BRITAIN OVERSEAS

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

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NO DYNAMISM IN THE EEC

The vote in the House of Commons approving by a majority of 112 the Government's decision of principle to join the European Communities on the basis of the arrangements which have been negotiated is by no means the end of the story. The size of the majority undoubtedly caused a degree of dismay among those who oppose the proposal to join the Six, but it was far from the whole-hearted support which the Prime Minister has said was a pre-requisite for such a major change in British policy. **The vote represents only 56.5% in favour of entry.**

Many M.P.s supported the Government on the grounds that by joining the Common Market Britain would gain some dynamic advantages.

PRESENT OUTLOOK

Reports which have been coming in from the Common Market countries over the past months cast grave doubts on this view. While the editorials in the leading newspapers have given support to the proposal to join the Six on the grounds that we will be joining a dynamic and growing partnership, on the news pages of the same papers a different story has been told. Appropriately enough, on the opening day of the Conservative Conference, the "Financial Times" carried a long article which reviewed the present outlook for the Common Market countries. It pointed out that Italy was threatened with the most serious crisis since the war, the economy is well on its way into a recession; Germany is suffering from lack of growth and declining exports, both Holland and Belgium are in difficulties, and only France could be said to be the exception, but even here wages are rising twice as fast as prices and continued inflation holds a threat for the future. Reports in other national newspapers have carried similar stories which make the "dynamic market" view look a little odd!

At the same time, the majority view of public opinion has remained hostile to joining; opinion polls, referenda held in certain key constituencies, as well as local press polls have all shown the same results. In fact, opposition has been growing in spite of the massive campaign by the European Movement and others to persuade the British public that joining the EEC is a good idea. Their costly advertising and poster campaign failed to make any real impact. The public relations director of the European Movement, Mr. Roland Freeman, is on record as saying in May of this year: "If the public opinion anti vote is still as high as 60% by the party conferences, and if the political parties are still divided, then the Government may well have to pull out of the negotiations." Although just over half of the M.P.s have chosen to disregard the weight of public opinion, those who oppose joining the EEC can claim to have had a major victory so far as public opinion is concerned.

FOCUS ON PARLIAMENT

The decision "on principle" having been taken out of the way, attention focuses on Parliament and the changes which will have to be made in British rules and practice if we are to keep to the Government's target and become fully fledged members of the EEC by 1st January 1973.

Hitherto it has been possible for the pro-marketeers to get away with general statements alleging that it will be good for Britain to join. Now, however, we have to get down to the actual business of aligning our rules and regulations to those of the Six, and it is increasingly clear that very little has been done so far to bring home to the business man, the farmer, the trader and the exporter what is entailed.

Experts in Brussels and London have only just started on the work of translating and authenticating the mass of regulations which we will be called upon to accept without amendment. **Some very awkward problems will undoubtedly be disclosed.** These, together with the deterioration in the economic situation of the Common Market countries, may produce a very different situation over the next six months.

AT FULL STRETCH

The Queen's speech states: *"In their external policies My Government will protect and advance the nation's interests. They hope, following the successful negotiation, shortly to sign an Instrument of Accession to the European Communities after which legislation will be laid before you."* With all the other legislation foreshadowed, Parliament will be at full stretch to carry out all that will be required of it to implement the Government's programme. The question does arise as to whether they can, in fact, get the Common Market legislation through in the time available.

Provided that at least 20 Conservatives who oppose the Common Market remain united in opposition to the proposals the Government will be placed in a very precarious position in getting the Enabling Legislation through all its stages. It appears possible that the Leader of the House will move that the Bill should be divided, part of the Bill being considered by a small Standing Committee "upstairs", and part by the whole House in Committee in the Chamber.

It would be most unfortunate if any defect in the Standing Orders of the House led to Parliament's failure to examine the constitutional changes that, once passed, would, under the Treaty of Rome, be irreversible. Such failure would increase the bitterness and frustration that has been aroused in the hearts and minds of the electors in recent months and dangerously widen the gulf already existing between Parliament and people.

WEST GERMAN BANK CHIEF FORECASTS A RECESSION

In the opinion of the general manager of one of Germany's largest banks, "West Germany is very rapidly floating into a major recession, with unemployment likely to exceed 500,000 in a few months' time."

