
A DIGEST OF NEWS AND VIEWS ON BRITAIN'S ECONOMY AND OUR ROLE IN OVERSEAS TRADE AND PAYMENTS

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INTRODUCING

## BRITAIN AND OVERSEAS

The late nineteenth and early twentieth centuries saw a great expansion of British business activity overseas. Plantations, mines, industries and distributive trading formed the basis of this world-wide sphere of interests, added to which a net-work of commercial and banking institutions provided the means by which much of the trade of the world was carried out. Despite many changes, these are still an essential element in world trade and commerce.

It is with this aspect of Britain's policy that our new journal will largely concentrate. We believe that there is too little understanding at all levels of the immense value of this connection, not only to the British people, but to the world as a whole. The role of sterling as a means of payment in trade, the contribution to our balance of payments of invisible earnings, the major proportion coming from our traditional trading partners, the stability which such arrangements as the Commonwealth Sugar Agreement gives to the developing countries, all these are at stake if we selfishly narrow our interests.

Although there have been several sterling crises since the end of the last war, the City of London has continued to expand its international business and hence its earnings. The contribution made to our balance of payments at the last reckoning was nearly £350 million and this has steadily increased over the years from £156 million in 1956. It should be noted that in 1969 no less than sixty-eight per cent. of these invisible earnings came from the sterling area, North America and EFTA, while only fourteen per cent. came from the countries of the EEC.

In insurance and shipping London is still pre-eminent. Lloyd's and other insurance companies continue to do more international business than their foreign rivals. Between half and two-thirds of the world's shipping fixtures are done on the Baltic Exchange. Our banking net-work is today by far the largest in the world: British banks have over five thousand branches in all parts of the world compared with New York banks which have just over three hundred. World prices for many leading commodities are provided by our commodity markets.

So much has gone wrong in the post-war period. We have underplayed our strength as a large market. We have eroded confidence in our currency by inflation. We have encouraged the slacker and discouraged those who want to do a good day's work, thus under-mining individual initiative and responsibility. The young have too often been taught to despise the great contribution which our country has made to peace and stability in the world. All these mistakes and others must be rectified by a better understanding of our past and our future role in the world.

Our aim is to contribute to this understanding. We intend to show how the proposal to join the European Economic Community if undertaken under the inward-looking terms of the Treaty of Rome will damage irretrievably Britain's world-wide overseas connections. This is not to say that we advocate turning our backs on our European partners, but our belief is that we can best serve them as well as the Commonwealth and our other traditional partners in trade by preserving and strengthening Britain's world-wide overseas connections.



## MESSAGE FROM SIR DENIS BLUNDELL, K.B.E., HIGH COMMISSIONER FOR NEW ZEALAND

*I am especially happy to add my good wishes for the success of the new publication "BRITAIN AND OVERSEAS". This is so because I endorse so fully what I understand to be the basic policy of explaining to the public why it is so important that Britain's world-wide interests and influence should continue.*

*There are many who believe that unless Britain joins an enlarged European Community her economy and her influence upon world affairs will drift inexorably from a still prominent place on the international stage into the wings. My own feeling is that this does less than justice to the lessons of your history and to the qualities of your people. Be that as it may, what I firmly believe is that if as a consequence of so joining or indeed from any other cause Britain relinquishes her traditional position as a country with many interests and other less tangible ties throughout so many parts of the world, her decline is indeed inevitable. This would be a sad loss to her people and to mankind.*

*Down the centuries the British people have aways looked and moved beyond the confines of their small islands. Sometimes this has been due to the spirit of adventure or desire for greater freedom for the individual. The demands of war, the search for increased trade and wealth or the urge to acquire new territories, have all also played their substantial parts. Yet whatever the initial motives the passage of time has the result today that the British race, British institutions, British trade and British influence are to be found in very many countries throughout the world. Relatively, of course, the influence of Britain herself has declined, but it is still great and indeed to such an extent that if she turned away from these traditions her people and millions of others would suffer.*

*These consequences are by no means inevitable should Britain join an enlarged Economic Community. Yet it would be foolish to ignore that such a far-reaching change in her policies must bring about substantial changes in her ties with her Commonwealth partners and many other countries. It is all the more important, therefore, to ensure by positive action, both within Britain and in these other countries, that Britain's traditional and, I believe, necessary position as a country with international interests remains.*

*This is where organizations such as the Commonwealth Industries Association and publications such as "BRITAIN AND OVERSEAS" can make such a significant contribution. I certainly wish them well.*

*New Zealand High Commission,*
*LONDON.*

## BRITAIN'S OVERSEAS TRADE

No-one denies the importance of overseas trade to Britain and to its continued prosperity. Those who see our future in terms of closer ties with the European Economic Community seem to overlook the fact than no less than 80 per cent. of our trade is with countries outside the EEC, and that these are nations with the greatest potential for expansion. Canada, Australia and South Africa are among the fastest growing markets in the world and are numbered among our six biggest export markets.

