BRITAIN & OVERSEAS

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

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THE SEARCH FOR A PROGRAMME TO STOP INFLATION

No-one doubts any longer that inflation must somehow be slowed down and eventually stopped. The slide towards chaos is becoming more and more alarming. If we search for the cause of our economic malaise which had reduced Britain from the 'workshop of the world' to the "sick man of Europe" it becomes increasingly clear that it is in the monetary sphere that things have gone wrong. There is nothing inherently wrong with the British economy which cannot be put right by the adoption of policies based on common-sense instead of party dogma. Continued inflation, with the consequent erosion in the purchasing power of the £ sterling, has gone on almost without check since 1945. This has badly damaged confidence, falsified economic relations between Government and people and all those engaged in business and professional life, weakened our position in overseas markets. Even worse, a sense of injustice leading to intense frustration among ordinary people has led to distrust of Government and to the irrational behaviour which is becoming an increasingly alarming feature in the Britain of today.

Freedom in Danger

The eminent historian, Sir Arthur Bryant, wrote some fifteen years ago—**'If in a free society something goes wrong with its financial system, everything else will go wrong and freedom itself will be brought into disrepute and endangered.'** The truth of these words is daily becoming more evident.

When we come to look at the actual extent of the erosion of the purchasing power of the £ a frightening picture is presented. This erosion has worsened in the past few years; if we take the value of the £ as 100p in 1960 it is now estimated to be worth 48p, and the forecasts for the future are of even further escalation. Unless this trend is reversed we are in for a crisis of the dimensions which hit the Weimar Republic in Germany following the 1914-18 war, when hyper-inflation got out of hand, leading to the rise to power of Adolf Hitler.

Unfortunately, while there is general agreement on the evils of inflation, there is little or no unity as to the cause or methods of solving the problem. Not only do the politicians disagree but also economists and financial experts disagree on both cause and remedy. In this they are similarly placed to the politicians and experts in the 1920s and '30s when unemployment rose to nearly three million with all the hardship and misery this imposed on the workers and their families. But then the cause was the exact opposite, a deflationary monetary policy had brought about a situation where there was too little money available to allow the people to consume all they produced, resulting in wholesale destruction and restriction of production. While in pre-war days a previous generation of politicians allowed the British economy to reach near collapse through deflation, the present-day politicians and their

advisers have made the opposite error of introducing a hopelessly inflationary monetary policy. Common-sense should tell us that there is no inevitability in a state of either deflation or inflation. They are both evils which arise from an unrealistic monetary policy.

Uncontrolled Overspending

In the search for the means of stopping inflation it is vitally necessary to diagnose the cause. Some allege that it is to be found in the militancy of trade unions in demanding higher wages, others blame the weakness of management in industry. The rising cost of imports is also alleged to be a major factor in the inflationary spiral, but if we are to find the main cause for inflation, we must examine the area of public financial management. Here we find that there has been virtually uncontrolled over-spending by the public sector both at home and overseas. This is the primary source of inflation and is also the basic cause of the persistent deficit in our balance of payments. Five years ago a Programme for National Recovery was initiated, sponsored by nineteen industrialists and economists. After a most careful study of the available statistical information they came to the conclusion that it was deficitory spending by successive Governments which had not wholly been financed by genuine borrowing from the non-bank private sector that had led to the vast increase in money supply over the past years.

Professor Wheatcroft, in a lecture to the Economic Research Council, put it this way: **'The failure . . . to keep ends within means is, I believe, the main reason for the country being so near bankruptcy today and the moral is that those in charge of public expenditure should not involve the country in heavy public expenditure without taking adequate steps to see that the country has the means to pay for it.'**

Government Over-Spending

The result of this over-spending by Governments is shown by the fact that over 50% of the national income is now taken by the public sector against 40% in 1966. Successive Chancellors have attempted to regulate consumption by siphoning off excess purchasing power and this has had the result of switching vast sums from the private to the public sector. This did not reduce total demand, but it left the private sector with a decreasing proportion of the national income. The total amount taken in taxation in 1966 was £11,965 million, by 1973 this had more than doubled to £23,643 million. Intended to reduce demand and halt inflation, in fact it did neither. On the contrary, it still further undermined confidence while inflation continued at an even higher rate.