This view has in recent days been given wide support by many German business leaders, who fear not only a 6% inflation level for the current year, but severe metal industry strikes in the near future, and a worsening balance of payments situation. The Dresdner Bank now forecasts a 1971 payments deficit in excess of DM 1,000m (£120m).

from the European Business Correspondent, "The Times" 8.11.71.

THE CRISIS IN INTERNATIONAL PAYMENTS SYSTEM

For some considerable time there have been signs of impending change in U.S. Policies, made inevitable by continuing adverse balance of payments. The reluctance of many countries to continue to hold dollars and their insistence that they should be entitled to demand gold, as they were entitled to do, from the U.S. Treasury, brought about a situation where even the vast accumulation at Fort Knox could no longer ensure that the U.S. dollar was backed by gold. On August 15th this year, President Nixon bowed to the inevitable and officially declared what had already been operative; that the U.S. dollar was inconvertible into gold.

This is undoubtedly the end of an era. The vital question is, what system will be devised to replace the **"Gold Exchange Standard":** will the world's monetary authorities welcome the dethronement of gold as giving a unique opportunity of devising a new and more expansionist system; or will they try and re-establish a system based on gold?

On this decision depends the future peace and development of a divided world. If the former expansionist view prevails it could see the dawn of greater prospects stemming from a free flow of trade throughout the world. If the latter view is accepted, the likelihood is that the world will be increasingly divided into defensive blocs, each seeking to safeguard its own position *vis-a-vis* other groupings taking similar action, with devastating results on the developing world.

The emergency meetings of the Group of Ten in London on September 17th ended in deadlock. The annual Washington meetings of the International Monetary Fund and World Bank has again made a further attempt to thrash out solutions to the problem.

It is strange that in an era when so much time and money are devoted to scientific research, the problem (balance of payments deficits) that has been dominating the international political scene, and whose solution directly affects the welfare and security of all the people of the world, should have been explored so little and always by means of methods so utterly lacking in precision, commented Mr. Jacques Rueff, the French economist.

If an equivalent wealth of scientific knowledge had been put into solving this problem as has been devoted to the landings on the Moon, who can doubt that a solution would have been found? As it is, the whole sphere of money and its role, both internally and internationally, are mysteries shrouded in jargon which fail to reveal the absurdities which still prevail.

"BEGGAR MY NEIGHBOUR" POLICY

Paramount among these policies is the view, constantly reiterated, that the aim of each nation should be to try to obtain what is euphemistically called *a favourable balance of payments.*

It is obvious, in the first place, that this is an impossible aim. If one nation succeeds in obtaining a favourable balance, then this can only be at the expense of some other nation, which must of necessity have an "unfavourable balance" with all the penalities that this brings in its

wake. Britain suffered from this situation for years, and the resultant freeze and squeeze has brought about the extremely low rate of growth of recent years.

A *favourable balance of payments* means, in real terms, that a nation sends more real wealth abroad than it takes in exchange. It is only in financial terms that the term makes any sense, for nations that have a "favourable balance" tend to become more powerful in the eyes of other nations. Their currency is referred to as a "hard" currency, whilst the nations with unfavourable balances are said to have a "soft" currency. Yet, if nations do succeed in increasing their overseas earnings, but fail to use them to increase their imports, they pass on to some less fortunate nation an adverse balance of payments. The effect of this is to turn international trade into a "beggar-my-neighbour" policy. Trade between nations, which should be the exchange of goods and services to mutual benefit of all concerned, becomes an economic war.

This is the fundamental fallacy which bedevils all efforts to obtain a more equitable balance between nations in their trade relationships.

JOHN MAYNARD KEYNES' POST-WAR PLAN

It was to get away from this unrealistic concept that, in preparation for the post-war world economy, John Maynard (Lord) Keynes put forward his plan, in 1942, which suggested the provision that equal pressure should be brought to bear, not only on the debtor nation to pay its debts, but also on the creditor to accept payment.

What happened, in fact, was that the "Gold Exchange Standard" first took shape. It arose from the Bretton Woods Agreement, arrived at as a result of a major conference held at Bretton Woods, New Hampshire, in 1944, with representatives from 44 nations. Britain's spokesman was John Maynard Keynes, who outlined his Plan. But his views were, unfortunately, unacceptable to the U.S. Congress of those days.

