td>
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<tr>
<td>Fiji</td>
<td>5.76 (0.61)</td>
<td>7.46 (0.67)</td>
<td>2.94 (0.01)</td>
<td>8.24 (0.05)</td>
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An analysis of the above trade figures concerning the Community's four major states and nine countries of the Commonwealth from Africa, the Caribbean and the Pacific provides an indication for a significant trend towards a trade diversification between 1975 and 1981. For instance there was a marked drop in imports to Britain from Nigeria, Uganda, Tanzania and Zambia between 1975 and 1981. Indeed Nigeria had established a strong trading relationship with West Germany, France and Italy even by 1975 which was further strengthened, at the cost of Britain, in the years that followed. The three major East African states—Kenya, Uganda and Tanzania—as well as Zambia in Southern Africa also increased their trade with the member States of the EEC other than Britain. However in the cases of the Caribbean and the Pacific countries this diversification away from Britain was not as strong though some changes in this direction can also be noticed in the trade figures of these countries as well.
The metamorphosis in the economic relationship between Britain and the ACP Commonwealth countries was not confined only in the area of trade. In the matter of aid too the diversification continued. Table 2 illustrates this.  

Table 2

<table>
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<th>Aid to African Commonwealth countries</th>
<th>Million US $</th>
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|                                      | Britain 1972 | France 1972 | Germany 1972 | Netherlands 1972  
| Ghana                                | 3.8         | 1.1         | 11.4         | 0.8  
| Nigeria                              | 8.6         | 4.0         | 10.8         | 1.8  
| Kenya                                | 23.9        | 46.4        | 5.0          | 5.6  
| Tanzania                             | 2.8         | 40.6        | 6.2          | 3.7  
| Zambia                                | 9.8         | 21.5        | 1.0          | 15.3  

As can be seen from a comparative study of the figures of aid disbursement by four major donor countries of the Community in 1972 (the year before Britain joined the Community) and 1982 (the final year of the period under study) while Britain continued to remain a major donor of aid to the five African Commonwealth countries mentioned above other member States of the Community such as West Germany and the Netherlands significantly increased their quantum of aid to these countries during this period (Nigeria being an exception). Besides, these countries also have benefitted from the European Development Fund which is the most important instrument of Community aid providing assistance on a wide scale to the ACP states. Under Lome I and II, allocations from the fund totalled 3,466 million ECU and 5,227 million ECU respectively, the British share being 18.7 per cent of the EDF budget.  

Thus, it is evident from the foregoing analysis that the Commonwealth countries of Africa, the Caribbean and the Pacific, by their own admission, benefitted considerably from the arrangements following Britain's entry into the Community, i.e. the two Lome conventions. So far as the economic relations between Britain and these countries were concerned while, as noted above, Britain continued to be a major trade partner and donor of aid, the ACP countries of the Commonwealth were no longer solely dependent economically and commercially on their former colonial overlords.

II. India and other Developing Asian Commonwealth Countries

The decision of India on the attainment of its independence in 1947 to remain a member of the Commonwealth was truly an epoch-making event. Besides setting off the process of de-colonisation with its far-reaching consequences for the post-War era, this was the first instance of a non-White country joining the association, hitherto a preserve of the White Dominions only, on equal footing. The accession of India along with Pakistan and Ceylon helped to turn the Commonwealth into a multi-racial, multi-cultural and multi-lingual association of independent states.

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35 Negotiations for a new Convention were begun in July 1978 as Lome I was due to expire in 1980. Other countries too wanted to join the Convention and in the new round of negotiations the number of ACP states went up from 46 to 57. Agreement on Lome II was reached on 15 September 1979 and the new convention was signed in Lome on 31 October 1979 replacing the 1975 convention. See EC, Commission, Bulletin of the European Communities, vol. 12, No. 9 and 10, 1979.

36 S.C. Gangal, "India and the Commonwealth", in M.S. Rajan (ed), India's Foreign Relations During the Nehru Era (Bombay, 1976), p. 78.
The Indian decision was influenced, among other reasons, by dictates of pure self-interest. It had deep ties with the Commonwealth which took 48.3 per cent of India's trade in 1948. Besides India was also a part of the Sterling Area and the Sterling balances earned and accumulated during the second world war had been tied up in London. So far as India's trade with Britain was concerned 22.68 per cent of Indian exports went to that country in 1950 as against 20.82 per cent of total Indian imports that came from Britain. Thus Britain was India's largest trading partner at the time of independence though India's own share in Britain's trade was relatively less with 4.65 per cent of British exports coming to India and 3.69 per cent of British imports going from India on an annual average basis between 1950 and 1960.

As part of the Commonwealth arrangements most of the Indian exports to Britain had duty-free access or were given preferential treatment. Traditionally the major items of export from India to the UK have been tea, tobacco, silver, leather, cotton piece goods, sugar, clothing, ground-nut and jute manufactures; major items of imports from UK were non-electric machinery, iron and steel, pearls and precious stones, transport equipment, metal manufactures, paper and paper board and scientific instruments. Thus, it was not surprising that when Britain decided to join the EEC in 1961 it was viewed by India both as a threat and an opportunity - a threat to India's trade with Britain (a quarter of its total trade) and also an opportunity for diversification of the country's commerce.

37 Ibid., pp. 80-1.
away from over-dependence on Britain. It was feared that the proposed application of the Community's Common External Tariff (CET) to India's exports to Britain would hamper India's development plans.

During the course of the entry negotiations of 1961-63 India argued, - its first major opportunity to do so, - that the Community should provide generous access to Indian products to facilitate India's development and that its exports did not in any way threaten western Europe's own industries. At the Commonwealth Prime Ministers' Conference in September 1962, Jawaharlal Nehru eloquently put forward India's fears; however the threat of disruption to Indo-British trade from the Common Market issue abated with the collapse of negotiations in January 1963.

Any relief from the British failure to join the EEC felt in India, however, proved to be illusory. A weakening of the Indo-British bond which had started even before independence but was relatively steady until 1959-60 sharply accelerated, perhaps as a result of the mutual mistrust and ill-feeling generated by the Common Market issue, in the 1960s. This became particularly evident in the dramatic fall in trade between the two countries through this decade. Indian exports to and imports from Britain, expressed in percentage of totals, which were as high as 27.99 per cent and 19.37 per cent respectively in 1960 came down to 11.58 per cent and 6.60 per cent in 1970. From British stand-point the figures came down from 4.11 per cent and 3.26 per cent in 1960 to 0.90 per cent and 1.17 per cent in 1970. Britain which was India's

40 K.B. Lall, Wolfgang Ernst and H.S. Chopra (eds.), India and the EEC (New Delhi, 1984), p. x.
41 Ibid., pp. XII-XIII.
largest trading partner was overtaken first by the USA and then by the USSR.42

There was a fall in the content of relationship in other areas too. The percentage of British private foreign investment going to India was as much as 6.1 in 1959-61; this had come down to 1.6 per cent by 1969-71. In the field of education 11.7 per cent of foreign students at British universities in 1957-58 and 12.2 per cent in 1960 came from India; but the figure was only 4.7 per cent in 1970-71. Similar decline could be noticed in other measurable aspects of the relationship such as military, diplomatic, journalistic, etc.43

So it was in the context of a somewhat diluted content of Indo-British relationship that the final entry negotiation of Britain took place in 1971. And yet India did stand to lose as a result of the British move in terms of the elimination of the preferential treatment Indian goods enjoyed in the British market and the creation of new obstacles. As a result of the loss of the existing 'special preferences' in the British market such items of Indian exports as coffee, oil cakes, cashew-shell oil, canned and fresh prawns, walnuts, rice, pig and boar bristles were to be primarily affected with expected impact also on cotton textiles and leather footwear. Another area where India was expected to be hit was sugar as India was a party to the Commonwealth Sugar Agreement (CSA).44

42 Michael Lipton and John Firr, n. 38, pp. 306-7.
43 Ibid., pp. 11 and 209-10.
44 Vijay Pande, "India's Trade Prospects with the Enlarged EEC", Note for Trade Development Authority (New Delhi, 1972).
So far as creation of new obstacles was concerned as a result of its joining the European Community, Britain would be adopting the prevailing EEC tariff and subsidy structure which was harmful for Indian trade. The comparative advantage that India enjoyed in the British market for tobacco, oil and oil cakes, sugar and vegetables was to be seriously affected due to the CAP. Harmonisation of the Generalised System of Preferences (GSP) schemes of the UK and other new entrants to that of the EEC in its entirety would affect jute and coir manufactures, cashewnut kernels, mica, lentils, tamarind, rice brans and meals, celery seeds, turmeric, opium, bones and mango chutney. In other words Britain joining the EEC was to amount to a significant deterioration of trade prospects for India.\textsuperscript{45}

The outcome of the negotiations between Britain and the Community did not have much to show for India and other developing members of the Asian Commonwealth. The Conservative Government's white paper could only refer to a Community assurance that it would be prepared to examine with India, Pakistan, Ceylon, Malaysia and Singapore "trade problems which might arise, taking into account the scope of the Generalised Preference Scheme,\textsuperscript{46} from which they will derive considerable benefit". The only major concrete achievement from Indian point of view was the continuous suspension of the Community tariff on tea which was secured in the negotiations.\textsuperscript{47}

\textsuperscript{45} Ibid.

