ASSOCIATION AND THE AGRICULTURAL POLICIES OF THE E.E.C.

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Introduction

The following brief observations on the above topic are handicapped by a number of factors, not least among them being the range of knowledge of the writer and the limited time available to give them form. A constraint of some significance, however, is the considerations arising from the currently confidential nature of the details of the thinking of CARIFTA Government on this question and the need, dictated by negotiating strategy, to pronounce finally on the rejection or otherwise of any particular *option*. The net effect is that the analysis may perhaps then seem inconclusive or somewhat up in the air. This is regretted, but at this stage, could not be easily avoided.

This argues the need for a dispassionate examination of the barriers to access to the EEC market rather than pre-occupation with judgements as to the desirability or otherwise of the various forms of Association. It suggests that the key to an understanding of EEC thinking on Association lies in an understanding of its agricultural policies. Finally, the paper makes no recommendations.

Review of Options

It will be recalled that Protocol 22 of the Treaty of Accession offered independent Commonwealth Countries listed in Annex VI of the Treaty (this listing includes Jamaica, Guyana, Trinidad & Tobago and Barbados) the option of association with the Enlarged Community along the lines represented by three choices: (i) participation in the Convention of Association which will govern relations between the Community and Associated African and Malagasy States (Yaounde Model); (ii) the condition of one or more special Conventions of Association on the basis of Article 238 of the EEC Treaty (Arousha Model); and (iii) the conclusion of trade agreements.

It is generally accepted that the degree of access to the Community market, both in terms of product coverage and favourableness of terms received for each product decreases in descending order of listing above. It is also generally accepted that obligations arising from association vary directly with the degree of access. Products originating in Yaounde Associate countries, then, would as a general rule confront less restrictive terms of access than products originating in Arousha Associate countries and so on. The *quid pro quo* or obligations required of Associates receiving the greater benefits are also held to be greater in scope and nature than for countries receiving less benefits.

This view, however well-justified by observable practice, is not borne out by close examination of the provisions of the Yaounde and Arousha Conventions. The provisions relating to access to the Community market for Associate products and vice versa are in fact identical. Both Conventions provide for automatic duty-free access to the Community market for all Associate products except commodities subject to the common organisation of markets or the common agricultural policy of the Community. It is helpful to bear in mind that access for such commodities provides the main reason for seeking

association with the Community in the first place and that range of commodities gaining access to the Community market -- as well as the terms of such access-- are in general more favourable for Yaounde Associate products than for Arousha.

Both Conventions require Associate countries to grant Community exports duty-free access to Associate markets. This requirement *in practice* gives rise to the Reverse Preference problem -- a condition usually only associated with Yaounde-type association. Yet, there is nothing in either of the two types of Convention to suggest that the reverse preference condition need arise only in the case of one form of association and not the other. Indeed, as far as strict comparison of provisions go, the most significant difference between the two Conventions lies in the absence of aid provisions from the Arousha and their presence in the Yaounde.

Further light on the varying implications of association under the two types of Convention is thrown by a historical approach to the matter. The Yaounde Convention is in fact the Part IV or Dependent Territory arrangements of the Treaty of Rome modified to take account of the independent status of the former Francophone countries. Critics of the Yaounde model argue that the amendments are more formal than real.

The Arousha Convention was negotiated to accommodate the desire for association of the East African Community (Kenya, Tanzania and Uganda) whose members are all at the same time members of the British Commonwealth.

Viewed from the historical perspective, there seems to be an *a priori* case for regarding Yaounde arrangements as being likely to be more neo-colonialist in nature than other forms of association. The exact degree of divergence, *in practice,* can only be accurately determined in frank discussions with both types of Associates. Such an exchange has been attempted but has so far not taken place. Since preparation of this paper, three Trade Ministers of the Commonwealth African Associables met CARIFTA Trade Ministers in Georgetown for preliminary discussions. No meeting with Yaounde Associates at any level has yet taken place. But this same perspective would suggest that should countries with a different colonial and historical background from the Francophone countries, seek accommodation under this type of convention, the nature of the association is likely to be modified to take account of the new experience and new membership. There is the further consideration that the negotiations to renew the Yaounde and other Conventions will now be taking place against the background of U.S. and Third World resistance to an extension of a preferential trading bloc, growing cirticism of the EEC as a *rich man's club,* and associate experience with the neo-colonialist features of association with the EEC. The international climate suggests therefore, more than ever, odds in favour of change in the nature of Association arrangements.