The actual figures of imports and exports in 1969 illustrate the position:

**Exports**

| | |
|---|---|
| Commonwealth and Sterling Area | £2,331 million |
| United States | £905 million |
| EFTA | £1,076 million |
| EEC | £1,521 million |

**Imports**

| | |
|---|---|
| Commonwealth and Sterling Area | £2,908 million |
| United States | £1,129 million |
| EFTA | £1,247 million |
| EEC | £1,609 million |

If Britain joins the EEC it is clear that we shall be required to accept the common external tariff and common agricultural policy. This will mean that we shall have to discriminate against imports on an important range of commodities from the non-EEC area. Equally, as a result of diverting imports from our traditional suppliers, they will have to restrict imports from us. Thus, we are bound to experience a serious loss in exports to countries with whom we have close and mutually beneficial trading relationships.

An estimate made by the Commonwealth Producers' Organisation shows that taking only Canada, Australia and New Zealand the aggregate loss to British export trade would not be less than £200 million per annum. If the loss on our invisible earnings is added this total might be increased to between £250 and £300 million for these countries alone. It should be recalled that more than £1 in every £3 Britain earns from abroad comes from "invisible" transactions. These are mainly earnings from services such as transport, tourism, banking and insurance, and interest received from investment from overseas. It is the growth of this invisible surplus which has contributed to our improved balance of payments position.

Common-sense would seem to require that some very careful calculations should be made before advancing into an arrangement which will have such vast repercussions on Britain, not only in regard to our overseas trade, but in many other areas of our daily life. Attempts to obtain any estimates of the loss to our export earnings which might arise from our joining the EEC have proved abortive. Mr. Rippon, the Minister in charge of negotiations, told the House of Commons:

> "At this stage any estimates of the extent of changes in exports from Commonwealth countries to the U.K. in the event of Britain entering the European Communities must be speculative. Calculation of any consequent reduction in



> Britain's exports to Commonwealth countries would be even more speculative."

Referring to the unique trading relationship between New Zealand and Britain, Sir Denis Blundell, the High Commissioner, said:

> "It has been to our mutual advantage, we have given you good food at relatively low cost and we have bought all sorts of things from you. We would like this to continue, but it will not continue unless we get these safeguards. We just would not have the money to spend."

This will be the dilemma of all those countries whose exports to Britain will be threatened by the diversion of trade which would inevitably follow our joining the Common Market. "They will just not have the money to spend" on buying imports from Britain. Unless it can clearly be demonstrated beyond all doubt that our exports to the Common Market countries can be so expanded to offset the undoubted loss in our traditional markets it would be fatal for Britain to proceed with the present negotiations.

## FEDERAL BUDGET SYSTEM ADOPTED BY EEC

An event of considerable importance in relation to Britain's application to join the Common Market took place on 1st January 1971. The ratification of a decision to change over to a federal-type budget system was announced by the Council of Ministers in Brussels on 30th December, just two days before the deadline. This change in the financing of the Common Market institutions means that member states will give them fully-automatic and independent financial resources. This will be a gradual process to be finalised by 1978.

The new rules will mean that member countries will, as an automatic process, contribute to the federal budget the proceeds of their levies on food imports, customs duties on industrial imports, and up to one per cent of their receipts from the value added tax.

This new development presents considerable difficulties for the British negotiators to overcome and may present a major stumbling block to final agreement. As things stand, Britain's contribution would be very considerable, estimates put it as high as £468 million by the time the new regulations become fully effective. By far the greater part of these contributions, some 95 per cent, are devoted to financing the agricultural system of the Common Market. This benefits France with its large agricultural sector, but Britain with its relatively small but highly efficient farming community would find itself with a large bill to pay and little coming in return.

The British negotiators have made the proposal that our share of the budget should be gradually built up to between 13 and 15 per cent over the first five years of membership. A further three years of "correctives" should be allowed so that our payments could not rise or fall by more than two per cent of the previous year's figures. A safeguard mechanism is also proposed to allow for a review to take place should the costs be too great and thus cause a strain on our balance of payments.