\textsuperscript{46} The Generalised Preference Scheme or the GSP as it was known, was the Community's principal policy instrument in relation to developing countries as a whole. Under these preferences manufactured and semi-finished articles from the less developed countries were entitled to reduction in duties under the EEC's Common External Tariff (CET).

\textsuperscript{47} UK, HMSO, n. 7, para 119, p. 30.
The Community assurances were incorporated in an innocuous Joint Declaration of Intent (JDI), annexed to the Treaty of Accession, on the development of trade relations with Ceylon, India, Malaysia, Pakistan and Singapore. The JDI promised, "... 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 other developing countries in the same geographical area". 48

It was thus evident from the entry arrangements that the Community was not prepared to treat India and other Asian Commonwealth countries on the same footing as the countries of the ACP. The only concessional trade arrangement that the Community was ready to offer India was under its GSP scheme which came into force on 1 July 1971. Soon after Britain joined the EEC the Council of Ministers issued a mandate to the Commission in April 1973 authorizing it to open bilateral negotiations with India. The ensuing dialogue between the Community and India resulted in the first ever Commercial Cooperation Agreement (CCA) between the two which was signed on 17 December 1973. Provision was made in it for the establishment of an Indo-EEC Joint Commission which was to concern itself with the promotion of better trade relations between the two sides by recommending practical measures for action. Agreement was also reached for the continuation beyond 1974 of duty free entry of Indian jute and coir goods to the UK and Denmark which

48 UK, HMSO, n. 12.
were threatened from 1 January 1974 following the progressive introduction of the Common Customs Tariff. To mitigate the adverse consequences of British accession for Indian trade the Community also made concessions under the GSP with regard to Indian export of jute and coir goods.49

During the course of re-negotiation the Labour Government had raised the question of the raw deal that India and other developing Asian Commonwealth countries were getting from the Community in comparison to the ACP countries. It asked the Community for the progressive elimination of the unsatisfactory and restrictive features of the GSP and for an extension of its scope, particularly in respect of processed agricultural products.

In fact the GSP that operated at the time was mainly confined to manufactures whose terms of access were somewhat worse than those available under Commonwealth preference.50 The problem was even more serious with regard to the exports of processed agricultural goods from Commonwealth Asian countries. A House of Commons select committee which studied in July, 1973 the implications of the British entry in the EEC relating to the UK's relationship with developing countries had recommended further relaxation of GSP terms to provide for more advantageous trade arrangements for Asian Commonwealth countries such as India.51

The main improvements that took place in these areas following re-negotiation in 1975 were the marked reduction - from 51 to


51 Ibid., paras 77-8.
16 - in the list of sensitive products (other than textiles where preferential access to member states was subject to limits). Enlargement of tariff quotas for tobacco and plywood and zero UK duties for jute and coir products from India and Bangladesh were also expected to benefit these countries. An agreement to replace the old Commonwealth Sugar Agreement, which expired on 31 December 1974, on supply of sugar to the EEC was signed and came into force on 1 January 1975. Under the agreement India was to supply 25,000 tonnes of sugar to EEC annually at a price to be mutually negotiated.

Despite the relatively discriminatory treatment by the Community, India and the Asian Commonwealth members too were not very enthusiastic about Britain leaving the EEC. The fact was that the Common Market, by its sheer economic weight, matters more to the Commonwealth as a trading partner than Britain with all sorts of trade preferences that it could possibly offer without endangering its own economy and industry. Some statistics, released by the Commonwealth Secretariat in London in 1975, spelt out that Commonwealth trade with other eight member countries of the EEC was almost equal in 1973 to all intra-Commonwealth trade, including trade with Britain.

For India and the Asian Commonwealth, which feared the most from Britain joining the EEC, the appeal did not end with trade; the Indian subcontinent got about £60 m worth of Community

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52 UK, HMSO, n. 27, para 89, p. 29.
54 Sunday Times (London) 27 April, 1975.
financed food aid, in addition to the lion's share of the EEC contribution to the UN special fund for developing countries hit by the oil crisis. The anti-Marketeers' claim during the Referendum campaign that Britain could look after the Commonwealth just as well, if not better, outside the Market, produced reactions from Commonwealth diplomats in London that ranged from sheer disbelief to outright anger. For example, the Indian officials confided that they had no desire to be shackled to the slumps and depressions of the ailing British economy. For them the Common Market of Nine was and still is one of their biggest trading partners. The growth potential of their exports to the continent is preferable despite the marginally more restrictive trading terms.

The trading performance of India with the EEC during these years has largely borne out the assessment made by the Indian officials. There has indeed been a very significant increase in the Indian trading activities in the EEC since 1970-71. Table 3 would make it evident.

Table 3
EEC's Trade with India (Million ECU)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>748,776</td>
<td>543,047</td>
<td>1,859,935</td>
<td>1,609,333</td>
</tr>
<tr>
<td>1973</td>
<td>741,277</td>
<td>730,687</td>
<td>2,006,194</td>
<td>1,830,582</td>
</tr>
<tr>
<td>1974</td>
<td>806,092</td>
<td>843,081</td>
<td>2,298,354</td>
<td>1,799,198</td>
</tr>
<tr>
<td>1975</td>
<td>1,023,406</td>
<td>860,555</td>
<td>3,363,000</td>
<td>1,880,000</td>
</tr>
<tr>
<td>1976</td>
<td>1,003,882</td>
<td>1,250,595</td>
<td>3,991,097</td>
<td>2,571,816</td>
</tr>
<tr>
<td>1977</td>
<td>1,394,875</td>
<td>1,641,428</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

56 *Sunday Times*, 27 April 1975.
57 Ibid.
58 Table compiled from EC, Eurostat; *Foreign Trade Monthly Statistics* (Luxembourg), No. 12 - 1974, 6 - 1975, 3 - 1977, 4 - 1978, 3 - 1979, 3 - 1981, 4 - 1982. EEC includes Britain as well.
The figures above show how phenomenally India's trade with the EEC has grown in the 1970s. In money terms its exports to the EEC have grown nearly 5 times between 1972 and 1982 and its imports by more than 5 times. By 1978-79 the EEC was taking in 27 per cent of India's exports and accounting for 31 per cent of Indian imports. Though a sizable portion of its exports were traditional goods, non-traditional products such as cotton apparel, footwear, finished leather and leather manufactures, engineering goods, chemicals and allied products, plastics, glass, and glassware, etc. also made notable progress. A considerable diversion took place in Indian trade during this period. The share of the four countries - USA, UK, USSR and Japan - in Indian trade which was about 50 per cent at the beginning of 1970s declined to 40 per cent in 1979-80. The UK's share fell from 11.7 per cent to 7.4 per cent. It however still continued to provide the largest market for Indian exports within the EEC as it took in exports worth Rs. 516.05 crores of the total Indian exports of Rs. 1751.41 crores to the EEC in 1979-80.59 The Federal Republic of Germany had become a close competitor with the UK as principal EEC suppliers to the Indian market which was indicative of the long way that India's trade had travelled from the days when the bulk of New Delhi's commerce in western Europe was with the United Kingdom.

