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Article — Digitized Version

Waiting list for associate members

Intereconomics

Suggested Citation: Waldberg, Klaus-Peter (1967) : Waiting list for associate members, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 02, Iss. 11, pp. 297-298, <https://doi.org/10.1007/BF02930545>

This Version is available at:

<https://hdl.handle.net/10419/137825>

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ing material capital goods in most cases have to be imported first from the industrial countries.

Moreover, care would have to be taken that the developed economies were not allowed to take defensive measures against this officially approved dumping. For otherwise it might happen that the importing countries, in order to defend themselves against this price cutting, would raise compensatory duties reaching the level of this "dumping margin". This is what would happen finally in such a case: The taxpayers in the developing countries would have to carry a heavier tax burden, which indirectly would be to the advantage of the treasuries and taxpayers in rich countries, without any possibility of enforcing additional foreign exchange proceeds. Certainly a paradoxical transfer of purchasing power.

The Alternative of Devaluation

Subsidies are somewhat problematical anyway. In less developed countries, however, the risk of a misuse is particularly great, as these funds might ooze away within the administration, or the receivers might use them for other purposes than had been planned. Therefore it would be preferable if the same

effect could be obtained some other way. This applies to a devaluation, since this device also creates better sales chances for the exporters. Simultaneously it produces another result, i.e. that foreign exchange demand of imports is rather declining. The taxpayers could be spared for the time being. There would be no need of a special administration and thus there would be no risk of corruption. Why not apply this instrument instead of persisting in subsidies to exports?

In fact such a solution of the problem would meet with incomparably smaller obstruction also on the side of the industrial nations. The developing countries' currencies are mostly overvalued rather than underrated. If instead one would change over to "realistic" exchange rates or even to a certain under-valuation, the foreign exchange control measures need not be maintained, as the balance of payments would be squared automatically. These were advancements that the developed economies would welcome heartily. The nightmare of "competitive devaluations", dating from the thirties, has lost its power to alarm in a time of overemployment and inflationary tendencies. Who knows whether or not the devaluation of the Indian Rupee of June, 1966, did not base on such ideas?

JOINING THE COMMON MARKET

Waiting List for Associate Members

by Klaus-Peter Waldberg, Hamburg

Considered superficially, one might almost gain the impression that EEC is like the magician's apprentice who can no longer control the spirits he has invoked. Only too often, in recent years, have complaints about trade policy from our partners in Europe and abroad been answered by referring to the opportunities to be derived from association with the Common Market. Now the applications are multiplying and Brussels will soon have to draw up a waiting list. Such a situation could become very unpleasant because the EEC—and in particular the Council of Ministers—does not appear to have decided on a clear method of procedure.

A Great Number of Applications

Right from the outset, 18 former colonial territories of France, Belgium and Italy in Africa were connected with EEC by means of an Association Agreement. After this has expired—the initial limit was 5 years—this Agreement was replaced by a second one at the request of the states concerned; these had meanwhile gained their independence. Following this pattern, an Association Agreement was concluded with Nigeria a year ago. After long negotiations, Greece and Turkey became associate members in 1964 and 1965 respectively. The last colonial territories of a few EEC countries—Surinam and the Dutch

Antilles, for instance—must also be added to the group of EEC associate members.

The number of candidates who would like to achieve a similar status is very large. Negotiations have been proceeding with Austria for some time. Sweden's, Portugal's and Switzerland's applications for associations have, in practice, been dormant since 1963, but if Britain's request to join is repeated, a renewal of these must also be anticipated. Finland, which has hitherto been associated with EFTA, would probably follow suit. In the past few days the Commission has received a definite mandate which allows it to negotiate in detail with Spain on the latter's desire to become an associate member, presented three years ago. It is also probable that final arrangements will now be made with the Maghreb States—Algeria, Morocco, Tunisia—which have long wished to become associate members. Israel wishes to replace its trade agreement with the EEC by an association agreement. Talks with the three East African countries—Kenya, Tanzania and Uganda—are at present in abeyance, but will certainly be resumed shortly. Only recently, Indonesia was almost granted an association agreement. It was apparently only at the last moment that the delegation which had travelled to Brussels to present Indonesia's application changed its mind about this project.

