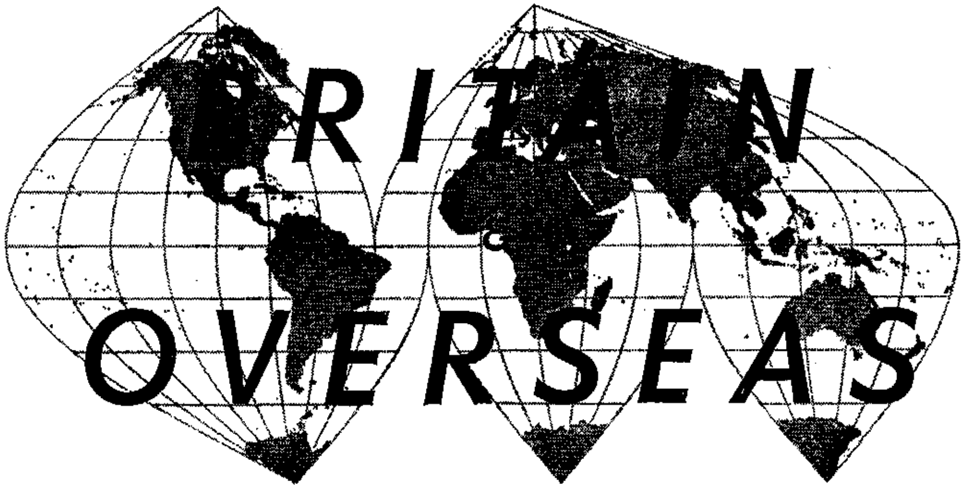

BRITAIN OVERSEAS

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

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STERLING AND THE E.E.C.

The future of sterling and the Sterling Area is one of the major problems confronting Britain in relation to the proposal that we should join the Common Market. M. Pompidou of France has made it clear that, in his view, a reform of the Sterling Area must accompany Britain's admission to the Common Market, but the British view is that there is no need to negotiate on this subject until we are within the framework of an enlarged E.E.C.

It is very questionable whether Britain can afford to leave a question of this importance unresolved until we are actually members of the E.E.C. It is not a matter which affects Britain alone; sterling together with the U.S. dollar jointly comprise the most important component of the international monetary system.

The reason why sterling has evolved in this way was very clearly described in the evidence submitted by the Bank of England to the Radcliffe Committee on the working of the monetary system in 1957:

> "The pre-eminence of sterling as an international currency was established and grew up with the pre-eminence of Britain as an international trader in the 19th century. In developing the first modern industrial economy based on raw materials and foodstuffs drawn from distant lands, British traders not only handle a larger volume of merchandise than the traders of other nations, but carried their explorations and developments into more countries of the Old and New World.
>
> The banking connections, branch establishments, agencies and correspondents which spread outwards to all parts of the world with this development of British trade provided the most widespread and convenient machinery of international payments between third countries outside the immediate British connection. And, backing this installed equipment of banking facilities throughout the world, the unrivalled credit facilities of London combined with the international produce markets, ship chartering markets, insurance facilities and general merchanting resources of Great Britain to enable international business to be transacted in sterling with the minimum of delay and expense. This remains the essential basis of sterling's position as an international currency to this day."

Threat to World Trade

It is true that the use of sterling as an international trading currency has diminished, but today it is estimated that about 25% of total world trade is still settled in sterling. When it is considered that since the war, international confidence in sterling has been eroded by persistent inflation, reducing the internal purchasing power of the £ by two-thirds, and that this has led to devaluation of the international value of the £ in 1949 and again in 1967, it is remarkable that the Sterling

Area still exists. It has done so mainly because London is the centre of a vast network of banking and other services, unrivalled by any other nation.