This however does not mean to say that Indian trade has not been affected by the UK move. The process of increasing harmonisation of British commercial policy with that of the EEC involving

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59 India, Ministry of Commerce, Annual Report, 1981-82, p. 142. Even in 1982, the last year of the period under review, Britain was the largest importer at 686,592 million ECU followed by
the adoption of the same Common External Tariff (CET), of the Community with regard to imports from other sources was completed by 1 July 1977. With the adoption of the CET which signalled the end of the Commonwealth tariff preferences in the British market Indian products were at a disadvantage competitively which was further compounded because of the EEC-ACP Lome agreement providing tariff advantages to the Lome countries exports to the EEC. Indian products previously enjoying Commonwealth preferences and now affected by the new regime were leather, iron ore, tobacco, etc. According to an authoritative study even the availability of the GSP facility was not expected to be adequate to compensate the loss of Commonwealth preferences as a result of British entry. 60

It is thus undeniable that Britain's joining the EEC amounted to some worsening of trade prospects for India, as confirmed by another British study itself, at least in the short term.61 It would however be oversimplification to say that the process was entirely negative from Indian point of view since the British market was continuing to shrink in terms of real Gross National Product compared to the rest of the EEC (especially Germany) rendering British tariff concessions less attractive vis-a-vis more modest concessions in a larger and a more rapidly growing one. Besides further liberalisation of the GSP facility also benefitted India and other South Asian countries by way of tariff elimination on jute, inclusion within the GSP of some agricultural items like crustaceans, pepper and coffee, a shifting of one or two items

France with 664,743 million ECU and the Federal Republic of Germany with 522,247 million ECU. See EC, Eurostat, n. 58, 4-82.

60 India, Trade Development Authority, n. 39, p. 72.
61 Vincent Cable and Ann Weston, "Market Access and Trade Discrimination: South Asian Exports to the EEC" in ODI Review: A
from sensitive to semi-sensitive status (i.e. leather gloves) and
a widening of tariff quotas on tobacco, carpets and textile pro-
ducts.\textsuperscript{62}

Indeed Indian commercial dealings with the European Commu-
nity, as already seen, have enormously increased during the period
under review. The first ever Indo-EEC Commercial Cooperation
Agreement (CCA), valid for 5 years, came to an end on 31 March
1979 and negotiations for a more broad-based agreement including
industry, science and technology, research and development and
joint ventures in third countries i.e. greater sophistication in
trade relations - brought about a new agreement, signed on 1 Decem-
ber 1981 with a five-year non-preferential framework. There has
been a significant rise in the level of bi-lateral contacts with
visits of trade and other official delegations from India and the
EEC Commission in both directions and holding of seminars and
conferences.\textsuperscript{63} There remained, however, major irritants in the
relationship like the EEC's protectionism over textile imports
which was governed by the multifibre arrangement running from 1971
to 1982, laying down strict quotas on imports\textsuperscript{64} as well as India's
continuing big trade deficits with the EEC as a whole. But the
overall impression one gets from the above is that India has adjus-
ted well to the new situation arising out of Britain's move into
the EEC and the subsequent loss of Commonwealth preferences by
gearing up its existing trading links with the rest of the Commu-
nity countries, especially West Germany, Italy and the Netherlands.

\textsuperscript{62} Ibid., pp. 56-7.
\textsuperscript{63} India, Ministry of Commerce, \textit{Annual Reports, 1979-80, 1980-81
and 1981-82} (New Delhi).
\textsuperscript{64} "Love me, Love my Commonwealth", The \textit{Economist}, 4 August 1979.
and putting Indian trade on a more broad-based, super foundation. So far as aid is concerned table 4 needs to be noted.65

### Table 4

<table>
<thead>
<tr>
<th>Aid to India</th>
<th>(Million US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>5.0</td>
</tr>
<tr>
<td>Denmark</td>
<td>3.7</td>
</tr>
<tr>
<td>France</td>
<td>24.1</td>
</tr>
<tr>
<td>Germany</td>
<td>60.2</td>
</tr>
<tr>
<td>Italy</td>
<td>7.7</td>
</tr>
<tr>
<td>NLands</td>
<td>12.7</td>
</tr>
<tr>
<td>UK</td>
<td>110.8</td>
</tr>
</tbody>
</table>

As can be seen from the figures above that among the EEC members Britain continued to remain the principal donor of aid to India; however the Federal Republic of Germany (FRG) and the Netherlands also emerged during the period as major aid donors to India. In some years these two countries even surpassed the UK in total net official Disbursement Assistance i.e. the FRG in 1982 and the Netherlands in 1980 and 1982.

India was not the only Commonwealth country in Asia to be affected by British entry into the EEC, Pakistan, Bangladesh, Sri Lanka, Malaysia and Singapore also stood to be affected in similar ways as the trade structure of these countries was in many respects identical with that of India.66 Like India, Pakistan, Bangladesh, Bangladesh and its entry in the Commonwealth in 1972 coincided with Pakistan's departure from the organisation. However, it continued to receive similar treatment from Britain and the rest of the EEC as was dispensed to India, Bangladesh and Sri Lanka in trade and aid matters.


66 The birth of Bangladesh and its entry in the Commonwealth in 1972 coincided with Pakistan's departure from the organisation. However, it continued to receive similar treatment from Britain and the rest of the EEC as was dispensed to India, Bangladesh and Sri Lanka in trade and aid matters.
Sri Lanka and Malaysia - countries which are largely agricultural - were also dependent on their exports of agricultural products to Britain. These included tobacco, rice, jute and coconut oil many of which were likely to be affected by the imposition of the Community's Common Customs Tariff (CCT).  

As in the case of India the Community signed a series of non-preferential commercial co-operation agreements (CCA) with these countries during the period under review. The CCA between the EEC and Bangladesh, signed on 19 October 1976, undertook "to promote the development and diversification of their mutual trade to the highest possible level" as well as to develop their economic co-operation where linked with trade. The agreements with Pakistan (signed in 1976) and Sri Lanka (signed on 22 July 1975) also provided for a similar framework of trade and economic co-operation between the EEC and the countries concerned.  

As a result of these agreements and the loss of Commonwealth preferences in the British Market economic relationship, especially trade between the EEC and Pakistan, Bangladesh and Sri Lanka intensified considerably during the period under review. For instance in 1972 (the year before British entry) imports to the nine countries of the EEC from Pakistan and Sri Lanka totalled 211,362,000 and 87,432,000 ECUs respectively, out of which 83,524,000 and 53,601,000 ECUs respectively went to Britain. In 1982 total imports from these countries were 539,122,000 and 249,282,000 ECUs respectively out of which 147,147,000 and 79,439,000 respectively went  

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67 Vincent Cable and Ann Weston, n. 61, p. 57.  
68 EC, Commission of the European Communities, Agreements and other bi-lateral commitments linking the Communities with Non-Member countries (as at 30 June 1985) (Brussels, 1985), p.115.  
69 Ibid., pp. 126 and 129.  
70 Bangladesh had just emerged as a new country and hence is
to Britain. It is evident that there have been a significant fall in the proportionate British share of imports from these countries between 1972 and 1982.71

So far as disbursement of aid is concerned while the United Kingdom continued to be a major source of aid to these countries other Community countries, notably the Federal Republic of Germany (FRG) and the Netherlands, emerged, as in the case of India, as substantial aid givers. In 1982 the FRG and the Netherlands gave more aid to Pakistan and Bangladesh than Britain.72

Malaysia and Singapore, the two other Commonwealth countries in Asia, were equally apprehensive about the effects on some of their export trade following the loss of Commonwealth preferences in the British market after 1973. However unlike the countries in South Asia, Malaysia and Singapore who were members of the Association of South East Asian Nations (ASEAN) preferred to develop their relations with the European Community on a regional basis rather than individually. Consequently the first agreement between the Community and these countries was delayed until 1980.73

Thus while the first formal co-operation agreement between the Community and these countries providing for collaboration in the trade, economic and development fields was signed only on 7 March 1980 the GSP facility of the EEC under the Joint Declaration of Intent, meant for the Commonwealth countries of Asia, had been extended to Malaysia and Singapore along with other ASEAN members

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71 EC, Eurostat, n. 58.
72 OECD, n. 33.
73 EC, Commission of the European Communities, The European Community and ASEAN (Brussels, 1985), pp. 4-5.
much earlier; the Community's efforts since 1974 to meet ASEAN needs in this regard were reflected in the addition of certain processed agricultural products and tobacco to the GSP list.74