It need only be mentioned with respect to simple trade agreements, that any preference given under such agreement must be extended to all other countries with whom the Community has special agreements. The range and significance of concessions granted are therefore likely to be small, and in any event not likely to be adequate to the needs of the high-cost producers of agricultural commodities like ourselves. In other words, this form of access to the EEC market is *not* suited to any but highly competitive producers of agricultural products.

But no review of options, however exhaustive, can by itself provide an adequate analytical framework on which to base a choice of option. In principle, such a choice is as much a function of the

aims and objectives of association as it is of the nature of available options. The choice of option, like the choice of negotiating framework (national, regional or Commonwealth), is simply the means by which agreed objectives are best achieved. *In any event, as suggested above, the various options should not be regarded as static in nature but subject to negotiation and change depending on the balance of forces at work within and outside the Community.*

A brief analysis of objectives and negotiating framework is accordingly now attempted.

Aims and Objectives of Association

The aims of association may be confined to any one or include all three of: (i) continuing access to traditional market for commodity exports; (ii) access to expanding markets for manufactures and semi-manufactures; and (iii) aid.

Objective (i) is generally considered vital to the economic survival in the immediate future of all CARIFTA Governments. Objective (ii) depends very much on whether a short-term or *future's view* is taken of EEC association. Objective (iii) may be regarded as less important (except for the LDC's) than (i) and (ii) and ultimately depending on the terms and conditions of aid rather than its quantum.

The approach to association adopted by CARIFTA countries is a *shopping list* approach, and is confined largely to seeking access for traditional commodity exports (sugar, bananas and citrus).

The merit of the approach is that it moves away from the straight-jacketing imposed by the three-option approach, and focuses attention on the identification of the *desired objectives of association*..

The merit of the approach vanishes and dangers in its use arise when pre-occupation with a particular form of association is used to determine the composition of the list (objectives) and not the other way round.

The assumptions underlying the present use of shopping-list approach would seem to be: (a) the shorter the list, the less embracing the form of association need be; (b) Yaounde-type association should be avoided on neo-colonialist grounds; and (c) the Reverse Preference requirement is related or confined to access for Manufactures and/or Yaounde-type association.

Re (a). It is the view of the writer that, from the EEC point of view, the appropriate form of association is determined, not by the *length* of the list itself but by the *terms of access sought* and the *commodities* for which access is sought. There may, for example, be little chance of securing anything like the required access for sugar, bananas and citrus under any but a Yaounde-type association having regard to the agricultural policies of the Community. The argument will be developed below. It should not be regarded as a preference for Yaounde association.

Re (b). In essence, a political argument and -- viewed as such -- a valid one. When extended to argue rejection of Yaounde-type association in spite of possibilities for change, it reduces to an essentially emotional argument against association.

Re (c). A false assumption. The Reverse Preference requirement is neither confined to access for Manufactures nor Yaoundé-type association. Indeed, the present Yaounde Associates, like the Arousha Associates, sell little if any manufactured products to the EEC and sought association with the Community largely because of the need to secure access for commodity exports. Further, as stated above, the provision giving rise to reverse preference is common both to the Yaounde and Arousha Conventions.

Since it is not the purpose here to argue the case for access in general, or access in pursuit of either of the objectives outlined in paragraph 18 above, comment will be confined to the foregoing observations on what appears to this writer to be the danger of misuse of the *shopping-list* or *sui generis* approach to association. Attention will now be turned to what is here advanced as the proper use and the undoubted merit of the approach, stated as: (a) avoidance of the psychological straight-jacketing imposed by the three-option approach laid down in Protocol 22 of the Treaty of Brussels; (b) the identification and quantification of the objectives and therefore the desired content of association; and (c) the identification of *barriers to access* to the enlarged EEC market.