Although the dollar and the pound are usually lumped together as reserve currencies, their international functions differ. The practical international use of the dollar is related largely to financial and monetary functions, while that of sterling is first and foremost commercial. **The employment of sterling in invoicing and financing international trade is so extensive that the threat of withdrawal is a most potent threat to the expansion of world trade.**

Common Market Reservations

It is with this background that the question of the future of sterling must be considered. What makes the situation particularly dangerous for Britain in the present context is that it is the countries of the Common Market who have had the greatest reservations concerning any expansion in world reserves. It is clearly the aim of the E.E.C. countries to fuse their separate national economies into a single unified economy, and the first steps towards this have already been taken. M. Pompidou is therefore right to point out that so long as the British economy and monetary system continues in this international role, it could not be fused so as to lose its separate identity in a unified but limited European community.

The compacency of the Government on this vital question is shown by the reply given by the Chancellor of the Exchequer in the House of Commons on 9th March 1971. Mr. Barber stated "Over the long term, the role of sterling and its relative importance has been declining . . . I should have thought it likely that this trend would continue in future, and certainly the Government have no intention of reversing it."

We must make it abundantly clear before we contemplate entering the Common Market that the role of sterling which plays such a large part in financing world trade cannot be abrogated. To do so would threaten the structure of the payments mechanism of East-West and world trade. This must take precedence over regional trade.

It is being increasingly recognised that the basic weakness of the British economy stems from inflation. If the steps now being taken to remedy this are successful, then confidence in sterling can be re-established both internally and internationally. The effect of this would be to strengthen sterling in its international role, which would have the effect of relieving the strain on the U.S. dollar. It is thus of importance to the U.S., as well as all other countries which depend on the world's trade financing system, that the place of sterling in the international monetary system should be maintained and strengthened.

THE FISHERMEN OF ENGLAND

If Britain joins the Common Market and accepts the present E.E.C. Fisheries Regulations, the livelihood of a large number of our fishermen will almost certainly be endangered.

"Acceptance of the E.E.C. fishing policy would be disastrous for Britain's inshore fishermen." Thus the Association of Sea Fisheries Committees of England and Wales summarise their deep concern for the future of the inshore fishing industry if Britain joins the E.E.C. and the COMMON FISHERIES POLICY comes into operation. In Scotland the Scottish inshore fishing industry expresses equal alarm. "Unless our fishermen's interests are protected," they claim, "the inshore fishing industry will die and, with it, many of the small communities in Scotland which are largely dependent upon a successful fishing industry."

These views are fully supported by the Fisheries Organisation Society which speaks for the inshore fishing industry of England and Wales, comprising a fleet of nearly 6,000 registered vessels, and directly employing about 12,000 men. Mr. Ernest Hamley, the Secretary, expressed the view that his members fear that they may be used as a pawn in the negotiations now taking place in Brussels. They have made the strongest representations to the Government on this issue, but they are worried that our negotiators may be prepared to concede Britain's fishing rights to the Common Market countries in return for some concession involving a more powerful sector of the British economy.

Equal Access

The problem arises from the Fisheries Policy of the Six, which actually came into operation on 1st February, 1971. This provides, amongst other things, for equal access to fishing grounds and the exploitation of **all** maritime waters of Member States. This would mean that fishing vesssels flying the Common Market flags would be permitted to fish within 12-mile limits and even right up to the shores of the United Kingdom.

The introduction in 1964 of the 12-mile limit round the United Kingdom was greatly welcomed by the fishing industry. It had the effect of excluding foreign fishing vessels from considerable areas of good and prolific fishing grounds around our coasts which foreign fishermen had hitherto been able to exploit. The prospect of scrapping all existing limits and control over territorial waters and fishing limits is viewed with the greatest possible concern, not only for the direct effect it will have on the continued ability of British coastal fishermen to earn a decent living, but also on valuable fish stocks. Unrestricted access within British waters would mean that these could be decimated within a short space of time. Although the Community allows for concessions "for certain types of fishing for the benefit of local populations who closely depend on inshore fishing", such concessions would only be for a limited period and area of operation, and by the time the case was proved it would be too late to safeguard their position.