The French, who are clearly the main beneficiaries of this arrangement, have not shown any great readiness to meet the British point of view. Their own proposal is that Britain should contribute 21.5 per cent and they are opposed to any safeguard mechanism. They have said that they would expect us to reach the fully automatic stage in only five years.

Obviously the French attach great importance to these new financial provisions, so much so that they threatened to hold up progress in other Common Market activities if the deadline of 1st January, 1971, was not met; however, the other five members of the Common Market take a more flexible view of the period of adjustment; they have suggested a period of eight years instead of the five proposed by France.

The important question which the British people should put to their representatives in Parliament and through them to the Government is whether Britain should be prepared to join the Common Market when the costs of entry are clearly so great while the benefits to the majority of the British people are so nebulous?

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## THE COMMONWEALTH SUGAR AGREEMENT

Speaking at a private meeting at the House of Commons, Lord Campbell said, for most of the countries in the Commonwealth Sugar Agreement, sugar is their most important generator of employment and a critically important earner of foreign exchange. The Agreement, which has stood the test of nearly twenty years, depends upon continuing access to the British market for agreed quantities of sugar at prices reasonably remunerative to efficient producers.

It has underpinned the enconomies and societies of a number of developing countries and it has given to the British housewife assured supplies of sugar at lower prices than those paid by any other major developed country.

Morever, it has been reconciled with the development of a British beet sugar industry which is both agriculturally and economically highly efficient.

All concerned: the British Government, the British housewife, the Commonwealth Sugar Exporters as well as the British beet industry must surely want to save as much as possible of this sensible and constructive system.

### If Britain Joins?

If Britain were to join the EEC without special provisions, what would happen?

According to the White Paper on the cost of entry, the Community spent £126m. on the support of sugar in 1968/69: £55m. for supporting the external market and £71m. on **restitutions** (for which I think the English is "export subsidies").

As a result, there is no access for the traditional exporters of cane sugar (except for the Overseas Departments of France); furthermore, the subsidised exports of the Six erode and weaken the free market on which cane sugar exporters have to sell much of their unprotected production.

The results for sugar of British entry if (to use the words of the White Paper) "no allowance is made for the fact of negotiations on the terms of entry" would be this: European surpluses would flow into



Britain; such supplies of Commonwealth sugar as may be required would be imported at the price on the fluctuating, residual and largely irrelevant so-called world market—usually at prices below everybody's costs of production; Britain would have to raise a levy to bring the world price up to the Community price and pay the levy to the European Agricultural Guidance and Guarantee Fund. **In short, the sufferers would be the British Exchequer (which would pay large sums across from the balance of payments in levies and budgetary contributions); the Commonwealth Sugar Exporters, who would lose on both quantity and price; and the British housewife who would pay a great deal more for her sugar.**

On the most conservative estimate the price of sugar in the shop would go up from 9d. to 1s. 1d. a lb.

### Return to Chaotic Conditions

Nor is this the end of the trouble. International sugar agreements cannot survive the disappearance or multilation of a special arrangement. When Cuba was thrown out of the US market, the 1958 international agreement broke down. A new agreement was not negotiated until 1968. This agreement is one of the very few international commodity agreements in effective operation. The EEC has repeatedly refused to join it. If the CSA is terminated or if it is severely cut back or if a major exporter is ejected, the resulting gap will be filled by increased domestic production in the Community. In other words the total outlet available for cane sugar will be reduced and the Commonwealth sugar refused by the Community will have to fight for a place in the world market. The carefully balanced international quota structure agreement could not take this strain—and the world sugar market would return to the chaotic conditions of the early sixties.

Lord Campbell posed the question—is it possible to find a way out of the conflict between British and Commonwealth interests and the rather odd rules of the EEC game?

Yes, if Britain is prepared to be firm and the Six are prepared to be sensible. Although the Six have a surplus of sugar, the enlarged Community of Ten would have a deficit.

Briefly and over-simplified, the figures are these:

The EEC's present surplus is of the order of 1 million metric tons. The Commission suggests that it should be not more than 600,000 tons.

Consumption in the EEC is rising at rather more than 100,000 tons a year. The four candidates have a consumption of about 3½ million tons and a production of under 1½ million.

Allowing therefore for a moderate increase in United Kingdom beet acreage and the growth of consumption in the Six, there could be room for Commonwealth quotas of approximately 1¾ million tons by the time Britain joined the Community.

