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Partnership In The Making: The African Association Of The European Economic Community 6 pages

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Partnership In The Making: The African Association Of The European Economic Community

It has been a little more than a year since Britain announced her intention of seeking membership in the European Economic Community. Since then, African members of the Commonwealth have been debating whether or not to accept "association with" the Common Market as have eighteen other, non-Sterling Area, African states. If Nigeria, for example, does not join the Association, Nigeria will find many of her exports facing tariff barriers which will not be levied against goods from French-speaking Africa. In 1961, more than 30 per cent, by value, of Nigeria's merchandise exports were purchased by the six nations that make up the EEC. And if the UK had then been in the EEC, almost 75 per cent of Nigeria's exports would have been sold to the enlarged Common Market.

During the Commonwealth Prime Ministers' meeting in London this past September, the year of agonizing over this question came to an end for Ghana, Tanganyika and Nigeria when they caterorically stated that they would not seek associated status. Sierra Leone and Uganda, on the other hand, continued to mark time, torn by doubts, afraid that association means, at least, the continuance of economic power in the hands of Europe.1/

Just what is this Association? Why it came about, who belongs to it, why Ghana *et al.* have rejected it, and what it entails, is the subject matter of this paper.

Historical background

On June 1st, 1955, the Foreign Ministers of West Germany, France, Italy, Belgium, the Netherlands, and Luxembourg met at Messina in Sicily to discuss formally the extension of the common market for coal and steel. Less than two years later, on March 25th, 1957, the treaty creating the EEC was signed in Rome. This so-called Rome Treaty did not mention any integration or association of the overseas territories in or with the proposed community; although a question regarding these territories had been raised by France in the preceding year.

France had always had very close economic and financial ties with her territories--forming a rather closed and self-supporting commercial union. Furthermore, since November 1954 France had been waging a costly battle in Algeria. Indeed, it was during a debate at the UN over Algeria, in February of 1957, that the French Ambassador, Christian Pineau, unfolded a plan to "erect a large France-Africa whole, based on cultural, economic and strategic interests."2/ Once this "France-Africa whole" was created in the form of a large common market, France would have "vaster plans." These would consist of setting up what M. Pineau called "Eurafrica."

1/ In all likelihood, Uganda will not join. Only Sierra Leone, among the independent, former British African territories, will decide in favor of the Association.

2/ New York *Times*, February 5, 1957.

The EEC Treaty's Adjoining Acts were approved in Brussels on April 17th, 1957. By this time, France had let it be known that association of her overseas territories was a sine qua non for her ratification of and participation in EEC. Of France's partners, only Belgium then held onto important African real estate--the UN Trust Territory of Somalia was on the way to independence. Thus, it was not surprising that Germany, Italy, the Netherlands and Luxembourg showed little interest. In addition, Belgium--like France--was faced with international and judicial questions raised by the African Association of the EEC with regard to the Belgian Congo. The Congo Basin Treaties of 1885,[3] which affected the basis of the Belgian rule, imposed an "open door policy" on this territory. In other words, Belgium was bound by the treaty not to enact legislation that would discriminate against any nation in its trade with the Congo. Therefore, the Congo was precluded from levying preferential or discriminatory tariffs. She could, of course, impose nondiscriminatory import duties.

Could this be reconciled with the EEC Treaty which would automatically impose discrimination in favor of the six metropolitan nations? It was to solve this problem that an association was established instead of integrating the still non-independent African overseas territories directly with the Six. The Belgian Congo could now join, since the Brussels Acts did not force the Congo tariff policies to discriminate in favor of the Six. Therefore, no discrimination against third countries would develop in so far as the Congo Basin was concerned.

The Association, now including all of sub-Saharan, French-speaking Africa, with the exception of Guinea, plus Somalia, was based on two general principles. First, the products of the eighteen associated African countries would benefit from a gradual lowering of import duties and restrictive quotas by the Six, and their goods were to have free access into the Six at the end of the EEC twelve-year transition period, that is, 1969.