Exploited by Continentals

In particular, the shellfish market, which at present provides the industry with a valuable source of exports to the E.E.C. (over £2 million in 1969), will be gravely threatened. The Association of Sea Fisheries Committees of England and Wales comments: "If we agree to equal access, it means that these fisheries which are mainly accessible to France and Belgium will be exploited by the Continentals to their entire benefit. Our fishermen, besides having their fisheries, which they have conserved, invaded by members of the Six, will lose the benefits of exports. In many areas where fishing is a main industry, this will be a bad blow. Let it be understood, the entire coast of England and Wales is open to exploitation by Continental boats of quite small dimensions."

This was clearly demonstrated before the 12-mile limit was instituted in 1964. The Association sees no comparable benefits for British fishermen within the limits of the countries of the Six, as coastal waters around the present Common Market countries are virtually "fished out".

The Fisheries Organisation Society has made it clear that the regulation providing for equal access by all fishing vessels of Member States, not only to the port facilities but also to all marketing installations, equipment and technical fittings, could create serious difficulties in many British inshore fishing ports where facilities for our own fishermen are already severely limited.

Some guidance as to the effect of all this on the British housewife's pocket is given by a recent decision which it is believed sets the Herring Guide price within the Six at three times the present Scottish price.

No Acceptable Solution

Present indications are that the Six will not be prepared to make any alterations to the present regulations prior to the terms of British entry having been agreed and the Treaty signed. The common fisheries policy of the Six not only affects British fishermen, but has aroused considerable concern in Norway, Iceland, and the Faroes, the latter having gone so far as to say that they may declare themselves independent of Denmark rather than follow that country into the E.E.C. The Norwegian Fisheries Minister was informed on 17th November, 1970 by one of the E.E.C. Commission's Vice-Presidents that Norway would have to accept equal rights of access from all Member States to fish inside her waters. This led the Norwegian Fisheries Minister to state that this left little hope that current negotiations with the E.E.C. could produce a solution acceptable to Norway's fishing industry.

Britain is in a very similar position, and hopes of modification of the E.E.C.'s fishery policy seem very slender. Yet without this the future for the inshore "Fishermen of England" and their fellow-compatriots in the rest of Britain and in E.F.T.A. is grim indeed.

SUGAR SUPPLIES AND THE E.E.C.

"As refiners, our need is for the continuance of raw sugar supplies without diminution. We are concerned that Australian cane raw sugar, which accounts for eighteen per cent. of our U.K. refinery requirements, has not been brought into the negotiations and seems to have been sacrificed." This warning from Mr. John O. Lyle, Chairman of Tate and Lyle, Britain's biggest sugar producer, was given in his Annual Statement to shareholders on 4th March.

He went on to point out that the enlarged Community will certainly not be able to provide enough sugar for its needs without importing a considerable tonnage of cane raw sugar. With a growing population and consumption per head there will be an increasing demand for sugar over the years ahead and it is vital to ensure that if Britain enters the E.E.C. "we have the opportunity and the supplies of raw sugar to participate in the growing market".

Mr. Lyle goes on to say, "As Commonwealth cane sugar producers, we agree completely with the representations made by the producers' organisations and the Commonwealth Governments concerned. It is vital, particularly in the case of developing countries, that they should be allowed permanently to continue to sell their cane raw sugar to any enlarged Community, in quantities at least as great as they sell at present to this country. It is important too that these sales should be made at realistic prices."

Figures given in the report show that the price of cane raw sugar in the E.E.C. is £79 per long ton compared with a range of £43.50 to £47.50 from the Commonwealth.

"As a company", says Mr. Lyle, "we have been in favour of Britain joining the E.E.C., but we may be forced to change our view if our interests are whittled away by supplies of our basic raw material being cut off."

The Commonwealth Producers' Organisation states—"The essential difficulty about sugar is that the Common Agricultural Policy contains no provision whatsoever for the admission of Third Country sugar except at the world price and paying the levy. The Commonwealth Sugar Agreement, on the other hand, is a continuing agreement guaranteeing access for specified quantities at negotiated prices.

This conflict can only be resolved by a special arrangement for Commonwealth Sugar. There is no reason why this should not be possible; the Six have a surplus of sugar, but in any conceivable circumstances the enlarged Community, whether it is Seven or Ten, will be in deficit for sugar and will therefore need to import. It should be possible and is vital to write-in the essentials of the Commonwealth Sugar Agreement—continuity, guaranteed outlet and guaranteed price.

