



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

Vol 1 No. 5

September/October, 1971

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Published bi-monthly

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Published by Commonwealth Industries Association Ltd.,
60 Buckingham Gate, London, S.W.1.

Subscription rates: U.K. £2 p.a. Australia \$5. Canada \$6. New Zealand \$5.
U.S.A. \$6.

GO INTO EUROPE?—WE MUST BE CRAZY

By

Clive Buckmaster and C. T. Pole

When Mr. Heath was leader of the opposition he frequently promised that a future Conservative Government would make Britain strong and free. Since he has been Prime Minister there has been ample evidence to indicate that if the Government perseveres with its present policies, in the course of time, this pledge will be successfully fulfilled. Unhappily however, it now appears that he and his colleagues are determined to embark upon a course, which, though attractive in theory, is nevertheless fraught with danger, and may well prove to have the completely opposite effect.

As most members of the public are well aware, Parliament will shortly be required to make one of the most important decisions in history; a decision which, to all intents and purposes will be irrevocable. The Great Debate has already begun, and in the next few weeks it will be intensified. Already it is clear that a substantial majority of the British people are, for one reason or another, opposed to the idea of joining the Common Market. The incessant stream of pro-market propaganda now emanating from Conservative Central Office and elsewhere may succeed in converting opinion among those who have no strong feelings either way. Others will rebel against being pressurised by what they see as a high powered public relations campaign, very similar to the 'slick' commercials which regularly blight our television screens. History has shown that the British people do not take kindly to sudden radical change in their way of life, whether it be for better or worse. For this reason it is important that the arguments put forward by the opponents of entry, i.e., the anti-marketeers, should be based on a policy, not of stubborn isolation, but of independent co-operation with Europe, the Commonwealth, and other friendly countries. Let us therefore examine the facts and see how this can be achieved.

Firstly, it must be appreciated that although basically a customs union, the EEC goes much further in its ultimate objectives; whatever reservations on National sovereignty are professed by France and now by Britain, THE FINAL GOAL IS UNITY—A SINGLE EUROPEAN STATE. LET THERE BE NO DOUBT WHATSOEVER ABOUT THAT. Central EEC institutions are being established at Brussels, designed to 'harmonise' (i.e., standardise) most aspects of economic, political, and social life—transport, roads, basic industries, banking, company and general law, conditions of employment, foreign and defence policies, etc., etc.

Secondly, the importance of customs union has been greatly reduced by the lowering of tariff walls throughout the world following the 'Kennedy round!'

Thirdly, the agricultural policy of EEC has been designed to serve the interests of the 'six'—countries which are far more self supporting in foodstuffs than Britain.

Fourthly, Britain, after two major attempts to join EEC has automatically become a suppliant, negotiating from weakness. No amount of euphoria and self-congratulation at the recent negotiations can alter the fact that the price of entry in 1973 will be substantially higher in all respects than it would have been ten years earlier. Food is to increase by at least 20%; a subsidy every year of some hundreds of millions of pounds is to be levied on our balance of payments, via the community budget, to subsidise the high cost of French farming. Our historic ties with New Zealand and other Commonwealth countries are to be phased out, probably within a decade. What then are the arguments which are alleged to justify this enormous sacrifice demanded of us?

AN OFF-SHORE ISLAND

1. "Failure to get into Europe will result in Britain becoming just a depressed off-shore island."

It is a geographical fact that Britain is an island off the north-western shores of the European peninsula. Nothing can change that, any more than Japan is an island off the Eastern shores of Asia. We will become no less an island whether we join EEC or stay out. It can be held that the "off-shore" theme is, in fact a strong argument for staying out; our location, while peripheral in relation to Europe, is central in the larger North Atlantic context. London is generally looked upon as a world capital, while Paris is essentially a continental capital.

DYNAMIC GROWTH

2. "There has been a 75% growth in the 'six' during the last ten years, while in Britain it has been under 40%."