This is what **could** happen if the Six have the goodwill and the good sense to restrain production. But what would happen if they let their present regulations work untrammelled?

The regulations fix basic quotas at 6.48m. tons—rather more than the present level of consumption. Up to 105% of the Community's **consumption** producers have a full guarantee of price and market. Up to 135% of **quotas** the producers are guaranteed a market (the sugar being exported or denatured for animal feed and industrial use or taken into stock), but only a partial gurantee of price since sugar factories have to pay a production charge on excess sugar and beet growers get a lower price.

But it should be noted that the guarantee of market and full community price is not directly related to quotas but to community consumption. Therefore in an enlarged Community the domestic producers would have a market and price guarantee for the whole of the enlarged Community's consumption. There would therefore be a great *incentive to expand production* to fill the market, and Commonwealth sugar would inevitably be sqeezed out of the enlarged Community.

In September, Britain submitted to Brussels a factual paper on this aspect of the negotiations. This paper was promptly leaked in Brussels. It pointed out that in the 1969 sugar season—admittedly a good one—the Six had a surplus of 1.2 million tons. If there had then been a Community of Ten, there would have been room in it for not much more than ½ million tons of Commonwealth sugar—a loss of access of over 1 million tons. The British paper proved beyond doubt that if the British Government is to honour its obligation to protect Commonwealth sugar, a special arrangement must be negotiated. Such an arrangement would necessarily be an exception to—or as the Six would say, a derogation from—the CAP.

To give satisfactory protection to the Commonwealth Sugar Exporters it would have to be a continuing arrangement covering specified quantities (present negotiated price quotas) at reasonably remunerative prices.

I suppose the conflict will come between the people who want to use the Common Agricultural Policy and Britain's entry to enable European surpluses to assail the British market and those who want to use British entry to bring some sense into the Common Agricultural Policy and to turn the Community from looking in to, at least partially, looking out.

### Britain's Balance of Payments

You can argue that the British balance of payments suffers to the *extent that sugar is imported from* **anywhere** *into Britain*, as against being grown as beet in Britain.

But the British beet industry themselves recognise real limits to their own expansion. They don't want—as I understand it—to invest in expensive new factories to buy beet from marginal and unsuitable land. This would change them from being highly efficient, relatively low-cost producers into being no better than some of their European neighbours.

What, however, no one can argue is that the balance of payments would be better served by importing European beet refined sugar as against Commonwealth raw sugar. This, incidentally, would destroy the great British refining industry by removing its supplies of raw sugar and lose to Britain the refining margin and a great deal of freight.

I reckon that the balance of payments would be better off if the essence of the Commonwealth Sugar Agreement were retained by something of the order of £30m. a year.

(The calculation of £30m. is based on the sum of:



(a) The difference in value between raw and refined Commonwealth sugar;

(b) Freight, insurance and marketing elements in bringing Commonwealth raws to the United Kingdom, mostly in British ships.)

**Lord Campbell concluded—if our negotiators were hell bent to get into Europe and took the line of least resistance before the theology of the Common Market and the French insistence on exploiting it to their own advantage, the people who would pay the price for Britain's easier entry would be Commonwealth primary producers (many of them already desperately poor) and British housewives and our balance of payments and our refining and shipping interests and British exporters.**

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## COMMON EUROPEAN CURRENCY

It is unusual, to say the least, to find a number of economists agreeing with each other on a particular economic topic. It used to be said that if twelve economists met to discuss a problem and one of them was the late Lord Keynes, there would be a least thirteen opinions! It is all the more interesting, therefore, to find on one important issue now before us that a number of economists have joined forces to express their opposition to Britain becoming involved in the proposal, now under consideration, *to establish a common European currency*.

Appropriately enough, this view was expressed in a letter which "The Times" published on Wednesday December 23rd. Four economists at Southampton University stated their views in no uncertain terms. They said:

"No competent economist believes that the modern world can operate on fixed immutable exchange rates between various European currencies. There is dispute about whether rates should be a crawling peg or whether currency depreciation should remain an instrument of policy, but nobody believes that rates can remain unchanged for ever.

It is therefore with feelings which can only be described as astonished dismay that we observe that the United Kingdom may be in the process of supporting a political agreement which would, if its terms were honoured, imply that exchange rates in Europe could never again be adjusted. We refer, of course, to the Werner proposal for a common currency for the European Economic Community."