In sum, it cannot be over-emphasized that, in the same way that the three-option approach raised the danger of pre-occupation with pre-determined and irrelevant objectives, the incorrect use of the *shopping list* or *sui generis* approach carried the danger of pre-occupation with a pre-judged view of Association rather than with bargaining strategies necessary and available to Carifta Governments to achieve *required access at minimum costs.*

Perhaps the danger being alluded to here is best high-lighted by first observing that even now, Caribbean Associables have less than perfect understanding of the nature of the obstacle they seek to influence and surmount the agricultural policies of the EEC. It is understandable and expected that Caribbean political leaders and Trade Ministers should be occupied with the broader implications of association. It is inexcusable that Caribbean officials should duplicate these concerns at a lower level of political competence -- and that to the neglect of in-depth technical review of EEC trade policies in general and agricultural policies in particular. Even in the circumstances where it might be argued that association with the Community should for whatever reason stop short of a *future's view* of the Community (i.e., should be confined to access for traditional commodity exports), there is little doubt that the key to access to the Community market lies in an understanding not merely of our own needs and the best way of pooling the bargaining strengths to achieve these, but in an intimate and detailed knowledge of the considerations which inform EEC agricultural policy.

Association and the Agricultural Policies of the E.E.C.

It is common knowledge that the Common Agricultural Policy (CAP) of the Community constitute the most effective barrier to exports to the EEC from developed and developing countries. A measure of the effectiveness of EEC policies in this area is the U.S. inability to surmount the barriers to access to products for which she is, by international standards, most competitive. Why the CAP functions as effectively as it does is important to any true understanding of what EEC Association is all about.

At the risk of over-simplification, the agricultural policies of the Community may be said to be contained in the four principles: (i) the EEC imports only what it *cannot* produce; (ii) the EEC subsidizes the *prices of commodities* rather than costs of production; (iii) internal pricing policies are

designed to protect the least efficient (German) producers; and (iv) where the EEC imports agricultural products, it uses the variable levy to remove the differential between imported and domestic prices for these products.

The first principle explains why any negotiation for access for a product or products under the CAP may be regarded, *a priori,* as negotiations about association. The second principle explains why the EEC is likely to be and usually is a net exporter (surplus producer) of any commodity it *does* produce. The third principle explains why the British had to plead in their negotiations that account be taken of *consumer interests.*. The fourth of course explains why even the highly competitive farm exports of the U.S. cannot penetrate the CAP.

One further observation on EEC agricultural policies, and not confined to the CAP, is that the access of new members like the U.K. has meant the adoption by them of tariffs on tropical products, based on duties which in most cases are higher than those previously levied by those members. Oranges, bananas, coffee, cocoa, butter and tea are examples of these products.

The reasoning behind my earlier contention when dealing with the Objectives of Association, that from an EEC point of view the length of the list of products for which access is sought is perhaps less important than its content and the terms of access sought, becomes clear. This is, even in the absence of the foregoing analysis, obvious enough. What might however be easily lost sight of is that, again from an EEC point of view, the *Form of Association* appropriate to our objectives could hinge not necessarily on a list, long or short, but a *single product.*

APPENDIX

Sugar

On the credit side, sugar is the only commodity to which the Treaty of Accession (Protocol 22) makes specific reference regarding guaranteed access to the Community market. There is also the Lancaster House interpretation of the above commitment as a commitment to continuing access to the Enlarged Community Market *on fair terms for the quantities of sugar covered by the Commonwealth Sugar Agreement.* Additionally on the credit side, is the more recent agreement reached by the EEC in January of this year between its new and original members for continued access for the full quotas of sugar covered by the Commonwealth Sugar Agreement (1.4 m. long tons) at prices to be agreed.

To be noted on the debit side are: (a) the hostile reaction of EEC beet sugar producers to the 1.4m. ton commitment and their planned attempts to oppose both this commitment and the notion of sharing increases in EEC demand with Commonwealth Producers; (b) the fact that the Community plans to be a net exporter of sugar (i.e., it has authorized EEC production in excess of EEC demand); (c) that a reassessment of Commonwealth production is currently being carried out by the U.K. and the Community Commission with a view to possible downward revision of quotas -- at a time when Commonwealth W.I. production is falling; (d) latest estimates of Barbados 1973 production place it well below its 1973 Negotiated Price Quota (110,000 long tons available for Negotiated Price Quota shipment as against a 1973 Negotiated Price Quota of 133,800 long tons); and (e) current EEC thinking quotas for Commonwealth Sugar Agreement countries should be negotiated on an *individual country basis,* thus discontinuing the practice of permitting one Commonwealth Sugar Agreement country to make good the short-fall of the other.