The implications are that membership of EEC brings with it automatic growth, whereas exclusion results in relative stagnation. Neither stands up to criticism. The 'dynamic' growth of the 'six' (now showing signs of levelling off) is due to (a) reference to a low base line, i.e., Europe in 1960 suffering from the effects of war; (b) very high tariffs existing between the members of the 'six' which artificially restricted regional walls; and (c) the availability of trained, or at least 'trainable' labour in E. Germany, S. Italy, and N. Africa—desperately anxious to establish themselves in their new environment; not to mention the large peasant population in France and Germany released by modern agricultural evolution.

On the other hand we have had in Britain a chronic imbalance of payments which has led to the perennial stop-go policy in our economy. The bid for growth by Mr. Maudling when Chancellor of the Exchequer led to the high balance of payments deficit in 1964, and although the balance now shows a reasonable surplus we shall still have to adjust our external account. Will entry into EEC help in this respect? On the contrary, even the most rabid pro-marketeers admit that the immediate result of our membership would lead to a substantial drain on our balance of payments causing first deflation and then an almost inevitable further devaluation within a very short time.

MASS PRODUCTION

3. *"We dare not remain outside and isolated from a home market of 300 millions; modern industry cannot function efficiently unless organised for mass production."*

Those who think that once 'in', it will immediately become as easy to sell goods in, say Milan as today it is in Bradford, are in for a rude awakening. The EEC is essentially a customs union comprising a number of 'export' markets, not a 'home market.' It is an odd but significant fact that nobody refers to Denmark as part of our home market, yet our position vis-a-vis the EFTA countries is what our position will be to EEC countries if we join.

As a trading nation much of our success has come from our ability to supply specialist quality goods for export to foreign countries in spite of tariff barriers. In such cases mass production would lead to a diminution of quality and any advantage would be lost. The importance of size in industrial organisation is often exaggerated. It is, in any case, unfortunately true that massive conglomerations, whether of industries or towns, are nearly always associated with a fall in the quality of life. There are many who consider that the lack of competitiveness of much of British industry is mainly attributable to reasons other than lack of scale.

LOSS OF INFLUENCE

4. *"Britain will have no influence in world affairs, nor will her voice be heard, unless she becomes a member of EEC."*

This argument, although repeatedly advanced, is very rarely supported by sound reasoning. On the face of it, it is clearly an extraordinary claim to suggest that the loss of an independent British voice in exchange for a 15-20% share of a European voice will increase national influence. On this argument, Canada would do well to become the 51st state of U.S.A., and Switzerland should throw in her lot with Germany or France. These propositions are clearly absurd, and it would be equally absurd to suggest that Britain, by sinking her identity into the European 'superstate' to which European idealists claim EEC will eventually lead, will thereby increase her world-wide influence. Unlike the EEC countries whose policies are introspective, the British, as befits an island race, have always been extrovert—travellers—colonisers—merchant adventurers, etc., etc.; in other words actors on a world rather than on a continental stage. It will most surely be difficult, if not impossible for a nation of enterprise and individualism to exist in harmony with a group of countries, who, whether they like it or not, are used to accepting an introvert bureaucracy.

CONFESSION OF IMPOTENCE

5. *"Our industry will continue to languish if we remain isolated from the common market dynamism".*

This is probably the strongest economic argument for joining. There

is no doubt that this consideration underlies the support for entry into EEC voiced by many leading industrialists, although in fact its implications are directly inconsistent with the "large home market" argument that is usually advanced simultaneously. What this thesis really implies is a confession of impotence by British management and the Government, viz. reliance on external stimulation to accomplish what we have not had the National will power to do for ourselves. But what a price to pay. We would surely do better to learn from Japan, who, without a customs union continues to expand economically at more than twice the rate of any common market country. Britain could do likewise with 10% more dedication and 50% more two-way vertical loyalty on the part of managements and employees. The present Government have made a brave start in creating conditions in which tomfoolery by strikers and apathy by sluggish managements will in future become less "featherbedded." IF THIS POLICY WERE TO BE PURSUED WITH INTELLIGENCE AND DETERMINATION, AND THE BRITISH PEOPLE WERE TO HAVE ENOUGH COMMONSENSE TO SEE IT THROUGH, THERE WOULD THEN BE NO NEED TO SEEK OUR SALVATION BY SURRENDERING OUR INDEPENDENCE AND THE ESSENTIAL CHARACTER OF OUR WAY OF LIFE. A dispassionate appraisal of the quality of life in the present day 'superstates' of U.S.A., Russia, and China hardly encourages one to support the creation of a fourth 'super-state' in Europe.