The letter goes on to suggest that: "What we should undoubtedly see with a common currency would be the emergence of depressed areas on a massive scale. The resulting economic disorganisation will affect not only the common currency area but the rest of the world. This in *turn implies that industry located in areas with fewer national* advantages will be unable to compete. In the past, areas with fewer national advantages have survived and prospered because local currencies and flexible exchange rates have allowed them to trade. Throwing away this mechanism is comparable to a motorist throwing away his steering wheel because effort is required to turn it.

What is most disturbing of all about the Werner proposal is the total lack of any discussion whatever of its likely economic implications. With the knowledge of hindsight it is possible to attribute the massive unemployment of the twenties and thirties to the work of the Cunliffe

Commission, or at least to the obsession with the Gold Standard which inspired its findings. It could well be that the Werner Commission with its equally powerful vision of a united Europe will generate a catastrophe of even more awe-inspiring dimensions."

The forthright views expressed in this letter were powerfully augmented by a further letter published in "The Times" on Tuesday, 29th December. This was signed by no less than seven economists at Kent University. It said:

"We should like to endorse fully the sentiments of our colleagues at the University of Southampton on the matter of a common European currency. We hold divergent views on the general desirability of entering Europe, but we are unanimous that to join a union with a common currency would be against Britain's long run interests. In particular, the possibility of Britain becoming the Jarrow of Europe, and being unable to do anything about it, is not attractive."

We have been warned!

## WHOSE INDIAN OCEAN?

*by John Biggs-Davison, M.P.*

The question of arms for South Africa has been compared with that of Suez. That supreme fiasco facilitated (though it did not initiate) Soviet penetration of the Arab world. Similarly, it is argued, to outrage African opinion by an arms deal with Pretoria would drive Commonwealth and other Black African states into the Russian embrace.

One may find resemblances between the two affairs from another standpoint. In both cases there have been shilly-shallying and pussy-footing and much moralizing not only from those genuinely troubled but by those who care not for British interests, or care only for their destruction.

Moreover, in both cases those responsible have played the dangerous game of "playing it long" and giving world-wide opposition time to mobilize. To resume arms sales to South Africa was no sudden decision of which no notice had been given. It has been Conservative policy before, during and since the General Election. Even the Socialists when in office continued to supply spares, military equipment and live ammunition for South African ships and to hold joint naval exercises. They handed over to the South Africans more responsibility than had any Conservative Administration for the protection of the Cape waters and Lord George-Brown has made it clear that there was Cabinet opinion in favour of dropping the arms ban. The contrary policy having prevailed, Mr. Heath, as Leader of the Opposition, condemned it as "damaging to our national interest in finance, in trade and in defence" and pledged the Conservatives to "reverse it".

### Western Europe's Economic Hinterland

Since Suez, Russia has been as much the master of Egypt as ever Britain was in the days of Cromer or Killearn. The Soviet straddles the junction of the Middle East with the Mediterranean, of Asia with Europe. The Red Fleet flaunts the Red Flag in the Red Sea. Russian marines have landed in Socotra and a Russian harbourmaster directs in its desolation the great port of Aden, for which British soldiers died.

The real issue at Suez was not the Canal. Similarly, what is at



stake for us in South Africa is more than the Cape, vital though this is as an artery of Europe. Britain has vast interests in the minerals and markets of the Republic which is a leading trading partner, and in Southern Africa as a whole. South Africa boasts the only modern industrial complex south of Milan. Here is Western Europe's economic hinterland.

Southern Africa, moreover, affords us defence in depth. With the possible exception of France's Djibouti, Portugal and South Africa possess the only African bases and air facilities upon which the West could count in war. No other state in Africa has offered, no other state in Africa could offer, any substitute for Simonstown. Without Durban, and indeed without the hospitals of Mozambique, the Beira patrol would at times have been in sorry state! United States and French tracking facilities are provided by South Africa.

What the South Africans wish to import are not the means of hunting down "freedom fighters" or of subduing riotous Bantu. They are fully capable of manufacturing these at home. What they would willingly buy from British factories and shipyards at a time of record post-war unemployment in the United Kingdom are fast coastal patrol vessels armed with surface-to-surface missiles, technologically advanced sea reconnaissance aircraft, naval helicopters and up-to-date and in particular electronic gear for the South African Navy.