At the same time, deficitory expenditure by Government also increased and this arose from fear of increasing unemployment. In the winter of 1971-72, when the figures of unemployment were reported to be reaching the million mark, no attempt was made by the authorities to distinguish between those who were only temporarily unemployed, changing jobs or taking advantage of redundancy pay and tax rebates to have a spell off work, and those who were genuinely unemployed through lack of jobs. Public expenditure was recklessly increased, exceeding public revenue by £4,000,000,000 and the deficit was made good by 'borrowing'. When the Government 'borrows' from the banking sector, it has the same effect as 'printing money'.

An increasing body of opinion among economists and some politicians believes that we should put checking inflation as the first priority, even if this does lead, in the short term, to rising unemployment. They argue that unemployment is no longer to be so greatly feared as it was in the 1920s and '30s when unemployment pay and benefits were scandalously inadequate. The provision of adequate training and re-training facilities would result in manpower being released from where it was no longer required to areas where there is an acute shortage of skilled workers.

Investigations made under the auspices of the National Recovery programme showed clearly that 'Take-home Pay', which is what really matters to the wage and salary earner, taken as a percentage of National Income from 1948-72 had *decreased* from 59.0% in 1948 to 56.1% in 1972, a fall of nearly 3%.

This disposes of the argument that it is increasing incomes that have *caused* inflation. The answer must be sought elsewhere.

Government Responsibility

The table published on page 11 of the July/August issue of 'Britain & Overseas' showed very clearly that substantial increases in money supply are directly related to the erosion in the internal purchasing power of our monetary unit. This leads to the conclusion that if inflation is to be slowed and in the longer term cured, the Government must accept full responsibility for causing inflation and must therefore take the requisite action to effect a cure.

In his budget speech on 12th November, the Chancellor showed some recognition of these views. Mr. Healey said:

'The fact that in the current year we have kept the growth in money supply well below the growth in GDP should help us in handling our economic problems in the coming months. It will remain our objective in the medium term to restrain inflationary pressures through the monetary system.

Within our overall commitment to fight unemployment and inflation these are three major objectives of our policy in the medium term—to give priority to investment and to the balance of payments over both public expenditure and private consumption; to adjust prices to reflect real costs, especially of imported energy; and to see that inflation is not fuelled by an excessive increase in the money supply. I am certain that the achievement of these objectives is a necessary condition for creating a viable economy.'

If inflation is to be cured it will be necessary to undertake a massive

educational programme to bring home to people that their standard of living depends on the amount of wealth actually produced and that increased money incomes unrelated to increased production of wealth only increases the cost of living with consequent debasement of the monetary unit.

Finally, a note of warning is necessary. When inflation has reached present levels, attempts to cure this by suddenly instituting a savage cut-back in the flow of money would create a serious recession. There must be a gradual move back to moderate expansion over a period of time.

MR. PEART'S SUGAR DEAL

Norman Buchan *

The deal concluded with the EEC over sugar last week was complicated. The press took the easy way out and hailed it as a victory, with the simplistic explanation that it will mean cheap sugar for Britain, financed by EEC subsidy. Now the truth is that it may not mean any sugar at all, and if there is any it will almost certainly be as dear as would have been the Australian deal. We are now in the incredible position where after December not one single ton of sugar is guaranteed to Britain from any source, Caribbean, EEC or Australian. We have only this year's poor harvest of 650,000 tons of home beet. We have a short-fall of 2 million tons—and not one ton guaranteed. We have to restore some of the Government stockpile, refiners' stocks, or those earmarked for export and used for home consumption this year, in addition to the 2 million tons.

The Commonwealth Sugar Agreement ends this year. The Lardinois proposals will jeopardise any new agreement with the developing countries of the Commonwealth, but even without that factor their likely amount will be about a million tons. Without the Australian deal, therefore, we are still in the position of looking for something like a million tons. The new EEC deal promises an initial *200,000 tons,* but, as we shall see, we may not get even that.