ORGANISED SUBVERSION

6. *"A united Europe is essential as a bulwark against communism and Russian imperialism".*

There is plenty of evidence to suggest that armed invasion is no longer the prime danger facing Western Europe today. Tactics have changed to the extent that well organised subversion and corruption have achieved exceedingly effective results at a fraction of the cost. Entry into EEC will inevitably increase rather than diminish this danger. Today one Italian in three is a member of the Communist party, and reports indicate that support for a nascent Fascist organisation is growing rapidly. France, which boasts of a large Communist element, traditionally alternates between periods of political chaos and strong authoritarian government. The still tender plant of German democracy has yet to be proved strong enough to withstand the consequences of a severe economic recession; indeed, informed German opinion warns that a serious slump would, in all probability, result in a repetition of the violent polarisation of right and left that occurred forty years ago, with the emergence of another Hitler. Anyone who is sufficiently realistic to acknowledge that subversion can and does exist, will agree that if Britain were to join a community in which three of the major countries are in danger of political upheaval, every effort would be made to infiltrate the EEC Headquarters in Brussels, in order to whip up the maximum degree of discord between Britain and her new partners. If

this sort of subversion were allowed to proliferate unchecked, the consequences could be disastrous—even to the point of 'civil war' breaking out, which would be the ultimate triumph for Russia, and indeed, China.

NO DISASTER

Would it therefore be a disaster for Britain, if for any reason we decided not to sign the treaty of Rome? Of course it wouldn't. In the long run it would be our salvation. The economic advantages are, at best marginal—at worst non-existent. The political disadvantages are, at best non-existent, at worst calamitous. In short it would be a reckless and totally unnecessary gamble. No one would pretend that, by staying out all our problems would disappear overnight. On the contrary, things would be very difficult in the initial stages, but no more difficult than they have been in the past. The world might think we were inconsistent, perhaps slightly mad, but the majority of the British people would breathe one long sigh of relief.

Much more effective results could be achieved by negotiating trade agreements and multi-national technological projects, via the Concorde, whereby we could ensure an ever improving trade situation; meanwhile, our best safeguard against attack remains a system of alliances, the maintenance of a nuclear 'sting' of our own, an increased vigilance with a stronger application of the law against criminal conspiracy in industry and politics, and a strengthening of ties with 'friendly' members of the Commonwealth. We could then be in a much better position to exert our influence in Europe and elsewhere, as a strong and independent power than we would if we elected to become a joint member of a potentially unstable 'committee', where from time to time our principles would have to be compromised for the sake of internal unity, and where, over a period of years our National sovereignty would be systematically and insidiously eroded. This gradual process of attrition would be imperceptible at the time, but sooner or later we would find to our cost that though we may have assiduously fulfilled our obligations required by the treaty of Rome, we were most certainly not a Britain strong and free.

It is a traumatic experience for M.P.'s, and those keenly interested in politics, when they find themselves in uncomfortable agreement with their bitterest opponents, and in opposition to those to whom, on other political matters, they give their undivided loyalty and support. This is one of the odd quirks in our political life. If, therefore, at the end of the debate the Government succeed in obtaining its majority to take Britain into Europe, the people as a whole will accept the decision (even if it conflicts with their own personal views), provided that the voting figures reflect the true feelings of each individual member. This is real democracy. If, on the other hand, the voting is obviously 'rigged', and members who hold honest and sincere views are seen to be cajoled

and browbeaten into supporting their respective party lines (with a threat, either open or veiled, that if they failed to do so, they would be guilty of bringing down the Government, or destroying party unity), then the people would reject the decision. Furthermore they would demonstrate their utter revulsion for politics and politicians alike at the next General Election, and those members who were seen to have perjured their consciences for purely party advantage, would be soundly rejected as being incapable of fulfilling their responsibilities to their country.