If this is not done, the Commonwealth sugar exporting countries, most of whom are poor developing countries, will forfeit these advantages, with the result that a large part of their foreign exchange earnings will be lost. The level of employment—often already far too low—will fall and they will return to the conditions of social unrest and economic depression which marked the 'thirties' and from which they were in large measure rescued by the Commonwealth Sugar Agreement."

BRITISH REGIONAL POLICY IN THE EVENT OF ENTRY INTO E.E.C.

Since 1934 successive British Governments have tried to stimulate economic growth in industrial areas with a disproportionately high level of unemployment and low level of income. The causes of the disparity are various, from the decline of traditional industries to distance from markets.

Britain can now claim to possess the most intensive regional policy in the world, costing more than £200 million a year. Although the Development Areas contain only one-fifth of the nation's population, they have received in recent years nearly half the new employment created by projects for which Industrial Development Certificates were granted and one-third of the new factory building in terms of space. This does not mean that we have solved our regional problems, but it does prompt the question what would happen to them if we were to join the E.E.C.

Some shrug this off by quoting Article 92 of the Treaty of Rome, which, whilst forbidding subsidised production, specifically excludes "aids intended to promote the economic development of regions where the standard of living is abnormally low, or where there exists serious unemployment".

In spite of this, the Common Market countries have done far less than Britain to help their regions. Whilst individual Governments are allowed to pursue some regional measures, the very nature of the Common Market militates against the adoption or continuance of others.

Measures such as tax incentives through accelerated depreciation and loans and grants for the building of new factories should be approved by the European Commission, since their counterpart is found in the Common Market.

But the Regional Employment Premium would be likely to suffer a fate similar to the Italian transport policy for the South, which was condemned by the European Commission. However, as the present Government has decided to phase it out after September 1974, this should not worry us greatly.

The future of the system of Industrial Development Certificates would be problematical. The nature of the Common Market appears to discourage such controls.

France decentralised industry away from the Paris region from 1950 to 1965 under her "plan d'aménagement", but then became doubtful of the wisdom of restricting too severely the expansion of output and employment in this region.

Similarly, though Italy has taken measures to extend financial aid to firms in the South, she has done nothing to restrict the expansion of private industry in the North.

Rejection of such controls is due to fears both of weakening the competitiveness of their national economies and lest industry restrained in Paris or Northern Italy might go not to their own problem regions but to other countries.

Kevin Allen and M. C. MacLennan in their book, "Regional problems and policies in Italy and France"* illustrate some of the problems that would face our Development Areas. In France, average household incomes in the Paris region are 130% higher than in some problem areas. Whilst unemployment rates are low in France and only .13% in the Moselle, in Brittany they are 4.76%, in the Alpes Maritimes 5.19%, and in Hérault (Languedoc) 6.37%.

In Italy after sixteen years of regional policies, income per head in the South is 53% of that in the North. This stimulates fairly continuous emigration of Southern workers to the North and to other Common Market countries.

They conclude: "The disparities between the poorer and richer regions within the E.E.C. are quite startling. Income per head in the richer region is six and a half times as great as that in the poorest; the higher regional unemployment percentages are seventy times greater than the lowest."

We should heed their warning. "A most disturbing point is that there is no public evidence that the regional implications of entry have been investigated in any depth by the authorities."

Regional problems will be aggravated should Britain enter the Common Market. The heart of the Community is the square Hamburg—Paris—Genoa—Turin.

Distance from that area will hamper industrial development. Any advantages of a larger market for Britain will be concentrated in South-east England. Attempts to restrict industry in that Region in order to improve growth in Scotland, Wales, the North-east or the South-west would be met by decisions of firms to move out of Britain towards the centre of the Community. The provisions in the Rome Treaty prescribing mobility of capital and labour would drain capital and labour away from the Development Areas, and no tax or other incentives would halt that efflux.

The tragedy of this conclusion lies in the political and social as well as the economic consequences. Whilst all families will suffer a steep rise in the cost of living, for thousands of families, joining the E.E.C. would entail a choice between uprooting themselves and the abandonment of homes, friends and neighbours, or a future dependent on charity.