Second, the preferential systems which still existed in overseas markets in favor of mother countries were to be gradually abandoned during the transition period so that there would be equal access into all eighteen African national markets by each of the Six, as well as by the other seventeen African states. Obviously, French Africa was faced with having to make a gradual but fundamental change in its trade policy.

The investment fund

Because France gave in on this latter point, that is, the destruction of her system of preferences, France demanded and obtained the inclusion of an investment fund, officially the "Development Fund," in the Brussels Adjoining Acts. A financial pool of $580.25 million was created by means of contributions from each of the Six. France and Germany gave $200 million each, Belgium and the Netherlands $70 million each, Italy $40 million, and Luxembourg $250,000. This was to be used to finance (a) economic development schemes of general interest, and (b) social establishments such as hospitals, schools, scientific research institutes and centers for professional guidance and training. The total amount was in grant form, and was to be distributed in five years; $512 million being apportioned to French overseas

3/ On February 26, 1885, the General Act of Berlin was signed, marking the conclusion of a year-long conference that was convened for the purpose of staking out spheres of influence among the colonial powers in Africa. The 1885 treaties were confirmed in 1919 by the Treaty of St. Germain-en-Laye. The U. S., Italy, Japan, Britain, France and Portugal were signatories.

territories. In effect, France's European partners in the EEC were reducing France's foreign aid burden by $312 million. However, it was emphasized that the Fund was in addition to the traditional obligations of the metropoles.

Franco-African relationship

France, even to this day, continues to maintain close economic, financial, and, especially, political ties with most of her former colonies and trust territories. Thus, it was quite evident at that time, the French "would not have married the EEC and divorced the French Union."4/ France has been paying subsidized prices for most African staples, such as peanuts from Senegal, and these African nations have been buying French manufactured products in return. But more importantly, France was, and is, continuing to foot these countries' ever mounting investment bills; and at the time of the 1957 Brussels meeting, France estimated that her investment would have to increase two-fold by 1965. Thus, she finally concluded, it was necessary to take a second look at this overseas investment. French businessmen also feared increasing competition in French Africa from others, particularly in such items as pharmaceuticals, tires, iron and steel, motors, bicycles, automobiles, trucks, and electrical equipment. But on the other side of the scale were the advantages of a vigorously increasing market and a lessening obligation to provide a market for high-priced African commodities. So it was finally decided that the way out was to spread the burden on the shoulders of all six by opening French African markets to the others in return for help with investment.

The Economist at the time remarked that the partners of France "accepted the commitments as a sacrifice on the altar of European unity."5/ Still, the other five did get a French promise that Algerian expenditures--which were absorbing one-half of France's overseas investment (particularly oil and natural gas)--would remain strictly a French burden at least during the first five-year period. Moreover, Germany warned that only modest sums of German private capital might be expected at first, except for mining ventures. France, in turn, was satisfied with the promise of more investment capital in the future.

It does not appear that France's insistence upon securing entree into the Common Market for her African territories south of the Sahara was primarily due to importance of her trading relations with these territories. Excluding French North Africa, the French colonies and trust areas of tropical Africa accounted for only 9.5 per cent of France's exports and 8.75 per cent of her imports in 1957, the year the Rome Treaty was signed. And, on an absolute basis, imports from sub-Saharan, French Africa exceeded her exports to them by $55 million! It will be noted, for the sake of comparison, that French trade with the same countries during the first half of 1961 dropped to 6.95 per cent of her exports and 7.2 per cent of her imports. During this latter period, the absolute difference between exports and imports was less than $3 million.

However, the large French trading companies and the investments of French nationals in these territories, were, of course, vitally affected by the position that France took in her negotiations with the rest of the Six. In many cases, this trade was based on the exchange of goods at prices higher than those goods could have commanded in world markets. Exporters in the territories believed that they would

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4/ Hance, W. A., African Economic Development. New York: Harper and Brothers (for Council on Foreign Relations), 1958.