On May 5th, 1970 Mr. Heath said in Paris: "It would not be in the interests of the community that its enlargement should take place, except with the full hearted consent of the Parliaments and peoples of the new member countries." A referendum on the subject would create a dangerous precedent and would be contrary to the accepted standards of British Government; but if, after a really genuine expression of opinion by M.P.s, it was found that there was not the 'full hearted' consent of either Parliament or the people, Mr. Heath would be faced with the most invidious dilemma that has ever beset a British Prime Minister in modern times.

Either he would have to defy democracy, and carry out what he sincerely believed to be right, or he would have to accept the will of the people against his deeply held convictions. If he were to take the latter course in the circumstances, he should be consoled by the fact that this act of supreme statesmanship would, in the long run, earn him the respect of the free world, and the grateful thanks of a very relieved British people.

MR. HEATH AND M. POMPIDOU

M. Georges Pompidou, President of the Republic of France, was interviewed on French Television on 24th June, 1971.

M. Pompidou began by recalling that when he arrived in office, he found that "the definite establishment of the agricultural Common Market were very slight. That was why, at the Conference of the Hague, I very clearly put the bargain to them. And I obtained, on the one hand, that the agricultural Market should become permanent, in exchange, on the other, for the opening of negotiations with Great Britain."

He went on to expound at some length his views on the outcome of his talks with the British Prime Minister, Mr. Edward Heath, on the subject of Britain's entry into the E.E.C. M. Pompidou said: "I do not believe in basing foreign policy on lies and hypocrisy ... we had to put our questions frankly."

The first question he put to Mr. Heath was: "Do you accept the thing which lies at the very root of the Common Market, namely, Community preference, whereby members obtain their supplies in the first place from within the Community?" And, said M. Pompidou, "the British Prime Minister confirmed in the clearest possible terms

what had, in fact, already been said publicly by the British representation in Brussels."

In his speech to his constituents at Bexley on September 7th, Mr. Heath said the Government had "no intention of giving up our institutions and traditions if we join the Common Market—and no-one is asking us to." It is difficult to see how this statement can be squared with a situation where Britain undertakes to "obtain supplies in the first place from within the Community." This inevitably spells the end of the Commonwealth preference system, which has successfully operated since 1932, and the switch of our trade from our traditional trading partners to the Common Market.

The second question was: "On the functioning of the institutions and the unanimity rule to which, as you know, France is essentially attached and which means that, when a country considers that a capital question is at issue, others may not impose on it the will of the majority, unanimous agreement must be reached, the British Government answered Yes, and in fact confirmed its answer publicly". This is hardly likely to commend itself to the rest of the Community!

MONETARY POLICY

The third question raised the vital matter of monetary policy. M. Pompidou said: "Sterling has at present a special status, known as that of a reserve currency. It would be too complicated to explain it here, but it means that it has privileges. Obviously, in a community each member must be on an equal footing, and therefore, the British currency must be like the others. I obtained from the British Prime Minister an undertaking that this was indeed his concept of things and that gradually—for there is no question of creating a monetary crisis in the Sterling Area—the pound would become a currency like the others and would therefore participate in what we are trying to achieve: the creation of a European monetary union."

Here again, it is difficult to see how this can be tied in with Mr. Heath's statement that there is no intention of giving up our institutions and traditions. Sterling has circulated internationally as a means of payment in international trade for centuries, and it is still an integral part of the world's payment mechanism. The creation of a European monetary union inevitably means a common government, it cannot function otherwise, and this means that national parliaments would lose control of the most important factors governing their whole economic life.

EUROPE OR THE OPEN SEAS

The fourth and final question put by M. Pompidou he described as perhaps the most important of all: "I asked the British Prime Minister what he thought of Europe—in other words, whether Britain was really determined to become European, whether Britain, which is an island, was determined to tie herself to the Continent, whether she was prepared, consequently, to loosen her ties with the open sea towards which she has always looked. And I can say the explanations

and views expressed to me by Mr. Heath are in keeping with France's concept of the future of Europe, and, incidentally, in keeping with what Mr. Heath has been publicly saying for twenty years."