Keynes wanted to see a system established which would be a complete revision of the pre-war monetary system "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, "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 relationships.

PRESSURE ON CREDITOR AND DEBTOR

An essential part of plan, aimed at establishing equilibrium in the balance of payments, suggested that creditor nations would be subject to a penalty as their credit volume grew, while debtor nations would have to give pledges in gold, national currencies or bonds if their negative balance passed a certain point.

Britain's acceptance of a system based on gold was the price paid *for a loan of £1,000m. from the U.S.* The U.K. Labour Government of the day forced through Parliament the Washington Loan Agreement to which was tied the acceptance of the Bretton Woods Agreement with its associated financial and commercial proposals. Britain thus took upon its shoulders the responsibility for providing the world's need of dollars for current transactions. *Other nations could buy in the U.S., sell in* Britain, and then call upon Britain to pay the bill—in dollars. These were the days of acute world dollar shortage and it was this that accounted for the major crisis which arose in 1947. The Agreement undermined the international role of sterling and the Commonwealth Preference system.

The effect of all this was that sterling which, following the world slump of 1929 and the departure from the gold standard in 1931 had functioned as a world non-gold reserve currency for international payments, and had thus played a major part in the pre-war recovery in world trade, was again tied to gold through the U.S. dollar.

RIVAL AND RESTRICTING TRADE BLOCKS

Much that has gone wrong since 1945 is explainable by reference to past decisions. There is now a real danger that if governments do not find a solution the world will turn from trade liberalization to restriction.

As long ago as 1932 Winston Churchill eloquently condemned the gold standard in these words:

> *Are we going to accept the position that the whole future development of science, our organization, our increasing co-operation, and the fruitful era of peace and goodwill among men and nations; are all these developments to be arbitrarily barred by the price of gold? Is the progress of the human race in this age of almost terrifying expansion to be arbitrarily barred and regulated by fortuitous discoveries of gold mines here and there or by the extent to which we can persuade the existing cornerers and hoarders of gold to put their hoards again into the common stock? Are we to be told that human civilization and society would have been impossible if gold had not happened to be an element in the composition of the globe?*

Forty years on, and financial authorities are still searching for the remedy which eludes them because they will not accept the basic fact that in the modern world **the only things that give money value are goods and services.** This is the basis on which reform of the money system, *both in the internal and international spheres, should start.*

MAIN PROBLEM OF TWO-WAY TRADE

To clarify this issue the following should be borne in mind:

Under present conditions the settling of international balances can be completed in three main ways: payment in gold; payment in

national currencies; or payment by some form of credit arrangement.

Of these methods, the simplest is settlement in gold, but there is not sufficient gold in the world to make this universal. Payment in national currencies can be made but, this only operates in a situation where the creditor is prepared to accept it. As a general rule the country who is owed the money does not want to hold balances of that particular currency. Most countries keep only a small amount of other countries' money, and they convert any excess into gold, dollars or pounds. This accounts for the fact that the U.S. dollar and the pound sterling provide an essential element in the international payments system and why they account for about 30% of international money.

Payments by one country to another can, in the final analysis, be made only by the transfer of goods or the supply of services. If, say, an importing country buys machinery from the U.S., the domestic currency used by the importing country is not normally wanted by the American interest who wants payment in American currency, the U.S. dollar. The only way the transaction can be completed is by the country concerned earning foreign currency which can be convertible into dollars, thus completing the exchange.

The greater part of world trade (visible and invisible) is done by contra-account, credits and debits being cancelled out by the earnings on the exchange of goods and services.

However, there inevitably remains a relatively small proportion of the total that is not cancelled out by the exchange of goods and services; it is this that leads to the problem of international liquidity, for this is what represents the favourable and unfavourable balances that are a major source of trouble and difficulty.

Need for greater liquidity would largely disappear if trade between nations could be balanced; but with the present wide disparity in wealth and productive resources between the "have" and "have-nots" this cannot be achieved.

Discussion in the international field of schemes to provide greater liquidity seem to lose sight of what is, in fact, the basic problem: greater borrowing facilities would not dispose of the question of how a developing country can be enabled to pay its way—if indeed the creditor nations of the world do not wish to receive payment in goods and services.