Those who lived through the years of Depression in the 1930s will not willingly allow such misery to happen again. It would be all the harder when any measures of alleviation would depend not upon the House of Commons, but on the European Commission sitting in Brussels.

* Published by George Allen and Unwin, 1971, £4.50.

OPEN SEAS FORUM

REPORT ON THE BANANA TRADE

by Richard Body, M.P.

The Open Seas Forum exists to promote the idea of a wider free trade area. Rather than speak of free trade, it prefers to use the term 'open trade'. It draws the distinction because with a growing increase in agricultural surpluses, and the terms of trade working adversely against the developing countries, especially those in the Commonwealth, complete free trade is not practicable even if desirable, for at least another decade.

The Open Seas Forum believes that commodity agreements and other special trading arrangements should be given to members of the Commonwealth and any other country less fortunate than ours, which comes to be associated with our free trade area. The Forum is able to say *our* free trade area because it does indeed exist already. We sometimes forget how successful E.F.T.A. has been. It has doubled our home market and tripled the trade amongst its home members; and modestly we seldom claim the credit for its foundation. Moreover, the Convention of Stockholm which established it, does enable any country either in or out of Europe to become a member of it.

The Banana Trade

The importance of commodity agreements is emphasized in its first report* which was published in February, 1971, on the Banana trade. It is the first of several reports which it is going to produce on the effect our entry into the E.E.C. would have upon our various trades and industries. The report explains that the Banana trade is not only threatened by our entry into the E.E.C., but also by a dispute between United Brands of America and the Jamaican growers. For many years Jamaica has had access to our market through Fyffes, which is a subsidiary of United Brands. United Brands dominate the greater part of the so-called free market in bananas.

This market now has an exportable surplus of no less than two million tons a year. This is a very high proportion of the total banana production of the world, and a surplus of this scale enables United Brands and any other company buying in the so-called free market, an opportunity to depress prices for growers to such a level that their standard of living becomes abysmal. Not surprisingly, United Brands want to switch buying from Jamaica to plantations which they either own or control in the 'banana republics'.

Common Banana Policy

In the meantime the E.E.C. has threatened to formulate a common banana policy. Indeed, such a policy is on the Agenda for discussion. The Open Seas Forum is convinced that the French would like to secure a market in the E.E.C. for their own growers once we sign the Treaty of Rome. Both Martinique and Guadeloupe are parts of metropolitan France, and therefore have free and complete access to the E.E.C. market. Both of them are anxious and able to expand their own production considerably. There could also be an increase in production in the Frank zone of West Africa where many of the growers are not Africans but Frenchmen. There could be no doubt that a common banana policy decided upon soon could jeopardize the future of both the Windward Islands and Jamaica, who together have virtually the whole of our market.

* Available from Commonwealth Industries Association.

The Report shows how essential it is that both these parts of the Caribbean should not only have associated status with the E.E.C., but also a commodity agreement. The former will only grant access to our market which would be quite useless to them unless they could be assured of a reasonable price for what they are producing.

The Report also shows that commodity agreements of this kind would not cause any hardship to our housewives. They are able to buy bananas now at about 7p (1/4½d) a pound. No one suggests they should have to pay more, but this might easily happen if we do not establish some banana policy on our own, irrespective of whether we enter the E.E.C.

150,000 people at the very least owe their livelihood to the banana trade in the Commonwealth Caribbean. The British Government by its actions over the years has caused this industry to be in existence. They have an obvious obligation to make sure that these growers do not lose their livelihood. There is no other livelihood for them to turn to.

THE IMMIGRATION BILL

by Russell Braddon

About the white members—past or present—of its Commonwealth, Britain, it seems, will never learn. Maybe she's less stupid about those who are black: not being black, I wouldn't know. But about those who are white, to use the current vernacular, she's as thick as a plank.

What makes it worse, of course, is that it's useless warning her. She never listens. Time after time, for example, she's been warned that her fumbling efforts to get into the Common Market would cost her most of her Australian market. Nonsense, she's always said, continuing to fumble: and now has lost most of the Australian market.