Perhaps Mr. Heath should be reminded that Sir Winston Churchill said: "Each time we must choose between Europe and the Open Seas, we shall always choose the Open Seas."

It cannot be too often stated that only around 20% of our overseas trade is with the Common Market, while some 60% is with our traditional trading partners, the Commonwealth/sterling area, North America and E.F.T.A. In this context it should be noted that in spite of the tremendous concentration upon trade with the Six which has been a major factor in Britain's overseas trade in recent years, in the first six months of 1971 exports to the sterling area have grown more rapidly than exports to other markets. Comparing the first half of 1971 with the second half of 1970, exports to the EEC increased by 5%, to North America by 10%, and to the sterling area by 13%. The detailed figures are shown in the following Table.

BRITISH EXPORTS TO VARIOUS MARKETS

Exports per month (seasonally adjusted values)

	1970		1971 (first 6 months)	
	£ Millions	%	£ Millions	%
E.E.C.	147	21.8	154	21.3
E.F.T.A.	107	15.8	113	15.6
Other W. Europe	23	3.5	25	3.5
Sterling Area	186	27.6	211	29.2
North America	103	15.2	113	15.6
Rest of world	106	16.1	106	14.8
Totals	672	100	722	100

Sources: Trade and Industry 22nd July, 1971. Figures FOB.

This choice between the Common Market and the Open Seas must be put clearly and unequivocally to the British peoples. To go into Europe with the British people assured that by joining they are not giving up their institutions and traditions, whilst the French at the same time believe that we are prepared to do so, is a contradiction of that frankness that M. Pompidou stressed was the first principle of his talks.

THE COMMON AGRICULTURAL POLICY

Extract from an Address by Senator Hubert Humphrey to the Trade Policy Research Centre in London.

At a very early stage in its life, the European Community developed the common agricultural policy (CAP). Initially CAP was said to be an instrument for stabilising market positions inside the Common Market and avoiding the bad effects of sporadic dumping by outside suppliers.

In practice, however, the CAP has become a major disruptive force in world agricultural markets. Its workings have gone far beyond the original objectives. The import-levy system that the Common Market has introduced is much worse than import quotas because they make imports a matter of residual supply.

The price of imports is kept above the internal price. If there are bumper crops within the European Community, imports automatically suffer and, as a consequence, there can be no long-term planning in international trade.

The Community's farm-support policy stimulates production by artificial means. The Common Market now is nearly self-sufficient in temperate-zone foodstuffs. This has been achieved by setting internal support prices in the key commodities at roughly double world market levels. It is hardly surprising that surpluses are generated. The Community releases its surpluses to world markets with the help of heavy subsidies. The subsidy payments are often larger than the market value of the products and they are financed by the levies on those imports that are able to enter the Common Market.

That is a bad system and it is costly. I am not attacking the idea of government aids to farmers. But farm policies do not have to be so protectionist. They do not have to attack the interests of others. It should not be necessary to make the efficient farmers of one country pay for the farm programmes of another.

One reason why the CAP is so disruptive is that its price levels are so far above world market levels. Another reason is that price relationships within the CAP system are set in such a way as to favour the use of expensive home products in place of lower priced imports. For example, soft wheat grown in the Common Market is increasingly used to substitute for imported corn in feeding animals.

Surpluses are low at the present time. But most experts believe they will be with us again before long. This will be especially true in Western Europe. For world market prices are expected to level off or go lower. The surpluses, therefore, will be costly to either store or export.

Recent studies in the Community have confirmed what one experienced in agriculture already knows: low-income farmers, being small operators, get high prices on their small outputs, but only benefit marginally from the Common Market price-support policy. On the other hand, large farmers in the Community, already operating at high-income levels, are able to reap windfall profits from the high prices obtained on their large output. I am told, moreover, that many of the

large farms in the Community are owned by "weekend" farmers having other sources of income. This happens in the United States in all too many instances.

Estimates by the U.S. Department of Agriculture put the cost of the national farm-support programme of the present member countries of the European Community at about \$5,000m. a year. This must be added to the roughly \$3,000m. that is spent each year under the CAP programme jointly managed from Brussels.