SPECIAL DRAWING RIGHTS

Agreement to create Special Drawing Rights through the International Monetary Fund has been hailed as a step in the right direction.

In a speech on September 28th to the I.M.F. which has been described as "historic", Mr. Anthony Barber, Britain's Chancellor of the Exchequer, proposed a modified form of Special Drawing Rights in which the S.D.R. could become the numeraire in terms of which parities are expressed and in relation to which currencies are revalued and devalued. The S.D.R. could become the main asset in which countries hold their reserves. Additionally, arrangements would be needed to provide for the creation of adequate but not excessive world liquidity without reliance on the deficit position of one or more countries.

Mr. Barber made no reference to the role of gold in his scheme, beyond a rather oblique question, "Should there be some point of reference independent of currencies?" No doubt this question will be the subject of much debate and it is to be hoped that S.D.R.s related to commodities rather than to one metal will be seriously considered.

So far as Europe is concerned there is no agreement in sight on these controversial issues. In consultation with Britain a joint line has been adopted on fixed but adjustable exchange parities; the realignment of exchange rates of major currencies (this includes the devaluation of the dollar) and the removal of the U.S. import surcharge. There is as yet no agreement on how to restore a unitary monetary system within the European Community, or how and when to return to fixed parities.

The Community's view is, however, clearly expressed in relation to the role of gold; international reserve assets, they say, should continue to depend on gold.

There is no doubt that if present monetary difficulties continue for too long, the proper functioning of the European Community and, in particular the Common Agricultural Policy, will be seriously endangered.

DILEMMA OF THE DEVELOPING WORLD

It is essential to find some way of dealing with imbalances arising from the disparity in wealth and natural resources between the developing and developed world.

What is needed is a payments union which could pave the way to a world payments system, reaching out to an understanding with the Russian rouble and the Chinese yuan.

Under a new approach to a payments system it would be possible to freeze a proportion of debits and credits that arise between member nations and thus provide a buffer between creditor and debtor.

At the same time, it should be borne in mind that the nations in credit should accept the obligation—which is now crucial as regards their transactions with the developing countries—to increase the volume of their imports, thus giving debtors the opportunity to meet their indebtedness. If the creditor nation fails to do this they would have only an unused credit held in the clearing union. It would be for the creditor to decide whether or not it wanted to use the credit; but the debtor would have fulfilled his obligation by conceding the claim to goods and services. Such a system would provide the machinery whereby export surplus and deficit balances were held in an agreed clearing union.

Need for such a mechanism is becoming increasingly obvious. In a world in which the chasm grows between rich and poor nations there is little hope of achieving the progress which scientific and technological advance make possible.

This is mankind's most pressing problem. The high-income industrialized countries need an expansion of world markets for their manufactures. The low-income countries would provide the capacity for that expansion if means could be found to enable them to pay their way in trade with other countries. Aid and loans cannot, by themselves, do more than tinker with the problem.

Britain's national income is around £450–£500 a head; in many low-income countries the average is around £50 a head. If it were possible to increase the amount by a mere £10 a head in the poorer countries of the Commonwealth alone, there would be an additional £6,500m. for them to spend. Thus, there would be a great potential for expanded markets which the technological revolution demands.

It has been estimated that as much as 80% of the developing world's natural wealth lies untapped ,and that 90% of its man-, woman-, and youth-power is under-utilized. The task of the industrialized world should be to stimulate the full use of these resources.

This means the development of a system of payment which will encourage them to trade with each other and with the rest of the world to a greater extent than is possible under the present system.

DEBTS AND DEVELOPMENT

. . . The World Bank estimates that the external public and publicly guaranteed debt of 80 developing countries had risen to $59,000 million by the end of 1969. Servicing this mountain of debt leapt by 20% in 1970 whereas the export earnings of these countries rose by only 9%. Over the period 1970/75, developing countries will be required to make service payments (i.e. maturities and interest) totalling more than $19,830 million on the debt of about $43,410 million outstanding on official account and $12,970 million in servicing on the $15,530 million debt owed to private creditors.