The background is the failure first of the Tory government, and then of the Labour government, to get the EEC ever to bank the Rippon 'bankable assurances' to allow access of 1.4 million tons of Commonwealth sugar into the EEC. The Caribbean especially, faced with this continuous doubt and the lure of higher prices, began, as did all our traditional trading partners in other commodities, to look for alternative markets. They found them particularly in America. At the same time an inevitable slippage occurred on deliveries to us and we were running short.

* *Norman Buchan was until recently Minister of State at the Department of Agriculture and Fisheries.*

A Five-Year Agreement

Hence the Australian approach. What they wanted was a five-year agreement for around 350,000 tons per annum, starting with their immediately available 200,000 tons. It would cost us £180 per ton. Now this was useful for them. They were due to be phased out as a result of our entry to the EEC. Indeed, Fred Peart had put up an impassioned plea in their defence, during the debate on the European Communities Bill, on 27 June 1972:

> The Australian question has simply got lost. The British proposal to phase out the Australian quota was in itself short-sighted . . . Australia has acted admirably, and we should have defended her. Australia has behaved generously to the poorer countries. Moreover, it has been a good supplier of sugar to this country . . . Why should it be flung out to let European sugar-beet growers have preference in our market?

A good question then—and now.

Of course this time found the Australians wanting the agreement to have EEC blessing. This, it is now being argued, showed that it was really access to the EEC they wanted and not to us. This is a nonsense. There was one very good reason for their stipulation. If the world moves into a surplus situation and the world market prices comes down, then by the rules of the EEC a levy is imposed at the point that it drops below Community prices. Faced with a levy imposed in perhaps three or four years' time, the price might be too high for British importers, and despite the agreement, Australia find herself with unsold sugar. But this was seized upon—as was the suggestion that Australia's aim was to put the screws on her other possible customers like Japan—by those who sought another solution.

EEC Counter-Proposals

It was in this context that the EEC farm commissioner, Pierre Lardinois, produced his counter-proposals. Devastatingly simple in concept: buy on the world market and the Community will finance it by a subsidy related to the difference between the Community price and the world price. This would avoid the difficulty of having a member concluding a new bilateral agreement outside the EEC sugar regime. By the time negotiations opened, the source of the offer was becoming obscured and the British delegation was somehow being portrayed as doing the demanding. Richard Norton-Taylor in the *Guardian,* for example, said of Britain: 'The cabinet brief was clear: bully Britain's partners into agreeing to the cheap sugar scheme, and bully them so that all the world knows.' It was a strange role reversal.

Yet the real curiosity of this agreement was that even three days afterwards, according to members of last Friday's deputation of workers, MPs and management from the refineries, the ministry were still not totally clear on the nuts and bolts. And this time the nuts and bolts were what mattered.

In place of the Australian five-year guarantee deal of 350,000 tons per annum there is only a possibility of 200,000 tons, once off. After that, in the words of the ministry: 'The EEC will decide on further steps in the light of experience of the method in question.' So, no continuing guarantee—point one. But, further, it is not 200,000 tons for Britain. It will be open to any of the Nine to tender for the subsidy—point two. Moreover, anyone applying for the subsidy will also have to buy forward on the 1975/76 crop and re-export the forward sugar. This is a monetary device to reduce the subsidy cost, because the assumed profit is then deducted from the sum due. The reality is that it is those who have such sugar easily available, the French and the Belgians and, because they are in a particular relationship to the sugar regime, also the Italians, who will be able to take advantage of the subsidy. It is not impossible that the British importers will get none of this sugar at all. At the present time they are finding it well-night impossible to know how they are going to follow the ministry instruction of 'assessing the profit on the export and bid for a rate of subsidy to cover the balance'. Some are saying that it just cannot work.

Mass Redundancies

Nor does it stop there. For all this is without considering the social factors. The cane refining industry employs over 9,000 workers. Their fear, which I share, is that, given a self-sufficiency of beet in Europe, their livelihood goes and we will be faced with mass redundancies. One refinery alone, Silvertown, employs 3,000 men. Others are in development areas like Merseyside or Greenock. This process will begin almost immediately that a switch away from cane takes place. Then there is the effect on the West Indies. The incentive for them to make a deal with the Americans will be overwhelming. It may happen soon. Many of them are basically monoculture economies—and sugar has a seven-year cycle of production. They have to try to get a secure alternative market. So, why, why, why? The Community reasons are clear enough. But why Britain? A reading of the European press is illuminating. *Europe* (21st-22nd October) tells us:

> It went without saying that an agreement on sugar would go far beyond the sugar problem, and would have important political consequences on the attitude of the United Kingdom to the EEC, which could thus show its solidarity. It might even be presented as a success to be included in the context of 'renegotiations'. On the other hand, deadlock, with the prospect of a unilateral agreement by London with Australia, could be exploited in the other direction.