When, however, British Ministers accompany ritual anathemas of *apartheid* with assurances that arms to be supplied in fulfilment of the spirit, if not the letter, of the Simonstown Agreement will be for external, maritime defence, the critics, far from being discountenanced, speak either of a nuclear exchange or of fleet actions and all-out war between super-powers and dismiss the supply of a few British frigates, aircraft and munitions as derisory and irrelevant.

### Subversive War

That, however, is not the strategic case. Predictions of the nature and course of a future war are likely to be wrong. That is the only safe prediction. But, while nuclear stalemate persists, and therefore super-power paralysis, the main instrument of Communist expansion and indeed the war that is already being waged is subversive war or war by proxy.

Moscow and Peking are agreed at least in this: that what, in Marxist double-talk, are termed "wars of liberation" must be sustained and spread. In the Mediterranean the Russians, unlike the United States' Sixth Fleet, have no carriers, whereas the Russians, unlike the Americans, possess surface-to-surface missiles with a range of 90–100 miles. This, it appears, enabled the Soviet-Egyptian missile line to be moved forward with impunity towards the Canal and the Israeli defence line.

According to the Commander-in-Chief Allied Forces Southern Europe, the Russians have taken a leaf out of the Western book.

> " . . . naval ships (he told the Press) can be important instruments of policy because they actually constitute territory of the country whose flag they fly. So a Russian ship in a foreign port is a bit of Russia in that port and this is a matter of showing the flag and indicating power."

The terrorist operations against Southern Africa have so far been beaten back. They have no roots in the masses. Yet the submarines, surface ships, aircraft and naval infantry of the Soviet Union, with the Russian fishing fleets as an intelligence service, may in future—the near future, if the Canal is re-opened—"show the flag" and "indicate power" (to use the American Admiral's words) and give more potent reinforcement to those they call "freedom fighters" than any they receive from the Labour Left, the United Nations and the World Council of Churches.

### Differing Opinions

We are warned that to sell arms to the Republic will lose us trade north of the Zambesi. But there are different opinions among O.A.U. governments. Malagasy supports the sale of arms; and the Foreign Minister of Mauritius said that " . . . we cannot ask Britain to look after our defence and then take away the means of doing it". Likewise, President Banda of Malawi prefers that Britain should arm South Africans rather than that he should "see the body of water between Gibraltar in the West and Bombay in the East become a private swimming pool of a hostile nation". More responsive to the leadership of France, who is supplying three submarines to the South African Navy without prejudice to her African diplomacy, than is Commonwealth Africa to that of London, a number of *Francophone* States, notably the Ivory Coast headed by President Houphouet-Boigny, are seeking to open a dialogue with the "outward-looking" Republic of South Africa. Dr. Busia of Ghana is showing similar signs.

### Trade With South Africa

However this may work out, we should distinguish between our trade with South Africa and that with the rest of Africa, with which Britain has an unfavourable balance of £156 million. Between January and October 1970, however, United Kingdom exports to South Africa were worth £269,416,000 against an import bill of £221,437,000. The corresponding figures for the previous year were £239,348,000 and £254,745,000. Furthermore, despite sanctions against Rhodesia, the Beira blockade and the refusal of arms to South Africa, our investments are respected south of the Zambesi, whereas from there northwards, and from Algeria to Zambia, the nationalization of British enterprises is the order of the day. If, moreover, African states banned trade with Britain, they could not expect further British aid. At present about half that provided by the United Kingdom goes to Commonwealth countries and in the financial year 1969–70 it came to £219 million, of which £73.6 million was allotted to Africa.

Britain did not interfere, or even protest, when Tanzania accepted Chinese Communist arms. The treatment of Asians in Kenya does not bar the supply of British arms. While welcoming the help of all in Africa who stand against common dangers, we have the right, and the duty, to sell South Africa, an indispensable ally, what she needs to defend herself and us.



## FREE TRADE TREATY PROPOSAL

In a dramatic statement issued in Washington on September 18th over four thousand leading American economists urged a free trade area approach to the further liberalisation of world trade, indicating growing American interest in the proposal for a multilateral free trade treaty among developed countries that has been the subject of studies in Britain, Canada, Japan and the United States. In the statement it is emphasised that under the arrangement the developing countries should have access to industrial markets at least equal to that of the developed countries.

Among the first signatories of the manifesto, entitled **An Appeal for Freer World Trade,** are all those who were chairmen of the Council of Economic Advisers in the Truman, Eisenhower, Kennedy and Johnson administrations.