But these are not the only costs. The high prices maintained by the CAP programme probably cost consumers in the Common Market another \$6,000m. to \$7,000m. a year over and above what they would pay if food were available at world market prices. This in turn releases strong inflationary forces, obliging workers to fight for higher and higher wages to cover their weekly food bill.

There is reason to believe that in the 1970s the CAP system will work to the detriment of manufacturing industries in the Common Market as food prices affect wage demands and thereby push up labour costs.

The European Community is thus operating a farm-support system at a phenomenally high cost which does not benefit in any significant way the small farmer it is supposed to help. Surely the minds of men can design a better set of policies than that! Surely it is within the realms of possibility to find the means for assisting the income of small farmers without providing windfall gains for large farmers and without forcing consumers to pay more than they need for their daily fare.

While the agricultural interests of the United States may be hurt, the agricultural interests of Australia, Canada and, most especially, New Zealand are hurt even more. All the small countries face spill-over effects from European agricultural protectionism.

As for the poor countries of the Third World, looking for export benefits from the Green Revolution, they are being faced with a market situation based on competition among the Treasuries of the rich countries.

We cannot maintain for long a world trading system with national farm-support policies which are so crudely mercantilistic. It is not sensible, or politically viable, to continue to base production and exports on competition between the Treasuries, or on competition to see which government can squeeze its consumers and wage-earners most. Yet that is where we stand at the beginning of the 1970s.

Those in the United States Congress, if not all of those in the Administration, who interest themselves in international economic affairs, have been disappointed by the extent to which the United Kingdom and other applicants for Common Market membership have been prepared to embrace the CAP system as it stands.

Unless the CAP system is reformed, the enlargement of the European Community can be expected to have a further disillusioning effect on the United States attitude towards the new Europe.

ALTERNATIVES TO JOINING E.E.C.

Letter published in 'The Times' for August 6th.

From Sir Robin Turton, Conservative M.P. for Thirsk and Malton,
and Mr. Edward Holloway.

Sir, In his report in The Times of August 3 dealing with the activities of the Conservative Group for Europe, Mr. George Clarke quotes Sir Tufton Beamish as saying: "The public has heard enough of what the anti-Marketeters are 'against', and is waiting to learn what they are 'for'."

May we set out in brief our views as to an alternative policy? This would be to press for an increase in the proportion of imports of primary producers coming from Commonwealth sources, and an extension of the EFTA agreement to developed Commonwealth countries and the United States of America, with non-reciprocal preferences for imports from the developing Commonwealth countries. We have reason to believe that this would be welcomed by Commonwealth countries, by the EFTA countries and by influential opinion in the United States of America.

The basis of the Common Agricultural Policy is the creation of a guaranteed market, closed to countries outside the Community, and aiming at self-sufficiency. Realization of the disruptive effect this has on the flow of world trade is growing in the United States of America, as is evidenced by Senator Hubert Humphrey in his recent speech. He said: "Unless the CAP system is reformed, the enlargement of the European Community can be expected to have a further disillusioning effect on the United States attitude to the new Europe."

In this age of scientific and technological advance, unless the developed countries are enabled to place more emphasis on trade with the developing countries, over-production in the wealthy countries will pose a real threat to world economic expansion.

Yours faithfully,

ROBIN TURTON, Chairman.

EDWARD HOLLOWAY, Director.

Commonwealth Industries Association,
60 Buckingham Gate, S.W.1.

'The Times', August 9

From Lord Thorneycroft

Sir, In their letter to The Times of August 6, Sir Robin Turton, M.P. and Mr. Edward Holloway attempt to answer Sir Tufton Beamish when he challenged them to state "not what they stand against but what they stand for".

The result is, to say the least, remarkable. The era when Britain exchanged vast imports from primary producers in the Commonwealth for industrial products from the United Kingdom was already ending 20 years ago when I was President of the Board of Trade—and it was the Commonwealth themselves that then drew the fact to our attention.

Free trade on an Efta basis with the developed Commonwealth would be unacceptable to Commonwealth countries, and this can be ascertained by simply asking them. We actually once proposed this policy to Canada and it took some years to live the proposition down. Free trade with the United States belongs to a world of fantasy.