The rest of the European press emphasises this theme. Mark Clinton, the Irish Agricultural Minister, is reported as saying that the deal means that Britain has firmly hitched its wagon to the EEC star.

When Fred Peart eulogised Australia on 27th June 1972 it was while proposing an amendment which would have safeguarded the entry of Commonwealth sugar to Britain. In the same debate Peter Shore said: 'My conclusion is that all the mainland farming interest in Europe are bound to be united against us in our efforts to maintain after February 1975 an undiminished outlet for Commonwealth sugar.' Some of us were perhaps not surprised, therefore, by the swift Lardinois initiative to forestall the Australian deal. What is more surprising and disturbing was its even more swift success.

Reprinted by kind permission from the 'New Statesman', 1st November 1974.

COMMONWEALTH SUGAR SUPPLIES

A speech by Mr. Neil Martin, MP, in the debate on Sugar Supplies in the House of Commons on 11th November 1974.

I wish to come to the defence of the Commonwealth on the question of its supply of sugar to this country. I have given my hon. Friend the Member for Chingford (Mr. Tebbit) notice of the fact that I would refer to the exchanges on sugar at Question Time last Thursday, when he used these words:

> 'I have a good deal of sympathy for the right hon. Gentleman the Secretary of State . . . who has seen the Commonwealth producers rat on their obligations to supply us at reasonable prices.'—(Official Report, 7th November 1974; vol. 880, c. 1230.)

There is a need to defend the Commonwealth suppliers against that sort of accusation. I imagine that my hon. Friend spoke out of ignorance, or perhaps he had been paying too much attention to the European Movement propaganda. I have spoken to my hon. Friend, and I think that he would now agree that perhaps he went a little too far.

Australian Efficiency

Australia has fulfilled its quota, and has offered us more; Australia has not ratted. Australia is a very reliable, efficient supplier, and it has supplied its full quota in spite of the terrible floods in Queensland.

Mr. Peart: I agree about Australia. It has always been a very good supplier, even in difficult conditions.

Mr. Marten: I am glad that the right hon. Gentleman accepts that.

Mauritius, another Commonwealth country, fulfilled its quota, and is offering us more over and above the quota. The same goes for Swaziland, which wants to give us more next year, and Fiji. They have not ratted on their quota.

Therefore, what I think and hope the hon. Gentleman meant was that the West Indies had failed exactly to fulfil their quota. But I do not think that criticism of the West Indies for that is entirely justified.

They have suffered from inflation and the oil crisis. They have had two bad seasons with their crops, and the cost of their imports rose. They are not rich countries and they were running short of foreign exchange. So they appealed to Britain for help, which was forthcoming, albeit a little late. In the interim they had to turn to the world market. They sold part of their sugar on the world market, purely to get urgently needed foreign exchange for their own domestic reasons. I do not and will not blame the West Indies for the shortfall. I certainly do not consider that the Commonwealth ratted on the Commonwealth Sugar Agreement. That needs repeating.

A Stable Reassurance

In the past we would have got together rather earlier over the whole question of the Agreement and sorted out a price. Had we been able and free to do that, the situation may not have arisen. It is essential in all these developing Commonwealth agreements to recall why we operate them. It is for trade and aid. It is a form of aid which is trade. We are worried about the small sugar farmer in Fiji with perhaps ten acres, as well as about our own housewives and families. The Commonwealth Sugar Agreement was a stable reassurance to many families in those countries. It was also an assurance to our housewives.