The manifesto was drawn up by officials of the Committee for a National Trade policy in conjunction with Paul H. Douglas, the former Senator from Illinois, who in the mid-1960s was one of the early proponents of a free trade treaty solution to the contemporary problems of the world economy.

The Manifesto concludes:

> "We urge the earliest enactment of the Administration's interim trade bill as the barest minimum to continue the nation's avowed freer-trade policy in meaningful form. Beyond this, we believe the time has come for a new U.S. initiative in both the foreign and domestic dimensions of trade policy.
>
> *(1) In foreign policy, the time has come for a U.S. invitation to all the industrialized countries of the Free World to come forward with their own initiatives on how all the advanced countries together might program the dismantling of all their artificial trade barriers and distortions in accordance with a realistic timetable and the rules of the General Agreement on Tariffs and Trade. The determination of the United States to explore and, consistent with our national interest, to chart a definitive and truly reciprocal course to free trade with as many industrialized countries and regional communities as wish to take this route should be clear and convincing. The need for at least equal access to these markets by the developing countries should be adequately and appropriately recognized. Industrialized countries and regional communities not participating in such a* free-trade area *should (for as long as they remain outside) expect to be denied equal access to the markets of those who do. The ultimate inclusion of all industrialized members of the General Agreement on Tariffs and Trade in such an agreement should be a priority objective of U.S. trade policy.*
> *(2) In domestic policy, the time has come for an adjustment program ensuring orderly, constructive government attention to the adjustment problems and needs of industries, workers and communities seeking and needing government help against foreign competition. Workable escape-clause and adjustment-assistance provisions of the trade legislation, to deal with emergency situations, are essential components of such a program."*

## A CALL FOR A FREE TRADE INITIATIVE

*Extract from an address by David J. Steinberg, Chief Economist of the Committee for a National Trade Policy, Washington, D.C.*

We are greatly concerned over the European Common Market's agricultural policy and other tendencies of the Community toward regional nationalism (or nationalist regionalism). The Community's growing web of special arrangements with other countries poses increasing disadvantages for U.S. exports competing in the EEC market with exports from those countries. Yet we have no strategy capable of substantially liberalizing the EEC's external trade policies—no strategy, that is, other than retaliation to maintain our credibility and self-respect, and hope that retaliation will deter the Community from such practices. There is no impressive evidence that these tactics have worked in the past.

We cannot confidently expect to get the Common Market's agricultural import barriers de-controlled—short of revolt of its own consumers and taxpayers—without offering to reform our own agricultural policies and their closely related import restrictions. There seems no chance of this except as part of a comprehensive, dramatic trade-policy initiative of the scope and drama of across-the-board free trade. Agricultural reform is not just a price to be paid at home for export expansion abroad. The trade-policy objective would be the occasion for a domestic policy reform that is long overdue.

A free-trade initiative would also be the policy device to prise the Japanese from their appalling protectionism. Our determination to go free trade with as many industrialized countries as care to go this route —and not to be deterred by the refusal of any countries or regional communities to participate—would have a sobering effect on any governments likely to baulk at such an initiative.

## A UNIQUE INSTITUTION

*An extract from the speech of H.R.H. The Prince of Wales at the Annual Conference of the Institute of Directors*

" . . . By travelling to various countries I know I have learnt a lot. In Japan, for instance (and that does not yet belong to the Commonwealth!) I slept on the floor, ate on the floor, bathed on the floor, and ended up crawling all over the floor. But I learnt about Japanese habits. In New Guinea which, for those who do not know, is north of Australia, I slept in a native hut occupied by man-eating spiders and acid-squirting caterpillars, and had traumatic experiences with the local thunder-box. I believe they once lost a missionary down one. I gained experience of other people's ways of life, and I could appreciate them, I hope, if they adopted them here.

I personally think I am fortunate, indeed privileged, to have experienced these things, and that is why I am so keen that my good fortune should be extended to as many other young people as possible.

Now negative attitudes are always dreary and to be avoided, but they are also regrettably nice and simple to operate. Negative atttiudes tend to be destructive for their own sake, and very rarely offer a suitable alternative. It is not humanly possible to create another Commonwealth. It is unique in the history of mankind, a group of countries, previously colonies, voluntarily choosing to remain within some kind of a union. Either we are all mad dogs of Commonwealth men, or it is a rather bad joke.

Is a European union an adequate substitute? No, it would probably be a helpful addition to the means by which man tries to solve his communal problems. If, then, you think that such an organisation as the Commonwealth can contribute something towards the solution of our problems, it is essential to believe that it can be made more effective, and to do something to create that effectiveness. To make a majority of cynical people admit that something is effective, they have to be shown how it can work.