Figures of this magnitude make little impression in a global context, but when they are broken down to their individual country components the results can be startling. Thus, in 1969, 22% of India's foreign exchange earnings were absorbed by external public debt servicing; the comparable percentages for a number of African countries were: Mali 23.2, Tunisia 20.4, Ethiopia 10.6, Ghana 9.9, Uganda 9.7, Sierra Leone 7.0, and Nigeria 6.2. This is not to say that the developing countries face imminent debt servicing difficulties. In a few cases there are urgent grounds for funding short-term borrowings; but most are capable of floundering further into debt for many years to come before a critical proportion of their current export earnings is absorbed in this way. What is of more immediate concern is the effect that debt accumulation will have on self-financed development in the near future.

No one can doubt that the answer to this problem lies in expanding the exports of the developing countries. Since the principal markets for the increase must be provided by the richer nations, it is essential that appropriate mechanisms—beyond the scope of the present general system of preferences—be devised quickly to step up the flow of manufactured and semi-manufactured goods in this direction, for primary products alone will not suffice . . .

—Extract from *Barclays International Review*, October 1971.

RHODESIA—A NEW INITIATIVE

The statement by Sir Alec Douglas-Home in the House of Commons on 9th November that he intended to go to Salisbury to explore the possibility of reaching agreement with the Rhodesian Government will be warmly welcomed by all those who wish to see an end to the present unhappy state of affairs. As Sir Alec said in his statement, "The present situation benefits no one, least of all the Africans, and everyone must hope for a just and reasonable settlement to this unhappy story."

Sir Alec will have with him the Attorney-General, Sir Peter Rawlinson, Lord Goodman who has already done a lot of the preparatory work, as well as a team of officials. It was his intention, said Sir Alec, to meet a wide variety of African leaders. Speaking at a private meeting of Conservative back-benchers later in the day he said that in the event of agreement being reached, there would be a period of about six weeks during which there would be a detailed test of acceptability. We echo the words of Sir Robin Turton "that the vast majority of the people in this country will wish him God-speed on his journey".

ENQUIRY IN DEPTH

An Australian barrister, Dr. Walter Henderson, has just produced a report as a result of an enquiry in depth which he made in Rhodesia between May and June, 1971. This gives a very different picture of the country from that which is usually presented to the British public through the mass media. He examined the actual internal situation; the stability of the Rhodesian Government; their African policy and the question—is Rhodesia a "Police State"?

On the first point his findings were the same as many other observers who have visited Rhodesia. He says "I found order, peace and security everywhere, in town and country. No racial tension, no racial friction. In public life I found no evidence of racial separatism."

STRONG AND STABLE

On the question of stability he states "The Government of Rhodesia has every appearance of being both strong and stable. This is the only conclusion it is possible to reach after an observant presence in the country." He goes on to say, on the subject of sanctions—"The U.N. sanctions against Rhodesia have had a corrupting influence not only on the U.N. itself, they have corrupted member States of it. The shops in Rhodesian towns are filled with consumer goods imported from U.N. countries or made locally. Petrol rationing was lifted when I was there; there was an abundance of it before the lifting. New motor cars and farm vehicles are on the roads; the parts are imported and assembled locally. Sanctions have been substantially 'de-sanctioned' by the sheer folly behind them, although they are not without some effect."

Referring to the Rhodesian Government's African Policy, he describes this as having three facets:

(1) The making of Africans in Tribal areas responsible for their own

local government. This includes the management of rural schools (under the supervision of the Ministry of Education), in which the emphasis will be in addressing the minds of young Africans to the practical necessity of good husbandry and greater food production. The final aim of this is to improve the Tribal Trust Land and to bring it into a comparable state with European land. In this ambience, the mission schools will die of inanition.

(2) The maintenance of tribal African customs, view of life and tribal structure. The establishment of tribal criminal courts, which has just started (tribal civil courts have for long existed) will put Africans in the position of judging Africans.

(3) The association of African Chiefs and their headman in (1) and (2), and the association of the Chiefs in the process of law-making and Government.

DISCUSSION WITH CHIEFS

Dr. Henderson sets out part of a lengthy discussion he had with two Matabele Chiefs who are members of the Senate: Senator Chief Sigola and Senator Chief Ndiweni:

Q. "Do you feel that you represent the tribesmen in your chieftainship areas?" Both answered "Yes". They also said that they represented their tribesmen who left their tribal areas to work outside it. Many of these find work not far away and return home for the weekend. That is why the Chiefs ordinarily hold their discussion meetings with tribesmen on Sundays in which tribal matters are settled.