The Common Market is a great issue upon which honourable men can and do hold differing opinions. The case against it is, however, weakened rather than strengthened by suggestions so remote from the reality of the world in which we live.

Yours sincerely,

THORNEYCROFT,

House of Lords.

'The Times', August 16

From Sir Robin Turton, Conservative M.P. for Thirsk and Malton

Sir, Lord Thorneycroft's reaction to the alternative policy (August 9) is natural. When Mr. Diefenbaker had just won a Canadian election on a policy of protection, Lord Thorneycroft, with the present Lord Eccles, arrived, boldly suggesting a policy of Canada-United Kingdom free trade.

Mr. Diefenbaker, I understand, asked for delay for consideration. But somehow the proposal was leaked, doing lasting damage to Commonwealth relations.

Lord Thorneycroft forgets the success of the United States-Canadian Automobile Free Trade Agreement, Mr. Maudling's free trade area proposal, President de Gaulle's free trade offer to Mr. Soames, the Unctad resolution of non-reciprocal preferences, Mr. Rogers' initiative at OECD, and Mr. Humphrey's recent speech.

Possibly to him they are all "remote from reality" as undoubtedly was the timing of his approach to Mr. Diefenbaker.

Yours sincerely,

ROBIN TURTON,

House of Commons.

THE CURRENCY CRISIS

"In full co-operation with the International Monetary Fund and those who trade with us, we will press for the necessary reforms to set up an urgently needed new international monetary system." In these words President Nixon announced the end of an era in the international monetary system devised at Bretton Woods which has been in operation since 1945. The Bretton Woods Agreement arose from a conference held in New Hampshire as the war was drawing to a close in 1944. It was there that the post-war plans for financing international trade were worked out, and they aroused considerable controversy in Britain.

Although the war-time Coalition Government, the subsequent caretaker Government and the Labour administration had all given undertakings that the agreement would be thoroughly discussed by Parlia-

ment, it was not discussed at all. At the price of a loan of £1,000 million from the United States, the Labour Government forced through the Washington Loan Agreement and the price of the loan was acceptance of the Bretton Woods plan and associated financial and commercial proposals. The effect of this was to saddle Britain with two provisions which had an adverse effect on the development of Commonwealth trade and sterling in its international role. The late Leo Amery commented:

"The United States Administration has been determined, if it can, to wreck sterling, the only really modern and essentially expansionist monetary system in the world, in order to substitute its own obsolete monetary theories as embodied in the thoroughly restrictive Bretton Woods scheme. Our Government has gone a long way towards helping them to achieve their purpose."

As a result, sterling, which, following the world slump of 1929, had functioned as a world non-gold reserve currency for international payments and had thus played a major part in the recovery of world trade, was again tied to gold through the dollar. In addition, Britain was prevented from sustaining and developing the Commonwealth preference system which had greatly contributed to our recovery after the debacle of the world slump.

Now, twenty-six years later, the United States has had to reconsider the whole basis of the "Gold Exchange Standard" and is calling for a new international monetary system.

THE KEYNES PLAN

In June, 1942, before the Bretton Woods meeting, Lord Keynes had put forward his own plan for financing international trade, "to obtain the advantages without the disadvantages of an international gold currency." He envisaged the setting up of a Clearing Union, where payments between nations could be swapped, leaving only the balances to be paid in currencies. Both surpluses and deficits in the balance of payments of member countries would be reflected as credits or debits in the books of the Union, expressed in terms of a new international monetary unit to be known as 'Bancor', which member nations would agree to accept instead of pounds, dollars or gold. Deficit countries would be able to obtain an overdraft from the Clearing Union, based upon the gold and foreign exchange surpluses deposited by creditor countries. This would have meant that the Clearing Union would be able to create the means of payment to iron out the debtor/creditor relationship.

An important provision in the plan recognised the need to maintain equilibrium in international payments and Keynes proposed that equal pressure should be brought to bear not only on the debtor nation to pay its debts, but also on the creditor nation to accept payment. If the Keynes plan or something like it had been adopted after the war, many of the post-war problems in international trade would have been avoided, but at that time the U.S. Congress was in no mind to accept such far-reaching and imaginative ideas.