As in the cases of the South Asian countries one of the consequences of British entry into the EEC was a change in the pattern of trade of Malaysia and Singapore. Loss of Commonwealth preference induced a greater volume of trade of those countries to be directed from Britain to the markets of the other Community countries. For instance in 1972 Malaysia and Singapore sent goods worth 385,353,000 and 180,550,000 ECUs respectively to the nine countries of the EEC out of which 111,831,000 and 94,990,000 ECUs respectively went to Britain. In 1982 total imports to the Community of Nine from these countries amounted to 1755,736,000 and 1377,170,000 ECUs respectively out of which 373,827,000 and 357,221,000 ECUs respectively went to Britain. This trend reflected a significant fall in the proportionate British share of imports from these countries during this period. In fact Britain was now relegated to the second position after the Federal Republic of Germany within the Community as export markets for Malaysia and Singapore.75

The enlargement of the European Community in 1973 served as a significant impetus for a transformation in the economic and political orientation of Malaysia and Singapore. While it further accelerated and accentuated their regional ties Malaysia and Singapore also did not fail to take advantage of the GSP facility of the EEC,76 already referred to, though being among the better off

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74 Ibid., pp. 5-6.
75 EC, Eurostat, n. 58.
76 The five ASEAN countries accounted for 42 per cent of all EEC imports in 1983. EC, Commission, n. 73, p. 7.
countries of the region in terms of per capita GNP they did not qualify for the EEC's food aid programme which is meant for the poorest and non-sufficient countries. 77

British Membership of the European Community thus brought about a far reaching transformation in the relationship between the Commonwealth countries and Pakistan of Asia and Western Europe. It expedited the process of a fundamental restructuring of the economic and political relationship between Britain and its erstwhile colonies in this region in the context of the newly emerged political and economic realities in the last quarter of the twentieth century. While their links have been placed in their proper perspective the relations between the two sides however continue to be close and important from both points of view.

III. The Developed Countries of the Commonwealth

No areas of the Commonwealth were touched by a greater stir by the British decision to join the European Community than the old White Dominions of Canada, Australia and New Zealand. It was with these countries that Britain's sentimental attachments were the deepest. The Commonwealth, as it existed before 1949, usually was synonymous with these three countries (as well as South Africa which left in 1961) in the visions of the ordinary Briton. It was thus not unexpected that the bonds of ethnic heritage, language and culture between Britain and these countries were upper-most in the minds of British politicians who were instrumental in deciding to keep it out of the West European unity moves during the post-War period.

77 EC, Commission, n. 73, pp. 7, 10.
The emotional aspects apart the degree to which the foreign trade of these countries was expected to be hurt as a result of the British move varied substantially. The trade structures of Canada and, to a lesser extent, Australia were similar to many other developed countries with manufactured items taking the major share of their exports. But the case of New Zealand, as already noted, was somewhat different.

The economy of New Zealand had been developed on the basis of its farming industry mainly to cater to the needs of the British economy, especially its foods, during and after the Second World War. Its mainstay was, and substantially still is, frozen mutton and lamb, beef and veal and dairy products like butter and cheese. As its population is small, - a little over 3 million in 1976, - almost all its farm products are exported. Table 5 gives an indication of the importance of farm products to New Zealand's trade in late 1960s.

<table>
<thead>
<tr>
<th>Year</th>
<th>Dairy Produce $\text{m}$</th>
<th>Meat $\text{m}$</th>
<th>Wool $\text{m}$</th>
<th>Hides, pelts and skin $\text{m}$</th>
<th>Total $\text{m}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1967</td>
<td>205.3</td>
<td>205.0</td>
<td>174.1</td>
<td>33.6</td>
<td>717.6</td>
</tr>
<tr>
<td>1968</td>
<td>210.3</td>
<td>260.7</td>
<td>158.2</td>
<td>39.1</td>
<td>804.6</td>
</tr>
<tr>
<td>1970</td>
<td>204.7</td>
<td>309.4</td>
<td>212.4</td>
<td>55.4</td>
<td>968.9</td>
</tr>
<tr>
<td>1971</td>
<td>228.9</td>
<td>390.8</td>
<td>187.8</td>
<td>50.6</td>
<td>1108.1</td>
</tr>
</tbody>
</table>

The UK has always been, and especially since the Second World War, the predominant market for New Zealand exports and the biggest supplier of its imports. In 1950 the UK took 66 per cent

of New Zealand's exports though there was a steady decline in this figure through the next decades which fell to 35 per cent by June 1971 when Britain was negotiating its entry into the EEC. Obviously like other countries New Zealand too was seeking to scale down its over-dependence on the British market before the latter slid behind the Common Market tariff wall.

Despite this reduction Britain still remained the best market taking the bulk of New Zealand lamb, cheese and butter and about one-fifth of the wool. The trade between the two countries was conducted under the terms of the New Zealand - United Kingdom Trade Agreements of 1932, 1959 and 1966 which gave New Zealand duty free and unrestricted access to the UK market for most of its agricultural exports in return for preferences granted to Britain for the sale of its manufactured goods as well as provision for its shipping, insurance and other services in the New Zealand market.

Restrictions on New Zealand trade with Britain started in 1971 when the UK imposed levy on all New Zealand imports of beef and veal and, more importantly, on lamb and mutton to bring about an overall increase in the price of meat in Britain and thereby reduce the burden of deficiency payments imposed upon the British Treasury. As negotiations started between Britain and the

79 The percentage of New Zealand exports to Britain between 1966-70 were as follows: 1966 - 45 per cent, 1967 - 44 per cent, 1968 - 43 per cent, 1969 - 39 per cent, 1970 - 36 per cent. Ibid., pp. 591-3.

80 In 1970-71 Britain took in 86.7 per cent of New Zealand lamb, 9.1 per cent of its beef and veal, 22.2 per cent of its mutton, 18.1 per cent of its wool, 83.1 per cent of its butter and 72.4 per cent of its cheese exports. Ibid., pp. 552-3.
Community, there was great anxiety in New Zealand; if no special arrangements were made to protect New Zealand exports of dairy produce and lamb the pastoral industries in particular and the economy in general would be severely damaged, there would be a spurt in emigration and a decline in living standards.

Hence the New Zealand Government formulated a detailed political and economic case for special arrangements for the affected items of exports to avoid these harsh effects and approached the British Government with a list of three requirements as necessary to safeguard New Zealand's vital interests. Firstly, "that New Zealand should be able to continue to sell at remunerative prices the quantities of butter and cheese for which it currently received assured access to the British market". Secondly, "that guarantees of access should not terminate with the transitional period but that there should be continuing arrangement subject to periodic review", and thirdly, "that in the event of the Community adopting a common regulation for sheep meats, New Zealand should continue to have access for lamb sales on a satisfactory basis". 81

The Conservative Government of Britain accepted this statement of claim for dairy products as the basis for their submission to the Community. In the negotiations it was agreed that the quantities of butter, guaranteed at 163,200 tons for 1973 or 96 per cent of current New Zealand entitlements under the butter quota scheme, would be reduced by 4 per cent per annum "so that in the fifth year of the transitional period New Zealand will be able to sell at least 80 per cent of her present entitlement in

81 Ibid., pp. 558-9.
the United Kingdom. For cheese the quantities guaranteed (67,500 tons for 1973 or 90 per cent of the system of voluntary restraint) will gradually be reduced through steps of 90, 80, 60 and 40 per cent in the first four years to 20 per cent of the present level by the fifth year". The effect of these arrangements was that by 1977 New Zealand would still be guaranteed minimum sales at remunerative prices of 136,000 tons of butter and 15,000 tons of cheese which would be 71 per cent of the 1973 entitlements in milk equivalent terms. In 1975 the Community would review the butter situation and decide on suitable measures to continue the special arrangements for New Zealand butter. There was to be no guarantee for cheese after 1977 but some sales of the item was expected to continue as it was not in direct competition with Community production.\[82\]

No bargain was made on the question of lamb as there was no common organisation of the Community market for sheep meat and each member state set its own conditions for entry from third countries. The 20 per cent CET on lamb, the only common element, was agreed to be adjusted over the transitional period. It was agreed between Britain and New Zealand that this would not pose any serious problem for an acceptable volume of lamb imports from New Zealand as the UK would be by far the major consumer of sheep meat in an enlarged Community.\[83\] However the New Zealand Government sought an undertaking from the British Government that they would not agree to the introduction of a sheep meat policy which would damage New Zealand's interests.\[84\]

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82 UK, HMSO, n. 7, paras 103-6, pp. 26-7.
83 Ibid., para 110, pp. 27-8.
84 New Zealand, n. 78, pp. 558-9.
These provisions which were accepted by the New Zealand Government and incorporated in Protocol 18 to the Treaty of Accession did not however satisfy the Labour Party which viewed the arrangements for the continuation of New Zealand dairy product imports after 1977 to be vague and inadequate. The issue was thus included in the Party’s re-negotiation demands largely, it would appear, on political grounds.