Q. "When decisions are reached, are there majority and minority groups?" Both replied thta the decisions were unanimous and were binding until altered at a subsequent meeting of tribesmen.

Q. "Do you regard such a way of reaching decisions as a 'one-community' vote rather than an added up number of separate and individual votes?" Both Chiefs replied "Yes". They both said that a 'one-man-one-vote' method of secretly writing something on a piece of paper could not work among tribal Africans, as they don't believe in secrecy in matters of common concern. Tribesmen, they said, are people who know one another and state their opinions openly to one another.

Q. "How do you regard your position as Senators?" Both said that such a position enabled them to take part in the government of the country. Both said that the only way for Rhodesia to be governed was for Africans and Europeans to work together. I asked whether the Chiefs thought that they could work together; both replied "Yes".

I asked these Chiefs whether they felt that the Rhodesian Africans who called themselves nationalist leaders represented any substantial number of Africans. Both replied that the "so-called nationalists" represented nobody but themselves. They both said that the Africans would not follow them. When I asked what was likely to be the effect of their being recognized by the Rhodesian Government as nationalist leaders, I was given the clear impression that the Matabele Chiefs would put their tribesmen into action against any such recognition. Both Chiefs said, "The Chiefs represent the five million Africans in the country".

I asked: "When you, as Chiefs, have obtained the views of your tribesmen in the traditional way of consultation, do you regard it as your duty as senators to make those views known in the Senate?" Both Chiefs replied "Yes".

The evidence I obtained from the sources available to me points to establishing the fact that the Chiefs at present represent tribal Rhodesian Africans in a manner fuller and more complete than do any Western methods of representation wherever they are established or practised. In so far as the Africans in the towns are concerned, the question is one on which I did not receive any evidence except that when the Africans get too old for employment they return to their Tribal areas where there is always a home for them, and when they are about to die they express the wish to be buried in their tribal earth. This applies to educated and to uneducated Africans, as well as to christianized Africans. The worst evil than can befall a terrorist killed in the Zambezi Valley is to be buried there in alien earth.

Finally on the question of Rhodesia being a "Police State" Dr. Henderson says: "I made diligent search for all the evidence bearing on the question of whether or not Rhodesia can be looked on as a 'police state'. I am satisfied that the control of the Review Tribunal over the police and the executive is of such a judicial character that it clearly takes Rhodesia out of such a class of States." He goes on to say: "I would suggest to all organs of the mass-media in Australia and elsewhere that they henceforth refuse to allow their programmes or their pages to be sullied by the use of such a false expression as Police State in respect of Rhodesia."

EEC FARM PRICES

Farm prices in Common Market countries are expected to rise between 5 and 6% next year—double the amount which the Commission suggested originally.

In June, the Commission recommended that farm prices should be increased by between 2 and 3%. This was at a time when the British negotiations for entry were reaching their climax and Dr. Sicco Mansholt, vice-president of the Commission in charge of agriculture, was anxious to keep price increases down to lessen the blow for Britain.

Since then, however, European farmers have rejected the Commission's suggestions and are now pressing for increases of beween 11 and 12%. They argue that, as prices were pegged for two years during 1968 and 1969, suggestions of rises of between 2 and 3% are insufficient.

The farmers have been joined in their campaign by the European Parliament, which meets next week to consider proposals by its agricultural committee. This has recommended that farm prices should be increased by about 8% across the board.

Faced with pressure from all sides, the Commission has now expressed its willingness to review the level of price increases it suggested during the summer. Although no final decisions have yet been taken, the likelihood is that a compromise will be found bringing increases up to between 5 and 6%.

Report from Brussels, The Times, 13.11.71.

EUROPEAN COMMUNITIES

"The Great Debate"

The House of Commons devoted six days to the debate approving the Government's decision of principle to join the European Communities on the basis of the arrangements which have been negotiated. This was approved by a majority of 112. Among those who voted against the Government were 39 Conservative M.P.s. The following are extracts from the speeches made by some of those M.P.s, most of whom are members of the Parliamentary Group of the Commonwealth Industries Association.