Time after time she's been warned that you don't cure apartheid by ostracism. But nonsense, she's always said: and having ostracized South Africa, thereby helping the victims of its apartheid not at all, has now ostracized Rhodesia as well, and helped its potential victims of apartheid even less.

Always she has erred for the same reason: that she failed in any way to understand the mentality of those she hoped to persuade. And now, in a desperate attempt to keep out the blacks, yellows and browns she finds herself either unable or unwilling to assimilate, she resolutely proclaims that in future **all** Commonwealth citizens will be treated as aliens—except those who are patrials—and expects us to be dim enough to be proud of her for doing it.

No doubt this "patrial" nonsense is a legal fiction dreamed up to obviate white Commonwealth indignation (just as Rolls Royce's 'bankruptcy' was a legal fiction dreamed up to frustrate Lockheed's entitlement to compensation), but it is not endearing—and it could well prove counter-productive.

Certainly I would expect reaction to it in Australia to be counter-productive. Patrials is a patronising word, and there are few Australians left prepared to be patronized by Britain.

Still less will any of them be attracted by the prospect of entering this country as an alien when one in twelve of Australia's population is a migrant, or the child of a migrant, from Britain.

And least of all will any of them care for the idea of registering himself at a Police Station—or a Labour Exchange—and reporting regularly thereto thereafter.

On the contrary, Australia's reaction to the Immigration Bill will almost certainly be one of revulsion. In large numbers, the old will regard it is an act of betrayal, the middle-aged will jeer at its hypocrisy, the young will condemn it as racist, and those who for so long, so patiently, have "bought British" will at last say, "To hell with the British. If I'm an alien to them now, they're equally alien to me. So I'll buy Japanese!".

What Britain must get into its head is that it can no longer afford ever to be off-hand, still less high-handed, with its white ex-colonials. And if Britain doesn't believe it, how does she explain away her calamitous fall from economic favour in Rhodesia, Australia, New Zealand and Canada?

Let this Bill as it stands become law and it won't be aliens Britain will have made of her one-time friends—it'll be enemies. And she's got enough of those already.

U.K. A DEPRESSED AREA?

Extract from an article "Europe and the Common Market", by Peter Oppenheimer, published in the Quarterly Review of the National Westminster Bank, February 1971.

If Britain joins the EEC, adherence to the CAP and Community financing arrangements will cost her, at a reasonable guess, between one and two per cent. of her gross national product each year. This will take the form partly of trade diversion (towards higher-cost food producers on the Continent, mainly in France) and partly of payments to the Six out of tariff and tax revenues. Of course, the CAP itself will undergo modifications from time to time, as the Community farming population declines and other structural changes occur. But this will not alter the basic economic burden on Britain for the foreseeable future.

Economic benefits to compensate for this burden cannot be relied upon. The "dynamic effects resulting from membership of a much larger and faster growing market" mentioned in Cmnd. 4289 (and elsewhere)

are a pious hope, based inter alia on the unspoken and false assumption that the market of the Six is at present inaccessible to us. In reality Britain's economic relations with the EEC have been intensifying as part of the general expansion of world trade in manufactures. At the end of the 1960s the EEC accounted for more than twenty per cent. of UK trade. Of course, some industrial tariffs remain, generally higher on the British than on the EEC side. If these were removed, together with the tariff preferences which British industry now receives in the Commonwealth, EFTA and the Irish Republic, and if the Common External Tariff were imposed on some Commonwealth imports, there would be changes in the pattern of Britain's output and trade. Some industries would expand and others contract. But the overall *effect on* UK output and its rate of growth would be rather like that of the Kennedy Round tariff cuts currently in progress—in other words, hardly noticeable.

"Dynamic Effects"

Believers in the "dynamic effects" of the EEC often refer to British industry's low rate of investment. "Businessmen mostly adjust their rate of investment to what they expect to happen in their home market. A slow growth in the home market means a slow growth in most firms' investment. The result is that British workers are now the worst equipped in Europe." Joining the EEC would give Britain a "home" market growing at five rather than three per cent. per annum, and this would spur industrial investment and thus raise the UK growth rate also.