My main point about the Commonwealth, which cannot really be over-emphasised, is that it is still, in fact, in being against all sorts of odds and predictions. It is a developing institution and, in that sense, requires constant adaptation. It could become a far more powerful union in terms of world affairs. Australia and Canada, for instance, as the largest countries except for India, grow stronger all the time and, if they still decide it is worth remaining as members, they might easily become its leaders . . . "

## SINGAPORE: A SECOND COLOMBO?

*by Douglas Evans*

Whether the issue of Britain providing arms for South Africa causes an open rift at the Singapore Commonwealth Prime Ministers' Conference, or whether a series of frank exchanges clears the air, nothing is more certain than that African affairs will preoccupy the conferees, as it has done since 1960. Thanks to the British media (virtually all Fleet Street's Commonwealth Correspondents are in practice Africa Correspondents who have extended their scope a bit) during the last decade even the educated British public have come to think of the Commonwealth as a fairly forlorn attempt to hold the ring in the worldwide racialist confrontation. The fact that it has continued to provide political, social and economic benefits for Britain herself as well as the other members has been practically ignored. Equally ignored by the media has been the potential of the Commonwealth in the Asian-Pacific region.

As the first Commonwealth Prime Ministers' Conference held in Asia, this year's conference has a unique opportunity to focus attention on the Asian Pacific character of the Commonwealth where its largest members, India and Pakistan, and its oldest members, Canada, Australia and New Zealand exist. It is an opportunity that the conference chairman, Singapore's Lee Kuan Yew, is well-equipped to take advantage of.

While much of the real business will be conducted at informal meetings, including a get-together of the Prime Ministers of Britain, Australia, New Zealand, Malaysia and Singapore on the Five-Power Defence arrangements, it would be sad to let such an opportunity pass without setting up the machinery for closer and expanded trade within the Asian Pacific area. If Britain currently intends joining a regional association (the EEC) with real possibilities of becoming a West European Federal state, a politically motivated economic union, then the Pacific members of the Commonwealth, Canada, Australia, New Zealand, Hong Kong, Malaysia, Singapore, Fiji, Western Samoa and Tonga, can logically pursue closer economic integration not only with each other but also with the non-Communist Pacific powers, Japan and the United States, especially Japan. It was when, as at Colombo, the Commonwealth initiated pragmatic plans which extended to non-Commonwealth members that it achieved most.

The following is a suggested set of Five Principles which might profitably emerge from Singapore—a sort of Singapore Plan.

1. That a Commonwealth Free Trade study group or feasibility study be carried out to examine the possibility of creating a nine-member Pacific (Commonwealth) Free Trade Association of around sixty millions—plus Britain if she remained outside the EEC. Parallel to this, that a study examining the possibility of a free trade arrangement between India, Pakistan and Ceylon be carried out.

2. That Japan be invited to join the Pacific Free Trade Association to take effect around the end of 1972, i.e. the end of the Kennedy Round when Japan intends to take a major series of global trade initiatives of her own in any event.

3. That Singapore be created the site for a small secretariat along the lines of EFTA headquarters in Geneva. There could in fact be an early association between the two to exchange data and explore the possibilities of an inter-continental association.

4. That the United States be encouraged to join any possible Pacific Free Trade Association at the earliest date. With close defence arrangements with its key industrialized members, Japan, Canada, Australia and New Zealand already in existence it would provide the means of closer U.S. involvement with other countries in the area without commitments leading to further potential Vietnams.

5. That Britain (should she remain outside the EEC) play an active role in any enlarged Pacific Free Trade Association that might emerge, linking Europe with North America and the Asian Pacific region.

In summary: Britain should see the Commonwealth as more and more an inherited set of world-wide political and economic relationships which, if employed imaginatively, provide the springboard for a series of interlinked free trade areas combining political flexibility with economic growth. To fulfil such a role Britain must above all be prepared to be open-minded—about the membership of such an association (e.g. welcoming Japan into a Pacific Free Trade Association and possibly as a Commonwealth member) and the extent to which Britain herself might play a secondary yet nonetheless essential role. As Britain comes closer to the time when she will know the EEC entry terms, the necessity of visualising a creative role outside it must be weighed. Singapore provides one of the last opportunities for Britain to salvage something from an organisation which she has by and large wilfully neglected to develop during the last ten years at least.

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