I find the delay in reaching agreement on this 1.4 million tons curious. I see no satisfactory reason why the agreement could not have been reached earlier. I would like the Minister to deal with this in his reply. There is a deep suspicion among Members in all parts of the House that this was due to the French beet lobby trying to increase its share of the European market and trying to put out of production part of our refineries so that we would not be able to use so much cane sugar.

The Lardinois Proposals

Turning to the Lardinois proposals, there must be a slight suspicion that they were suddenly brought forward to forestall the Australian deal for 200,000 tons and 350,000 tons for five years. I ask the Minister: what guarantees are there that this 200,000tons, or a proportion of it, will arrive in this country? Secondly, what guarantee have we got that this will be renewed? There is a guarantee that it will be reviewed, but none that it will be renewed.

If it is renewed, then for how long will it be renewed and for how much? All of these matters, so important to us, are vague. Have the Germans agreed to pay their share of the subsidy for more than 200,000 tons? I have heard doubts expressed in Europe about this. It has been said that the Germans have refused to pay any more subsidy. In that case the agreement would break down.

I refer to the Prime Minister's answer to me at Question Time last Thursday when I questioned him about the sugar and inflation. He ended by saying:

"*we have every intention of getting all the sugar that we can from* Australia, either through Community arrangements or direct."—(Official Report, 7th November, 1974; Vol. 880, c. 1240.)

Get the Sugar?

That is the sort of talk I like to hear. It is the right approach, because it is the duty of the Government to look after British families, as well as those overseas for whom we had a responsibility in the past. I urge the Government no longer to go to Brussels and play these rather silly lower sixth-form-type politics in the Community, wasting further time. Send out a senior Minister *to get that sugar, get it in the bag. That is the right line for any British Gov*ernment to take, before America and Japan wade in and get it. Having got that deal we could rely upon the Australians but, regrettably, it would require the approval of the EEC as the Australians might fear that the EEC would eventually stop the deal in some way.

If there is a shortage of sugar—and I say "if"—I shall blame it on our entry into the Common Market and on our failure to get more than that undertaking of *aura ã coeur.* I shall blame the Minister of Agriculture for not being tough enough in Brussels. But in the end I shall blame the Common Market itself for failing to get on with that agreement for 1.4 million tons because people in Brussels have been procrastinating, as they always do. That will probably be the final reason why we shall not get the sugar.

Surrender of Sovereignty

It is curious to look back on the debates in 1971 and 1972, when we were told that we should not debate the Common Market on the question of butter. I always agreed with that, because the debate had nothing to do with butter but with whether or not we should go federal. We were concerned with the political debate. It would be curious if it were said that that debate should not be about butter but it turned out to be about sugar, because sugar will illustrate the extent to which we have surrendered our sovereignty to the Common Market.

Note: At the end of the debate the following amended Resolution was agreed to:

Resolved,

That this House takes note of Commission Document No. R/1900/73, but declines to approve Commission Document R/1957/74 as it makes no provision either for continuing imports, at fair and stable prices, of at least 1.4 million tons of cane sugar from Commonwealth countries, or for the continued existence of and employment in the port sugar refining industry in the United Kingdom, or for securing long-term supplies of domestically refined cane sugar at a fair price to consumer and producer.

A HOLLOW VICTORY

Brussels, November 12th.

Britain's EEC partners today formally agreed for the first time that up to 1,400,000 tons of cane sugar from developing countries should be guaranteed access annually to the European Community "on a continuing basis". But the achievement by the Labour Government of one of the unfulfilled aims of Britain's entry negotiations could be a hollow victory. If the right price cannot be negotiated over the right period of time, the sugar may never reach Britain's refineries and consumers.

Roger Berthaud writing in 'The Times', 13.11.74.

BRITAIN AND THE EEC

Five Key Issues must be Resolved if Re-negotiation is to Succeed

In a new Report entitled *'Britain and the European Economic Community—an Economic Re-Appraisal'* (British Business for World Markets, 30p) a Working Party headed by Dr. Brian Burkitt, Lecturer in Economics at the University of Bradford, argue that the benefits of withdrawal from the EEC "substantially outweigh the frequently exaggerated costs of exclusion, especially in view of the recent energy discoveries which profoundly alter the balance of European economic power in the UK's favour."