SIR ROBIN TURTON: "I hope that when the Prime Minister comes to speak in this debate he will confirm whether those two questions are an accurate record of what passed between them. The first question was:

'Do you accept the thing which lies at the very root of the Common Market, namely, Community preference whereby members can obtain their supplies in the first place from within the Community?'

Clearly what this means is that before we can import any food or goods from the Commonwealth and traditional partners, we have to be satisfied that there is none on offer in the Community. This means not only that the whole of the Commonwealth preference system is dismantled, but that we have to switch from our Commonwealth and traditional markets—which at present take 60% of our exports—to the European Economic Community which at present takes 21% of our exports. No one, either in the last Government or in this one, has made an accurate estimate of the full consequences of this diversion of trade, and not only diversion of trade but also of policy.

President Pompidou then said:
'Fourth question'—which was probably 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 and whether she was prepared to loosen her ties with the open sea towards which she has always looked . . .

Sir Winston Churchill once said: 'Each time we must choose between Europe and the open seas, we shall always choose the open seas'. I believe that Sir Winston was right: that our role in the world is something much wider than an inward-looking community and that our future depends on our ties with the open seas."

SIR GERALD NABARRO: "My personal judgment in this regard is that I do not wish the House of Commons to be subjugated in the economic and social spheres to a superior court and legislative assembly sitting in Brussels. That is my fundamental and basic objection."

MR. ROGER MOATE: "The dilemma is this: if people are opposed to entry after all the splendid temptations dangled in front of them by the massive propaganda drive of the European movements, and others, how much more opposed they will be, how greater the disillusionment, when they start to bear the impact costs that are inevitable in the next few years. Food prices will rise annually. That is unarguable. There will be annual rises, deliberately and voluntarily incurred by the Government."

SIR RONALD RUSSELL: "My right hon. Friend the Secretary of State for Foreign and Commonwealth Affairs said yesterday that the percentage of our trade with the Commonwealth had declined. This is not surprising, in view of the policy, pursued by Governments of both complexions for the last 10 years, of asking the Commonwealth to diversify. Therefore, it is not really an admissible argument to advance now that the percentage has declined. The point is not the percentage but the volume and the total value. That has continued to rise all the time even in real terms. In any case, we should think not of the mere Commonwealth but of the Commonwealth preference area, which includes South Africa and Eire and takes 30% of our trade."

SIR DEREK WALKER-SMITH: "And Burma."

SIR R. RUSSELL: "And Burma, as my right hon. and learned Friend says. There is danger of our losing exports in return. It is difficult to make a concrete estimate. However, the Commonwealth Producers' Organisation got a very talented journalist to make his best estimates of this last year. His estimate was that about one-third of our export trade with Canada and Australia, and half of that with New Zealand would disappear if the Commnowealth preference system were abrogated. That would give an estimated loss, over the whole field, of between £250 million and £300 million worth of exports, taking invisible trade as well."

MR. JASPER MORE: "First I fear that what is now an economic Community will become a political Community. Secondly, I do not want this country to enter any Community, political or economic, from which the White Commonwealth and the United States are excluded. Thirdly, I believe it unwise for us to link ourselves permanently with continental countries which differ totally from us in their constitutions, their political systems, their laws and their national traditions. Fourthly, I am unwilling that we should sign a treaty which, by transferring any degree of law-making or decision-making to a European authority, is bound to derogate from the power and prestige our our Parliament and, in particular, of this House of Commons."

WING COMMANDER SIR ERIC BULLUS: "The main arguments revolve round our sovereignty and the terms. I do not like the terms. They are demanding, excessive, and more in line with the crippling reparations required of a country defeated in war . . .

However, for me, the terms are incidental to my detestation of the Treaty of Rome. There can be no doubt that the ultimate end of the Treaty of Rome is federation, unification or a merging of the members of the Community. The honest pro-Marketeers recognise and admit this."

MR. EDWARD TAYLOR: "What is the proposition about which we are talking? The moment we join the Common Market, all our existing

regional aids will be subject to approval by the Commission—not an elected body, chosen by us, but a group of officials. We can participate in the discussions, but they will have the final word, and all our existing regional policies will be subject to their approval."