During the course of the re-negotiation some improvements on the 1971 arrangements were granted by the Community. In the autumn of 1974 an increase of 18 per cent in the prices paid to New Zealand was secured by the Labour Government to compensate for inflation and rising freight and production costs. The problems of New Zealand figured in a big way at the Dublin summit of the Community Heads of Government who issued a Declaration of Principle providing for the annual imports of butter for the 3-year period, 1978 to 1980, to remain close to the 1974 and 1975 deliveries. The need for a periodic review and necessary adjustment of prices received by New Zealand was also accepted and there was an agreement to consider urgently the special problem relating to access after 1977 for cheese which was not provided for in the protocol.

The issue of granting continuing access to the New Zealand dairy products was not a popular course within the Community. The large Community butter producers like the Dutch and the Danes were not too keen in allowing this facility to New Zealand to continue as it was hurting their own interests in the large lucrative

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86 EC, Bulletin of the European Communities, vol. 8, no. 3, 1975, point 1104. See also UK, HMSO, n. 27, para 27, pp. 11-12.
This ambivalence was finally overcome when the Council of Agricultural Ministers agreed on 21 June 1976 on the quantities of butter to be imported from New Zealand in 1978, 1979 and 1980. It provided, in line with the Dublin agreement of 1975, that the agreed quantities for these three years were to be 125,000, 120,000, and 115,000 tons respectively. The Government, however, faced a harder task with regard to the situation after 1980, which was of particular interest to the New Zealand Government, still heavily dependent on the British market.

British argument about the post 1980 situation that an EEC commitment was implied both in the Dublin Declaration and in the special protocol dealing with New Zealand dairy products annexed to the British treaty was challenged by most other members, including the legal advisers of the Council of Ministers. But Fred Peart, the British Agriculture Minister persuaded his colleagues to change their stand and the Commission put out a statement confirming that protocol 18 remained the basis for continuing imports of New Zealand butter after 1980. Peart who kept in close touch with the New Zealand authorities during the negotiations informed the House of Commons that the New Zealanders were satisfied with the settlement as, they felt, it took account of their essential interests both upto 1980 and thereafter.

It was thought at the time of Britain's entry in 1973 that though New Zealand was heavily dependent on the British market for

89 The Times, 22 June 1976.
its exports of dairy produce, and thus for a substantial portion of its foreign exchange earnings, given time it would be able to find other markets for these products. But New Zealand's efforts to diversify its dairy produce exports were hampered by restrictions imposed by the industrialized countries, designed to keep prices high in order to support the incomes of their own domestic farmers. The high prices, by restricting consumption and stimulating production, created surpluses of some commodities which these countries then disposed off at cut rates in such free markets as existed. This further limited the opportunities for profitable diversification for countries like New Zealand.  

In spite of this problem diversification of New Zealand trade had got underway even before Britain joined the EEC. For instance only 13 per cent of its dairy products went to countries outside the UK in 1955, but this figure rose to 27 per cent in 1970. By 1974 dairy exports receipts from markets outside Britain rose to 64 per cent of the total compared with 57 per cent the previous year, 67 per cent in 1975, and 73 per cent in 1977. These successes however remained restricted due to limited market opportunities for milkfat products. There was not much success with butter exports to the Soviet Union and Japan which made mainly ad-hoc purchases during domestic shortages. There was some success in cheese exports to the US but this was restricted with the imposition of US import quota restrictions in 1978-79. Thus, the UK

91 New Zealand, n. 78, p. 555. In an interview with the present author on 30 January 1987, a high official of the New Zealand High Commission in London who requested anonymity complained that the European Community which had turned since 1972 from a large importer to one of the biggest exporters of dairy products itself created great difficulties for New Zealand to diversify its dairy trade.

continued to remain the most important outlet for New Zealand milkfat products taking nearly 80 per cent of its total butter exports. In 1977-78 the British share of major New Zealand dairy exports were as follows: butter - 76.7 per cent, cheese 9.8 per cent, lamb 56.5 per cent, beef and veal 2.4 per cent, mutton 9.5 per cent, and wool 18 per cent. 93

So the case for continuing access to New Zealand's dairy produce to EEC markets remained strong and the conservative Government headed by Margaret Thatcher recognised the need to provide persistent backing to New Zealand's cause. It noted in a Parliamentary debate on New Zealand butter in July 1980 that 17 per cent of the country's foreign exchange was earned by dairy exports and butter exports to the UK alone contributed 5 per cent. 94 Continued support to New Zealand's economy was also necessary on strategic grounds as it was a leading western ally in an important area. As a significant trading partner it was also in the Community's interest to see that New Zealand's economy was not damaged by the CAP. 95

Thus, strong backing from Britain kept the channel for New Zealand's butter and lamb exports to the British market open even three years after the transition period ended. The UK share of its major exports in 1979-80, though considerably reduced since 1973, was still substantial and as follows: butter 59.6 per cent, cheese 11.5 per cent, lamb 51.2 per cent, beef and veal 3.1 per cent, mutton 5.1 per cent, and wool 9.8 per cent. At the same

93 Ibid., 1979, p. 498.
95 Ibid., cols. 923-4.
time it had also found some other outlets for its products of animal origin. These were as follows: USA - cheese 31 per cent, beef and veal 68.9 per cent; Japan - cheese 26.5 per cent, mutton 10.7 per cent; USSR - mutton 71.1 per cent, butter 11.6 per cent, lamb 11.6 per cent. New Zealand's geographical trade structure has also undergone a radical change in the 10 years since 1972. Table 6 is indicative of this.

Table 6
Percentage of Trade

<table>
<thead>
<tr>
<th></th>
<th>Exports</th>
<th></th>
<th></th>
<th>Imports</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UK</td>
<td>Australia</td>
<td>Japan</td>
<td>US</td>
<td>Others</td>
<td>UK</td>
</tr>
<tr>
<td>1972</td>
<td>31</td>
<td>8</td>
<td>10</td>
<td>15</td>
<td>35</td>
<td>28</td>
</tr>
<tr>
<td>1980</td>
<td>14</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>47</td>
<td>15</td>
</tr>
<tr>
<td>1981</td>
<td>13</td>
<td>14</td>
<td>13</td>
<td>13</td>
<td>47</td>
<td>11</td>
</tr>
</tbody>
</table>

It is thus evident that Britain's Common Market membership has profoundly affected the pattern of New Zealand trade with Britain as well as other countries during the period under review.

Like New Zealand, though to a lesser extent, Australia too has had an essentially dependent relationship with Britain. Though the importance and position of Britain in terms of sentiment, political alliance and the Commonwealth partnership has been great, for most Australians it rested more importantly upon economic considerations. A country of great natural resources and farming Australia was initially developed for production of primary

commodities. "By the beginning of the 1960s primary production, employing about one-eighth of the nation's work force, was supplying about one-fifth of the national income and some four-fifths of the country's exports." Its exports of primary and farm products financed Australia's imports of manufactured goods and other items of necessity for augmenting the Australian manufacturing base.