Compared with the countries which wish to join EEC, the group of associate members—or of those which wish to become so—is a very heterogeneous one. It embraces all those which either do not wish, or are unable, to accept all the comprehensive obligations of the Treaty of Rome. If these are broken down by "legal bases", the candidates can be divided into two groups. One group consists of those who wish to become associate members on the basis of Article 238 of the EEC Treaty, which offers this opportunity to all "states or groups of states". The other cites the Yaoundé "Declaration of Intent", even though this was not directed at them. Since the tariff preferences and financial support which the EEC grants its African associates has always been an object of criticism in comparable African, Latin American and Asian countries, the EEC governments stated, when the second Association Agreement was signed in Yaoundé, that other African countries might also accede to the Agreement or seek association to the Common Market in other forms. The Agreement with Nigeria was concluded on the basis of this declaration and the negotiations with East African countries were also initiated. Although Indonesia is not an African country, its projected application would have fallen into the same category. Greece and Turkey became associate members on the basis of Article 238. The Agreements with Austria, Sweden, Portugal, Finland and Spain would also be on this basis. The association applications by Israel and the Maghreb states would be treated as a sub-group under this breakdown.

Formal Problems of Association

Although the Common Market has been in existence for ten years, the whole issue of association still contains a series of unsolved problems, Article 238 in particular. It is still undecided whether association is only a preliminary step towards later membership—for countries whose level of economic development does not permit them to accept fully all the obligations contained in the Treaty of Rome—or whether this can be a permanent status. In the two cases which have been negotiated hitherto—i.e. Greece and Turkey—the Agreements have been formulated in such a way that they can be transformed one day into full membership. Since, however, full membership of EEC demands, sooner or later, a political engagement, the question arises whether, for instance, the neutrality imposed upon Austria by State Treaty or the traditions of Sweden and Switzerland are compatible with such ties. For these countries association would probably have to be a permanent status. It would be as well if EEC could take a clear line on this point, so that candidates know in advance whether there is any point in applying.

The second problem is that of the group of countries waiting to become associates. Whereas Article 237 states: "Any European country may apply to become a member of the Community", Article 238 says: "The Community may conclude an Agreement with a third state or group of states . . . which applies for associa-

tion." Thus it is clear that such association is not restricted to Europe. Experience hitherto has shown that if there were more pressure to join EEC, countries outside Europe might one day apply. Is it in accordance with EEC's main aim of achieving European integration, however, if it becomes the centre of a worldwide network of association agreements? Serious consideration should be given to this question.

No Restriction upon Association?

The objection that EEC is really a European community is the more true in view of the Yaoundé Declaration of Intent. The more so, if this—as can be seen from the example of Indonesia—is to be applied to developing countries on other continents. However understandable, for historical reasons, was the association of former colonial territories of EEC mother countries and however equally understandable the reasonable or imagined fear of discrimination by other producers of tropical products may also be, the question is still whether the continued association of "those excluded" is the only solution. A thorough examination should be made of whether it is not possible to find other ways of maintaining close ties with the 18 "initial associate members" whilst moderating the trade policy disadvantages for those remaining outside.

There are a further two arguments against continuing "unrestricted" association. Past experience shows that association agreements demand an enormous bureaucratic input and require a whole series of institutions in every individual case. Agreements have to be ratified by the national governments of member countries. In advance and during the negotiation phases, the opinion of other associates has to be canvassed about possible advantages or disadvantages. For current contacts, there is an Association Committee, composed of representatives of the Commission and of the country concerned. The supreme authority is the Association Council, composed of government representatives.

Of even greater significance is the following thought: in the nature of things, any new association agreement must necessarily decrease the advantage to the previous associates. Greece was already very sceptical about Turkey becoming an associate member. The tariff advantages for Nigeria were apportioned because of pressure from older associates. The more the EEC has to consider the interests of its associate members, the more inflexible it has to become with regard to trade policy vis-à-vis its other partners. On the other hand, every new associate increases the disadvantages for those remaining outside. The inescapable consequence of this would be a "run" upon EEC. Indonesia should be a warning. Thus the whole question of association entails a range of problems which EEC still has to tackle, since the current state of flux could easily lead to economic and political disagreements amongst our partners. No hope at all is often preferable to disappointed hopes.