MR. RONALD BELL: "There are few hon. Members who do not know what has happened to the German growth rate over three years. It was less than ours. What has happened to the Italian growth rate over three years? This year it is a minus quantity. What about the other growth rates in the Community? How will we gain dynamism by entering a Community which is heading into stagnation, inflation and I fear, in the end, recrimination?"

MR. HUGH FRASER: "The Common Market has had 12 golden years since the signing of the Treaty of Rome. They have been golden years without so much as a winter. But things are changing now. It is clear that the great period of unlimited growth is over."

MR. ANGUS MAUDE: "Why should one pay £80 a ton for French beet sugar when one can get it from Australia at £40 a ton? Why put the price of canned fruit up by 40%, dried fruit by 10 or 20%, and so on? We have had singularly little convincing argument in favour of doing this. We are told that the cost of food is likely to rise only by an average of 2½% over six years. But concealed in that average are some very large individual increases. It is estimated in the Southern hemisphere that out of a total consumption of 400,000 tons of butter a year at least 150,000 tons will be switched to margarine when the higher prices begin to bite within the Community. For what are we asking the British housewives to buy margarine instead of butter or to pay twice as much for French sugar beet as for Australian sugar beet unless the economic advantages enormously outweigh the disadvantages, which I do not think they do? We are going to have a lot of explaining over the years to do to the British housewives."

SIR HARMAR NICHOLLS: "I speak here as a business man, a small busines man, not a representative of one of the great empires about whom we hear when evidence is produced. Our wealth at this time depends on the way we trade. We do 30% of our business with imperial preference countries, 16% with the E.F.T.A. countries, 34% with the rest of the world—we are a maritime nation with old traditions on which our trade is built—but only 20 or 21% with the European Economic Community.

I have never known a business man worth his salt who would put 80% of his established business at risk in the hope that he might improve on the 20%."

SIR DEREK WALKER-SMITH: "The Treaty of Rome is not a normal treaty, either in scope or duration. Exceptionally, the Treaty of Rome covers an enormous range of our domestic life; exceptionally it is forever —no limit of time and no right of withdrawal."

MR. J. ENOCH POWELL: "Anyone who tonight, knowing that the necessary conditions to approval of these proposals have been withheld, that they do not command the full-hearted consent either of the

House or of the country, nevertheless votes for them, casts his vote against the vital principle by which this House exists."

BRITAIN AND THE OPEN SEAS

On the eve of the important debate on the Common Market at the Conservative Party Conference, the Anti-Common Market League published a challenging statement* on Britain's overseas trade. This is principally aimed at those Conservatives and others who claim that by joining the E.E.C. Britain will be able to play a more dynamic role in the future of the Commonwealth.

The pamphlet claims that the diversion of trade which will follow from turning to Europe will inevitably weaken our Commonwealth partnership which so largely depends on a mutually beneficial trading relationship. It shows that in 1970, both in Britain's exports and imports, trade with her traditional trading partners—Commonwealth/sterling area/E.F.T.A.—was considerably greater than trade with the E.E.C.; exports were 50% more and imports 55% more. Further, comparing the first half of 1971 with the second half of 1970, exports to the E.E.C. increased by 5% and to the sterling area by 13%.

The White Paper (Cmnd. 4715) says:

> "Either we choose to enter the Community and join in building a strong Europe on the foundations which the Six have now laid, or we choose to stand aside from this great enterprise and seek to maintain our interests in the narrow—and narrowing—base we have known in recent years."

But it could be argued that we would be narrowing our base by joining the Common Market!

The French President made it clear in a television interview in June, 1971, that by joining the Market Britain will be committed to obtaining her supplies in the first place from the Community and also to loosen her ties with the Open Sea to which she has always looked. Acceptance of these provisions is bound to lead to a diversion of trade from Commonwealth and sterling area countries to the Common Market, less imports from our traditional suppliers, leading to a decline in exports to them. Additionally, there is the prospect of a loss on our invisible earnings.

The final chapter deals with the role of Sterling, and quotes the conclusion of the Radcliffe Committee on credit and currency: "Sterling is too valuable a constituent of the total volume of international liquidity for it to be an admissible objective of U.K. policy to bring about a limitation or reduction of its use."

* *BRITAIN AND THE OPEN SEAS by Edward Holloway. Published by the Anti-Common Market League, 79b Iverna Court, LONDON W.8. (15p post free).*

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