Despite development of substantial trading relations with Japan and the United States after the war the position of Britain remained of very great importance. Trade between the two countries was governed by the Ottawa agreement of 1932, subsequently superseded by the agreement of 1956 which provided for duty-free access for most products and preferences on a range of Australian products imported into Britain, in return for commitments with regard to the setting of tariff levels and preferential tariff treatment for British goods imported into Australia. Britain became the most important supplier of Australian imports, its best export market and main supplier both of migrants and capital. But a sharp decline in this position took place between 1954-55 and 1964-65 as would be evident from table 7 below:

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Table 7

Australian exports-Imports Country-wise (Percent)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>UK</td>
<td>36.88</td>
<td>19.47</td>
<td>44.38</td>
<td>26.21</td>
</tr>
<tr>
<td>Japan</td>
<td>7.57</td>
<td>16.82</td>
<td>2.18</td>
<td>8.90</td>
</tr>
<tr>
<td>USA</td>
<td>6.77</td>
<td>9.96</td>
<td>12.11</td>
<td>23.83</td>
</tr>
</tbody>
</table>

Other financial ties also showed a similar trend. For instance US foreign holdings in Australia increased in the 14 years to 1960-61 from 18 per cent to 27 per cent while the proportion held by Britain declined from 72 per cent to around 60 per cent.100

Despite portending a significant lessening of Australian dependence on Britain these figures showed Britain to be still the most important of Australia's economic partners at the time of the first British entry move in 1961-3. Hence the apprehensive Australian reaction to initial British feelers. The Prime Minister Robert Menzies, while showing great understanding for the British position, demanded that the whole of Australian trade interests in the UK must be protected.101 There were demonstrations of hostility to the idea from the political parties and other sections of Australian opinion. And yet there was also a strong school of thought that if Britain did join the EEC the damage to Australia would be at worst minor; more important was potential gain from trade with an economically stronger Britain.102

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102 H.G. Gelber, n. 98, p. 79.
Despite the failure of the first British move, it was a straw in the wind so far as Australian trade with Britain was concerned. The process of diversification which, as already noted, had started in late 1950s now accelerated further; by the middle of the 1960s Japan replaced the UK as the largest customer of Australian trade items. The pattern was changing in the field of imports as well where Japan and the United States were poised to replace Britain as Australia's two largest suppliers.

The first and the major victim of this process of change was the Australia-UK meat purchase arrangements. Australia had been a major supplier of meat to the UK which was governed by successive agreements - one from 1939 to 1952 and the other from 1952 to 1967. On 30 September 1967 the 15-year meat agreement between the two countries expired and no new agreement was negotiated in its place. But, Australia was allowed to retain duty free entry of meat into Britain until 1 July 1971 when the variable levy system on beef and veal imports and duties on mutton and lamb were introduced by the British Government in preparation for entry into the EEC.103

As Australia was not dependent on Britain for its trade to the same extent as New Zealand or some of the developing Commonwealth countries like the sugar producers, it had become increasingly clear since 1967 that it could not expect any favourable treatment from the Community during the negotiation of Britain's entry terms. After Britain joined the EEC the Common External Tariff would have to be applied to the industrial exports of Australia into the UK gradually over the transitional period and

its exports of agricultural produce also were to be affected by the arrangements made with the Community. 104

Accordingly the UK-Australian Trade Agreement of 1956 was terminated on 31 January 1973 following British entry into the EEC. As EEC member Britain was expected to adopt the mechanism of the CAP which controlled the veal and beef imports into the Community by a system of variable levies during the transition period up to 1977. This affected Australian beef exports to the EEC, straightway which came down from over 100,000 tonnes in 1973 to below 10,000 tonnes in 1977. 105 The CAP did not yet apply to mutton or lamb but the UK was expected to gradually increase its duties on mutton and lamb until the level of full EEC duty (20 per cent) was reached in 1977.

Thus much of Australia's trade with Britain which had been in farm products was an immediate casualty of Britain's move into the EEC. As a major producer of cereals, dairy products and beef whose exports to the British market dropped by 80 per cent between 1973 and 1977 Australia was in direct competition with the EEC's Common Agricultural Policy. As a result Australian exports to Britain which were as high as 19.5 per cent even in 1964-5 dropped to 5.48 per cent in 1974-5 and to 3.9 per cent in 1977-8. The Asian market which was being cultivated by Australia, perhaps in anticipation of such a development, since the 1950s now began to yield dividends. Australian trade with Japan grew fast especially in such items as wool, iron ore and coal; China became a customer for Australian wheat and a valuable market was found in New Zealand.

105 The Economist (London), 17 June 1978.
for Australian manufactures. The UK's position as the largest supplier of Australia also underwent drastic changes. By 1978 Japan and North America were supplying 19.4 per cent and 24 per cent respectively of total Australian imports. In the field of foreign investment in Australia too the UK which held the leading position upto 1972-73 with an investment that year of A$ 116 million as against the USA's A$ 92 million and Japan's A$ 51 million was relegated to the second place the following year with a figure of A$ 94 million, behind the USA's A$ 187 million. Since then the US has held the leading position and in 1976-77 its investment in Australia at A$ 613 million was nearly double that of the UK's, at A$ 357 million.

Apart from these changes in the bilateral economic relationship British entry into the EEC placed Australia's relationship with Western Europe in a different and wider perspective. Prior to Britain's entry Australia's relations with the six original members of the EEC were on a much lower key. For instance in 1972-73 almost half - A$ 606.6 million - of Australian exports to the


107 OECD, Economic Survey, 1981-82, Australia, (Paris 1982), p.67. It is to be noted that the figure of Australian imports from Britain of 11.5 per cent in 1977-78 was almost three times as high as the Australian export figure of 3.9 per cent. This was due to the fact that while the UK terminated its preferences for Australian goods, Australia continued its preferences for British goods upto June, 1981. See Australia, n. 99 and n. 106 and Australia : Lloyds Bank Group Economic Report, 1984 (London), p. 20.

Community of A$ 1263 million went to the UK\(^{109}\) which was the principal and in many ways the only link between Australia and Western Europe so far. But relations began to develop thereafter and in late 1974 an agreement was reached between Christopher Soames, the EEC's Commissioner on External Relations, and the Australian Prime Minister Gough Whitlam to have regular discussions at Ministerial or senior official level.\(^{110}\)

As a primary producer Australia had been a traditional supplier of raw materials like wool, skins, hides, coal, lead and lead alloys and foodstuffs to the EEC. A major irritant in the relationship, however, developed when the Community's Common Agricultural Policy began to be applied to Australian exports of foodstuffs to the EEC Market and especially to Britain. The items affected particularly were dairy products, sugar and, most seriously for Australia, beef. In 1972-73 Australia exported 427,000 tonnes of sugar, 32,200 tonnes of butter and 110,000 tonnes of beef to the EEC; the application of the CAP to UK imports wiped out its trade in sugar and butter to the EEC and exports of beef, as already noted, fell to about 10,000 tonnes by 1976-77.\(^{111}\) In contrast to the more than 80 per cent drop in Australian exports of foodstuffs to the EEC in four years upto 1977 EEC exports of manufactures to the Australian market increased by 67 per cent between 1972-73 and 1975-76.\(^{112}\)


\(^{112}\) Ibid., p. 147.
What, however, had been proving to be even more irksome to Australia was what it considered to be the EEC's obstructionist tactics to its efforts to find alternative markets for the foodstuffs which had been denied access to the Community's own markets. This was mainly being done, as Australia saw it, by disposing of the surpluses caused by the Community's policies at heavily subsidized prices on third markets in which Australia otherwise sold its products. Canberra was not prepared to accept the Community's argument that growth in Australian exports to the EEC of wool and minerals which were not available in sufficient quantities from the Community's own sources of supply and hence did not face significant EEC trade restrictions should be acknowledged to offset losses in its trading opportunities in agricultural products.\(^{113}\)

Largely due to this uneven development Australia suffered a large and growing trade deficit with the EEC which reflected an imbalance of trading opportunities. In a bid to reverse this trend a Minister for Special Trade Negotiations was appointed to direct discussions with the EEC towards regressing the situation by providing succour, especially to the Australian beef industry which was in a desperate situation.\(^{114}\)

During the course of its regular interaction with the Community Australian concern was being highlighted and in the middle of 1979 there was agreement to have regular consultations between the Commission and the Australian Ministers. The dialogues however did not prove to be of much benefit to Australia. On the contrary it was faced with an even greater threat when the EEC Council of

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113 Ibid., p. 145.
114 Ibid., p. 146.
Agricultural Ministers reached an agreement in May 1980 on the terms for the introduction of an internal sheepmeat regime within the CAP.