A minor criticism of this reasoning is that it mixes up the EEC's *growth-rate with the size of its* market, and attributes far too much to the former. (Or would somebody claim that Britain could achieve a similar economic turn-round by joining the equally fast growing Swiss Confederation?) More important is the fact that it takes a sequence of events which could well occur in particular industries and applies it without warrant to the economy as a whole. Some firms which now look only to the UK market might step up their investment if we joined the EEC. Some would establish branches on the Continent or link-ups with Continental firms rather than expand investment in the United Kingdom. Others would carry on as before, either because they preferred to stick to the UK market or because they already take a "European" or a "world" view of sales and production.

Trade War More Likely

The reader should beware of supposing that this article has presented an extreme or unbalanced case against UK membership of the Common Market. On the contrary, no mention has been made of such items as the requirement to lift restrictions on capital flows to other EEC members, a matter which could significantly reduce UK domestic investment; nor of the Werner Report and its plan for a common EEC currency. The latter I have ignored because I hope and believe that, for the foreseeable future, a British government would devalue the pound if this became necessary to maintain aggregate demand for British products. People who take the Werner Plan more seriously and who expect Britain to bind herself not to devalue the pound in any circumstances rightly point to the danger of the entire United Kingdom becoming a depressed area—the Northern Ireland of the Common Market. This danger is at least as great as the corresponding bogey sometimes raised by pro-Marketeers, that unless we join the EEC we shall risk getting caught in the cross-fire of an Atlantic trade war and find ourselves with no export markets at all and a significant cut in living standards. As a matter of fact, a trade war is more likely to occur if the EEC is enlarged than if it stays at its present size.

On the political front too it is hard to see what Britain would gain by joining the EEC. Happily she is not in a situation where she needs to secure her diplomatic *Salonfähigkeit* by paying pin money to French farmers. One can perhaps understand the Foreign Office, now that Britain is no longer a big frog in the world pond, wanting to find a smaller pond for us to jump into. But these petty instincts should be resisted.

Those in Britain who favour membership of EEC talk about "the challenge of the Common Market"; but the true challenge is to take the right decision and not to join the Market merely because it is there. To say that joining the Market will mean selling Britain's birthright for a mess of pottage is an understatement. It will mean surrendering her birthright gratis, and paying a handsome annual tribute for the privilege. It remains to be seen whether a handful of politicians can bamboozle the British public into accepting this transaction.

COMMON MARKET MERRY-GO-ROUND

Only fifty per cent. of all grain transactions are concluded because of actual requirements, the other fifty per cent. are fictitious "paper" transactions. For six months or more, grain barges criss-cross European countries without discharging their cargo for no other purpose than to enable the exporters to collect export subsidies.

Butter, with a very high export subsidy, is exported from Germany to Yugoslavia. There it is mixed with five per cent. vinegar and two per cent. parsley and returned to the German merchant as "mayonnaise". Import duty on mayonnaise is very low. The "mayonnaise" is put through a centrifuge which separates the butter which is then exported to Denmark, again receiving a high export subsidy. Back comes "mayonnaise" to Germany and out goes butter once more to Yugoslavia.

Eggs from Holland or Belgium to the BAOR—goods consigned to the Vatican—cheese from Holland through Belgium and France to Switzerland, all attracting export subsidies—never reach the destination mentioned in the documents. Documents and destinations are changed en route—travelling through various European countries, Common Market goods find their way through East Germany back into West Germany where they are in a privileged position compared with the other members of the Community.

These are only a few examples out of 140 loopholes so far discovered by the Customs Authorities in a maze of some 3,000 market regulations controlling a very complicated trading system based on high guaranteed prices to the producers and export subsidies to the merchants. An ever-increasing number of companies are permanently employing "loophole spotters", officially known as "market researchers" and their job is to detect loopholes in this mass of regulations from which their companies can benefit.

(Extract from a letter from Mr. J. A. Obdam, published in the "Financial Times", 5.3.71.)

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