5/ Economist (London), October 12, 1957.

lose business if they were to lose their preferences in the French market. Exporters in France similarly feared a loss of trade if they had to compete in the overseas territories on equal terms with other countries.

Furthermore, association of French Africa with the Common Market would introduce the element of European competition. But presumably, this might pose less of a problem for the French than would eventual exposure to competition in the overseas markets from such countries as the UK, the United States, and Japan. Moreover, the association arrangement promised to give the French territories an advantage over other nonassociated producers of tropical products in each of the Common Market countries. This would widen the market for the produce of these associated countries and at a later date reduce the need for subsidies from France. The arrangement was further sweetened for France by the commitment of the rest of the Six to contribute significantly to an investment program in French Africa.

The future

During the first five years, the period ending December 31, 1962, when the Development Fund granted the requested help, it, as an agency, did not either administer or carry out the expenditures. Each African country, or in the case of a dependent territory, the administering country, remained in charge of its own general investment program.

During October 1962, in Brussels, the Fund's operation for the coming five years was worked out between the Six and the Eighteen Associated Members.[6] The latter are to receive $620 million in outright gifts plus an additional $110 million in the form of special advances and low-interest loans. Indeed, the European Investment Bank may very well step in to make the required repayments. This time, some of the total has been allocated to specified uses. Most importantly, $230 million of the total $730 million will be spent in diversifying the economies of those countries that are either dependent on a single cash crop, or on the present price privileges afforded by France--which will be liquidated in five years. Should the UK enter EEC, a contribution by Britain to associated Commonwealth members would, in all likelihood, be forthcoming.

Turning to tariffs, associated African countries are being treated generously by the EEC. They will not be required to abandon protective commercial policies in return for the elimination of the EEC tariff barrier against their goods. Indeed, the African lands may not only maintain import duties as now established, they can even increase their tariffs and/or quotas for either protective or balance-of-payment reasons, or both. It may be said that at least for those of the eighteen states outside the Congo Basin, the tariffs on goods entering the associated states from third countries need not be as low as those established against products from the EEC. The Rome Treaty and Brussels Acts were ratified, it will be recalled, before Belgian Africa received independence. Under international law the Congo and Rwanda-Burundi seem to have the right to reject obligations undertaken on their behalf by the former metropole. Yet it is doubtful that they will alter their traditional open door trade policy. In all cases, any external tariffs set up by the eighteen will treat each of the six equally.

6/ Presumably, ratification by the twenty-four parliaments will be accomplished during early 1963. West Germany, though, is making it known that she will reconsider her position if Mali carries out the establishment of diplomatic relations with East Germany.

As originally planned, by the end of the twelve-year period the EEC would allow free entry to tropical products from the associated African countries while imposing duties, as shown in the table, on these same commodities coming from other countries. These were to range from 9 per cent for cocoa beans and 16 per cent for coffee, to more than 20 per cent for tea, rubber, cocoa butter, and tobacco. Recently, at the urging of India, the duty on tea has been reduced to zero, as has the impost on rubber; and the prospects are that cocoa and coffee may drop to 6 3/4 and 12 per cent, respectively. Also, peanuts, palm kernels, hides and skins, and most unprocessed minerals, may also go the way of tea. Still, such important items as vegetable oils, alumina, bananas, and tropical sawn timber will all face 10 per cent or more. Additionally, the twelve-year span has been shortened so that the EEC import duties on tropical products from the associated states in Africa will be abolished by January of 1965.7/

EEC Common External Tariffs (cxt's)

Commodity	Tariff (per cent)	Comment
Bananas	20	May be reduced to 15
Cocoa beans	9	Will be reduced to 6 3/4
Cocoa butter	22	
Cocoa powder	27	
Coffee	16	Will be reduced to 12
Cotton	0	
Palm oil	9-14	(Palm kernels 0)
Peanut oil	10-15	(Peanuts 0)
Rubber	0	
Sugar	0-125	(Final cxt not determined)
Tea	18-23	Will be reduced to 0
Tobacco	30	
Tropical logs	5	
Tropical sawn timber	10	
Hides and skins	0	
Alumina (processed bauxite)	11	
Unprocessed minerals	0	