The Community's decision was of considerable concern to a major sheepmeat producer like Australia which in 1979 exported 7500 tonnes of sheepmeat to the EEC and 257,000 tonnes to other markets. It was feared, reflected in the statement of the Australian Deputy Prime Minister and Minister for Trade and Resources, J.D. Anthony on 13 June, 1980, that the new Community policy would lead to a reduction in access to the EEC sheepmeat market and potentially to greater competition in third markets as the Community moved to dispose of the stocks which were likely to accumulate because of Commission intervention buying in the Community's own sheepmeat market. 115 During the course of a visit to Brussels in September that year J.D. Anthony, in a strong attack on the CAP, accused the Community Governments of "complete international trade delinquency" and warned of Australian retaliation. 116 The increasing bitterness and frustration that Australia was experiencing with the EEC was coming to the fore now.

Thus, the British entry into the EEC has placed Australia in a fairly awkward position. While it succeeded in lessening its dependence on the British market even before 1973 its farm exports, crucial for its foreign exchange earnings, to the EEC markets including Britain, have been critically affected by the EEC's CAP and even more by its policy of undercutting Australian exports of

115 Ibid., vol. 51, no. 6, pp. 187-90.
116 The Times, 16 September 1980.
farm goods to the third country markets. In fact the damage to
Australian trade was substantial enough to provoke the Minister
for Special Trade Representation, R.V. Garland, to say in his
statement in the House of Representatives on 16 March 1978,
"I think it is true to say that Australia is the country worst
affected (sic) by the enlargement of the EEC and its CAP." 117

The third other developed Commonwealth country to be affec-
ted by Britain's membership of the Community has been Canada.
Unlike in the case of Australia and New Zealand where British
influence and dominance has been overwhelming Canada's history
has been shaped throughout by the competing influence of the United
States and Great Britain. Until 1940 Canada was overwhelmingly
dependent on Great Britain for its security. Since then, however,
the US has replaced Britain by surpassing the British impact on
its social, cultural and economic penetration of Canada. 118 This
change-over has been most visibly demonstrated in matters of trade;
by 1955 the US was instrumental in 65.5 per cent of Canada's trade
as against the UK's 12.9 per cent. 119

Trade between Canada and Britain, prior to 1973, was governed
by the Trade Agreement of 1 September 1937 under the 1932 Ottawa
Imperial preferential arrangements and various concessions were
granted by each country to the other including exchange of prefer-
tential tariff treatment. Following its entry into the Community
notice was given by Britain of its intention to terminate its

117 Australia, n. 111.
118 Michael B. Dolan, "Western Europe as Counterweight", in Brian
W. Tomlin (ed.), Canada's Foreign Policy : Analysis and Trends
119 Harald von Riekhoff, "The Third Option in Canadian Foreign
bilateral trade agreement with Canada on 1 February 1973. As a result of its accession to the EEC the tariff preferences that Britain extended to Canada were to be phased out over the transitional period ending in 1977.120

British trade with Canada, declining since the war, was at 15.8 per cent of Canadian exports to the UK, quite substantial at the time of the first British entry negotiation arrangement in 1961.121 The prospect of the British market being shut off, however, accelerated the process of substantial portion of Canada's trade with Britain being diverted to the US and Japan. Thus as Canadian exports to the UK fell to 7.8 per cent, those to the US rose to 67.3 per cent in 1971 and to Japan from 2.7 per cent in 1960 to 5.4 per cent in 1972.122

Like Australia, Canada too is a rich developed country and as such was unable to receive any special consideration from the Community. It had been made clear after the entry negotiation arrangements were worked out in 1971 that the Common External Tariff was going to be applied to Canada's industrial exports into the UK gradually over the transitional period and that its exports of agricultural produce to the UK were also to be affected.

As already noted the probable impact on Canadian trade with Britain along such lines had been anticipated earlier and a drastic reduction in the trade between the two countries had taken place between 1960 and 1972. Thereafter the rate of reduction

121 Ibid., p. 753.
122 Ibid. See also Harald von Rickhoff, n. 119.
slowed down but the trend continued in the same direction. The percentage of imports and exports of Canadian trade with the UK in 1973, 1974 and 1975 were 5.4, 4.7 and 4.4 respectively; in 1979 and 1980 the export figures were 3.8 per cent and 4 per cent respectively and the import figures 3 per cent and 2.8 per cent respectively. The decline shows that Canadian exports to, as well as imports from, Britain were affected as the mutual preferences were phased out. Canadian exports of manufactures, food-grains, beef and cheese were hit, though exports of some wheat continued because Britain's standard steam-baked white loaves required North American wheat.

This change in the pattern of Canada's trade with Britain also coincided with the desire of the Canadian Government led by Prime Minister Pierre Trudeau to reduce the overwhelming Canadian dependence on the United States on trade matters by putting greater stress on Canada's relations with Europe. This was to be brought about by the establishment of a 'contractual link' with the European Community. Though belated in its response and somewhat dilatory in its tactics, the Community finally opened negotiations in early 1976 resulting in a formal treaty between the two sides entitled the 'Framework Agreement for Commercial and Economic Co-operation Between Canada and the European Communities' which was signed on 6 July 1976. The agreement reaffirmed rights and

123 Harald von Riekhoff, n. 119.
125 The Economist, 4 August 1979.
obligations of both parties under GATT and confirmed that they would accord each other most favoured nation treatment on a reciprocral basis. Provision was made for further development and diversification of their trade, greater economic co-operation in the development of their respective industries and standards of living.127

Canada, however, derived only small tangible, economic benefits from the contractual link with the EEC because their mutual intentions were contradictory. The Community was looking to Canada and its vast material resources as a potential source to mitigate the increasing shortage of raw material needs of its industries whereas Canada considered the Community as a market for its manufactured products.128 As a result Canadian exports to the EEC grew by only 8.9 per cent in 1976 to a total of C$ 4.4 billion, which was 12 per cent of total Canadian exports of C$ 37.2 billion. With manufactured goods forming only 11 per cent of total Canadian exports to the EEC Canada remained primarily a source of raw materials for the Community countries.129

So far as bilateral economic ties between Britain and Canada were concerned, as already shown, trade between them was affected

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127 Ibid., 1976, pp. 311-12. The British role during the period preceding the conclusion of the Canada-EEC agreement was a curious one. For instance press reports in October 1974 suggested - denied by both the British and the Canadians - that Britain, taking its cue from the United States, was seeking to block a proposed agreement, covering supplies of Canadian raw materials such as timber, oil, and minerals, between the EEC and Canada. See The Guardian, 14 and 15 October 1974, and International Herald Tribune (Paris), 15 October 1974. Sir Michael Palliser told the present author that the Canadians never sought any British assistance in securing their desired contractual link with the Community. See the present Author's interview with Sir Michael Palliser on 2 February, 1987 in London.

128 Canada, York University, n. 126, pp. 303-4.

129 Ibid., 1977, p. 256.
due to higher tariff barriers and loss of Commonwealth preferences for Canadian exports to Britain. As a result of British accession to the EEC 47 per cent of Canadian exports to Britain faced higher trade barriers and tariff preference enjoyed by 40 per cent of these exports were scheduled to disappear by 1977. Consequently, Canada too withdrew, in 1978, the benefits of preferential tariff enjoyed by certain British export items to Canada which included confectionery, cranes for mounting on trucks, certain diesel engines, television transmission lines and knitted garments. While making the announcement the Canadian Finance Minister affirmed that Canada no longer had an obligation to extend preferential tariff treatment to British goods as Britain itself had ended Canada’s preferential access by joining the EEC.

It is thus evident that the change in New Zealand, Australia and Canada’s trade patterns away from Britain has been dramatic. But Britain’s EEC membership has merely accelerated a trend which has been obvious for two decades. Despite their bitter criticism of it, the Australians have accepted the CAP. They got modest concessions in the multilateral trade negotiations, which proposed to give them an industrial tariff reduction in the EEC and small quotas for cheese, beef and buffalo meat exports. A deal between Britain and Australia also allowed the export of Australian uranium to Britain. Australia already meets a significant proportion of the Community’s import needs of aluminium, zinc, tin and copper.