TASK OF THE FREE WORLD

There is no doubt that by re-instating gold as the regulator of international liquidity world trade has been retarded. A more realistic regulator should have been established. It is to this problem that the Western world needs to concentrate, Britain, with its vast overseas network of banking connections, agencies and correspondents throughout the world could play a leading part in promoting a solution.

No-one can claim that, under the present system, nations of the world compete on equal terms. The dice is always loaded against the poorer developing nations. The U.N. conference on Trade and Development have shown how strongly these nations feel about the operation of the present payments system. It has been estimated that as much as 80 per cent of the developing world's natural wealth remains untapped and that 90 per cent of its man, woman and youth power is under-utilised. The task of the free world should be to stimulate the full utilisation of these resources in an all-out effort to combat the starvation and misery so prevalent in many of these 'have-not' countries.

PUBLIC OPINION AND THE EEC

According to some Opinion Polls, opposition to joining the Common Market has declined since the initiation of the Government's all-out propaganda effort to change public opinion. This does not accord with reports we have received from many parts of the country in recent weeks.

The "Sunday Post", circulating mainly in Scotland, held a referendum which showed 172 Yes to the Common Market, 10,062 NO. The "Sheffield Morning Telegraph" also held a referendum—432 Yes, 1,060 NO. The "News Shopper", circulating in the Barking and Dagenham area showed a 4 to 1 vote against the market, the figures were 321 for entry, 1,212 NO.

A postal vote in Mr. Rippon's constituency organised by the Political Freedom Movement resulted in 1,034 in favour and 2,826 NO. In Inverness a referendum was organised by a local committee who delivered some 2,000 cards asking voters to register Yes or No. The result was for entry 22%, against entry 75%, don't know 3%. The Keep Britain Out Movement organised referenda in three key constituencies.

Lowestoft—For the Market 6,645. Against 16,359.

Brentford & Chiswick—For the Market 2,613. Against 5,459.

Macclesfield—For the Market 7,435. Against 13,865.

THE COMMON MARKET—THE CASE AGAINST

A powerfully argued case against joining the Common Market written by Enoch Powell has just been published by Elliott Right Way Books. Mr. Powell covers a wide range of questions including growth,

trade, agriculture and economic and political policies as well as defence and the vital question of sovereignty and he pulls no punches. He says "Opinion has been right to fasten upon sovereignty as the central issue. Either British entry is a declaration of intent to surrender this country's sovereignty, stage by stage, in all that matters to a nation, and makes a nation, or else it is an empty gesture, disgraceful in its hollowness alike to those who proffer and to those who accept it."

Not everyone will agree with all that Mr. Powell says, but the book makes an invaluable addition to the growing volume of publications, setting this vitally important question in its proper context.

The Common Market. The Case Against by Enoch Powell. Published by Elliott Right Way Books. 20p.

Obtainable from Commonwealth Industries Assn. (add 5p to cover package and postage).

LIVING STANDARDS IN BRITAIN AND THE COMMON MARKET

In the September issue of 'British European' for September 1971 the statement is made that "Our living standards are already lower than nearly all the Common Market countries." It would be interesting to know on what statistical basis this claim is made, since a study of the hand-book issued by the Statistical Office of the European Communities, 1970 reveals the following comparisons:—

	U.K.	Community
Nutritional value of food consumption:		
(calories per head per day)	3,180	3,040
Consumption of vegetable products:		
(kg. per head per year)		
(Grain (as flour)	72.5	88.7
Rice	1.4	2.1
Potatoes	102.0	87.7
Refined sugar	44.5	31.0
Vegetables	44.5	110.3
Consumption of animal products:		
(kg. per head per year)		
Meat	71.0	67.6
Eggs	16.3	14.7
Fats	15.2	19.1
Butter	7.4	5.5
Milk	147.0	8.1
Consumption of electricity (kWh.):		
(per head Industrial	1,610	1,585
of pop'n Other uses	2,080	879
Motor vehicles in use (per 000 pop'n)	207	202
Telephones (per '000 population)	232	167