7/ In order to analyze the exact effects of these preferential duties on a non-Associate's exports to the EEC, it would be necessary to examine a host of factors. For instance, consumer preferences and internal taxation are particularly important with respect to coffee consumption in West Germany. Germany, traditionally, has purchased arabica coffee from Latin America for the great majority of her coffee consumption. The 12 per cent coffee tariff facing coffee from nations outside the Association could (1) increase the rate of the relatively low but slowly increasing consumption of instant coffee /from African robusta/, and (2) aid the arabica growing areas of East and Central Africa. Yet, it must be added, since coffee in Germany faces a high specific tax (D. M. per kilogram), at the retail level the 12 per cent duty would represent only a minor portion of the purchase price.

The outsiders

In view of the apparent advantages of affiliation, why have Ghana, Nigeria and Tanganyika voluntarily chosen to place themselves in the same boat as other underdeveloped producers of tropical commodities, such as India, Pakistan, Ceylon, and Latin America? The Economist /now supporting the Macmillan government's effort to enter EEC/ recently commented that "this was an extraordinarily generous offer, proffering them /that is, Commonwealth Africa/ inalienable rights of free entry for their goods without any political ties."8/ Truly, this was a chance to have one's cake and eat it too. The reasons for rejection of this offer are primarily political.

It should be remembered that few African leaders are trained in economics, and that colonialism has always dominated the relations between the two continents. Since former French Africa continues to be economically dependent on France and usually votes with France in the UN, many English-speaking Africans have been suspicious of or hostile to this new relationship. With insufficient knowledge of the treaty, and no participation in either the original European Common Market treaties or the recently concluded Brussels negotiations on the Development Fund, they have not accepted the claims many of the proponents of the new age of "Eurafrica" make. They see this as a last effort by the metropoles to hang on to a position in Africa that has rapidly decayed on a large scale during the past decade.

Then there is the desire of the Commonwealth African nations to remain neutral or non-aligned, as the case may be, and so outside the Cold War. Political factors often override sound economic arguments. In this case, probably the paramount bugaboo as seen by English-speaking Africa is the fact that each of the Six and Britain are members of NATO. How, they ask, can they associate with the main continental NATO powers, receive economic aid and preferential treatment from them, and then remain neutral in the world forum?

It should be mentioned at this juncture, that although the Commonwealth Africans have either voted "no" or abstained, as it were, the EEC has not, at Britain's behest, closed the door to an eventual about-face by any of them.

Final assessment

Africa supplies the Northern Hemisphere with a host of products from cobalt, manganese, uranium, diamonds, and gold to tropical woods, palm produce, peanuts, tobacco, and coffee. Europe, in particular, is dependent on Africa to a large degree for these items. This has always been highlighted during wartime. Africa, in turn, requires aid--financial, technical, educational, and administrative--to raise the standard of living of its people and to develop its potential. Each continent has something to offer, and partnership is a long way from a colonial relationship.

This Association once more concerns Germany and Italy with happenings in the continent to the South. In 1918 Germany, it will be recalled, was shorn of Southwest Africa, Togoland, the Cameroons, Tanganyika, Rwanda and Burundi; and since 1940 Italy has lost Libya, Eritrea, Ethiopia and Somalia. This Association gives Germany and Italy new responsibilities at a time when the US has been urging them to increase their contributions, in grants and loans, to the development of underdeveloped areas. However, the U.S. does not condone the preferential treatment given to Africa vis-à-vis Latin America and Asia.

Finally, it should not be forgotten, that Mediterranean Africa as well as Liberia, Sudan, and Ethiopia have not been offered associated status. If this Association is to be, in reality, the first step towards a multilateral organization for the extension of technical and economic assistance to Africa they cannot be forgotten.

8/ Economist (London), October 6, 1962.