Despite these difficulties, however, the White Commonwealth countries, particularly, Canada and Australia did not want Britain

131 Financial Times, 12 April, 1978.
132 The Economist, 4 August 1979.
to leave the EEC in 1975. They demonstrated that they were overcoming the transitional difficulties between the old Commonwealth system and the new economic connexion growing round the EEC. The Canadian Prime Minister, Pierre Trudeau demonstrated that Canada can negotiate with the EEC directly and with some degree of success to obtain compensation for the losses suffered by Canada from the EEC enlargement and from the unfair operations of the CAP.\[133\]

In all three countries the point is made that under pressure of world economic change and a new structure of costs, the regime of cheap food for Britain was dead. Their producers, with rising expectations of living standards, would hardly be prepared to subsidize the British consumer who cannot offer the advantages of the British connections in terms of markets or defence. With the rise in population and development, the world market was bound to have become more profitable for the agriculturally surplus Commonwealth countries.

The awareness of the great changes that had taken place between Britain on the one hand and the white Commonwealth countries on the other was clearly reflected in the speeches and statements of the leaders of the Governments of these countries at the time of re-negotiation in 1975. For instance during the course of his visit to Europe in March 1975 the Canadian Prime Minister Pierre Trudeau declared that Britain's membership of the Community was "a step in the right direction for Britain and the world."\[134\] The Australian Prime Minister Gough Whitlam took an even more outspoken stance on the matter. He made it quite clear, at a press conference at Brussels on 18 December 1974, that his Government

\[133\] The Times, 19 May 1974.
\[134\] Sunday Times, 9 March 1975.
would regret a British decision to leave the EEC. Stressing his faith in a strong EEC, the biggest trading bloc in the world and an "essential pillar of worldwide economic stability", he declared that his Government did not see "any advantage for Australia, for Europe and for the world in Britain leaving the Community".  

The same tone was adopted by Whitlam at the Commonwealth Heads of Government Meeting (CHOGM) at Jamaica, in 1975, as well where he revealed that he had repeatedly rejected attempts by anti-market members of the Labour Party such as Peter Shore to persuade the Australian Government to declare itself against British membership.  

These declarations and utterances of Gough Whitlam were no rhetoric and have to be viewed in the perspective of the wind of change that was sweeping Australia following the election of his Labour Government in 1972. For too many years Australia had been tied to the apron strings of Britain. The new Government was determined to give Australia an independent identity in the world and especially in the Pacific region. This was evident from the statement of Whitlam to the Australian House of Representatives on 11 February 1975 in which he dwelt at length on Australia's relations with Britain.  

Whitlam said that changes in the world situation had naturally led to changes in Australia's traditional relationship with Britain; this was not a manifestation of strident new nationalism or anti-British sentiments. What his Government was seeking to do  

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136 The Times, 6 May 1975.  
was establish an independent Australian identity, "... the traditional understanding and affection between Australia and Britain, based on strong historical and family connection would deepen rather than diminish as Australia assumed her rightful place as an independent nation with a distinctive Australian role and a distinctive Australian voice in the South-East Asian regime, in the Commonwealth and in the world at large ...." 138 As a visible demonstration of its yearning to break loose from its imperial past the Australian Government introduced bills in the Australian Parliament to give effect to Government policy on Privy Council appeals which was, stated simply, the Government did not believe Australians should litigate their disputes before courts of another country. 139

Whitlam was not alone in his advocacy of change. The Australian trading community also supported him on the matter of Britain remaining an EEC member and did not show much enthusiasm to overturn trading arrangements with Europe. They wanted an economically strong Britain which, they believed, would be facilitated by membership. Though Britain was a more important outlet for Australian processed primary products, in case of manufactures Britain and the continental countries were comparable markets. 140

138 Ibid., p. 66. The policy of laying greater stress on relations with Australia's neighbours initiated by Whitlam was continued by his successor, the conservative Prime Minister Malcolm Fraser as well - evident in his very successful visits to China and Japan in July 1976. Ibid., vol. 47, no. 7, July 1976, p. 348.
140 The Times, 3 June 1975.
The ethnic ties between Australia and Britain were also loosening. Many present generation Australians no longer thought themselves as British. The ethnic complexion of Australia was changing. Before the second World War the white population was overwhelmingly of British and Irish origin. But, nearly a third of the present population came from non-English speaking countries i.e. Italy, Netherlands, Greece and Yugoslavia. So it is no surprise that Australian attitude would become progressively "European" in the widest sense rather than 'British'.

Thus, despite suffering trade damages none of the three countries wanted Britain to come out of the Community. Even New Zealand, which had suffered a lot, was in favour of Britain remaining in the EEC as was indicated by the New Zealand Prime Minister Wallace Rowling at the Kingston summit of the Commonwealth. All of them considered the difficulties they were facing to be temporary which could be overcome given time and sustained perseverance on their own part. In the long run the potential of the EEC as the largest trading bloc in the world was the only major criterion that governed the thinking of the policy-makers in these countries.

Britain's relations with and influence in the Commonwealth were actually faltering prior to its joining the EEC. The staunchly European, Edward Heath, was generally reticent about the Commonwealth and its affairs. Heath's strong reaction at the Singapore Commonwealth Prime Ministers Conference in 1971 against African criticism

141 Ibid.
142 The Times, 3 May 1975. New Zealand's growing desire to assert its independence from Britain, both economically and politically, was also referred to by a high official of the New Zealand High Commission in London who requested anonymity, in an interview with the present author in London on 30 January, 1987.
of British arms sales to South Africa and the British policy in Rhodesia left the impression that the Commonwealth was regarded as a hindrance, an unwarranted leftover from the imperial past, complicating Britain's entry into Europe; that the Commonwealth was no longer so important to Britain that it would silently suffer the strictures of other members. British dealings with South Africa were dictated to a great extent by the country's economic investments in and arm supply to South Africa. In 1967 when the ban on arms supply to South Africa came to be reviewed by the Wilson Government, the cabinet was subjected to strong temptations to drop it in view of the severe balance of payments problem which subsequently resulted in devaluation of the sterling in November that year. It was hoped that EEC membership would provide a good economic foundation to the country and the necessity to rely on trade with South Africa would reduce. 143

The developments in the Singapore Conference may have succeeded in persuading the other Commonwealth members to question old assumptions and to realize that "as one of the consequences of British entry into the EEC, London does not have to be the centre of the Commonwealth". 144

Since the gestation period before Britain finally became a member of the European Community was so long, most of the changes that British relations with the Commonwealth underwent, had already taken place in the 1960s and early 1970s and membership of the EEC only confirmed this. Demonstration of shifting British loyalty was available in the Ottawa Conference of 1973 where,

144 The Times, 30 July 1973.
despite strong pressures from Australia and New Zealand, the two countries most affected, Edward Heath firmly refused to condemn France for its atmospheric nuclear tests in the South Pacific on the ground that France was a friend and partner of Britain whom it would not like to condemn in public.\textsuperscript{145}

There were rumblings of change inside the Commonwealth as well. For too long, Britain had been the centre of the Commonwealth and the old colonial Empire. The new national leaders were yearning to assert their independence, yet slow to cast off past habits and attitudes essentially dependent. There was general acceptance of the fact that apart from goodwill and old associations, Britain has the right to give priority to its national interests.

There was some revival of the old sentimental attachment towards the Commonwealth in British Government circles after the Labour Government assumed office. But this was primarily due to the fact that Wilson and Callaghan lacked the fervent dedication to Europe that Edward Heath had. Both Harold Wilson and James Callaghan were too much of a pragmatist to realise that the Commonwealth of 1975 was hardly a substitute for the Common Market. Yet they were keen to maintain close and fraternal ties with the Commonwealth which had become too old a habit to discard. The Commonwealth Conference of May 1975 in Jamaica and June 1977 in London did not have the fireworks of Singapore or the chilly undercurrent of discontent as in Ottawa between Britain and its partners.

The Commonwealth, as it existed in the 1950s and early 1960s, is a thing of the past. Whatever the amount of British discontent with the EEC, it could hardly think in terms of a grand revival of the worldwide role of the Commonwealth under British leadership in the late 1970s and early 1980s. Membership of the EEC has put Britain's Commonwealth link in a more balanced and realistic perspective. The biennial gathering of the Commonwealth Heads of States in a conference is now more of an occasion of business-like deliberations amongst sovereign, equal members of an international organisation in comparison to the previous gatherings which often witnessed slanging matches, in a surcharged atmosphere, between the former rulers and the former ruled. British membership of the European Community has played a noteworthy, though apparently not so evident, role in bringing this about.