The Report lists five concessions in the existing terms of EEC membership which would enable the UK to remain in the Community without impairing its national interests. They are:

(1) The UK contribution to the EEC budget must be massively reduced on a permanent basis.

(2) The Common Agricultural Policy should be reshaped to allow the UK the option of returning to a deficiency payment system of farm support.

(3) A further reform of the CAP is necessary to allow continued access to the UK market for food producers outside Europe.

(4) The UK government must regain the freedom to determine the level of UK tariffs on non-agricultural imports from outside the EEC.

(5) The government must possess unfettered control of its economy and in particular the control of capital movements into and out of the UK. Above all Parliament needs the power to study and reject all proposed EEC regulations *before* they are implemented. No regulations should have legal force in the UK until they receive specific Parliamentary approval.

The Report suggests that these reforms require an amendment to the European Communities Act, which currently allows the Council of Ministers and the Commission to make laws that are binding in the UK 'without further enactment' by Parliament. Moreover, some modifiction of Articles 92, 93 and 94 of the Treaty of Rome, which give the Commission power to limit state policies, would be inevitable.

Looser Free Trade Area

Dr. Burkitt and his colleagues admit that the fundamental re-negotiation which they advocate would change the character of the EEC from an organisation evolving towards economic and monetary union into a looser free trade area that "retains its links with other Continents and sheds its present political aspirations".

Arguments in favour of EEC membership find little corroboration, either in economic theory or in actual experience, while the prospects of benefits which they suggest is modest. By contrast the penalties of membership are heavy and certain and the balance of probability overwhelmingly indicates that EEC membership will intensify rather than alleviate the UK's poor economic performance. Consequently British interests will be damaged if the UK becomes part of an evolving integration of Europe.

The Report concludes that UK membership of the EEC in its present form has already been—and will increasingly become—damaging to the UK economy. It states that a thorough re-appraisal of the UK's whole 'European Adventure' seems to be long overdue.

Britain and the European Economic Community—An Economic Re-appraisal is thought to be the most comprehensive study of Britain's relationship with the Community published since EEC entry. It runs to over 14,000 words and covers:

- The Economic Case for EEC Membership
- The Reality of EEC Membership
- Re-Negotiation of the Terms of EEC Membership
- Withdrawal from the EEC

Subjects considered in detail include:

- The Structure of the EEC Budget
- The EEC Social Fund
- The EEC and Regional Problems
- Free Capital Movement within the EEC
- The Balance of Payments
- Energy
- The Common Agricultural Policy
- The Consequences of Economic and Monetary Union

In his Foreword Mr. C. Gordon Tether ('Lombard' of "The Financial Times") describes the Report as a comprehensive, in depth analysis of the outlook for Britain inside and outside the EEC. He continues: **'The Report, which is far and away the best examination of the background to the new debate on our European future available, should be compulsory reading for all those on both sides of the arugment who want to take part in the developing battle for public opinion.'**

Introducing the Report at a Press Conference in Leeds, Mr. James Towler, Chairman of the BBWM Yorkshire Group, said that it was designed to stimulate interest and discussion on the great issues that face the nation regarding EEC membership.

Copies of the Report have been sent to 100 MPs of all parties—including passionate pro-Marketeers as well as anti-Marketeers. 'I hope everyone will accept this Report for what it is: a serious re-appraisal of Britain's economic relationship with Europe. Irrespective of one's views on the Common Market issue, I feel Dr. Burkitt's work is worthy of detailed consideration and prolonged discussion.'

THE EVOLUTION OF THE SUPERBLOC IN WORLD TRADE

After a year of grappling with the problems flowing from the Yom Kippur war, a reminder of the fact that there have been underlying problems besides the spread of inflation and the deployment of petro-dollars is salutary. *The Politics of Trade* * (Macmillan) by Douglas Evans, published last May, was written before the last Middle East war broke but is able to include a Postscript to relate the war's consequences to the book's central analysis. That analysis is in essence that the world economic system is shaping up into five major superblocs, that is, five economic great powers with their respective economic satellites or at the very least spheres of influence.

The evidence deployed to support this thesis, called the theory of economic multipolarity or the doctrine of the superbloc, is concentrated around the effects of the original six members of the EEC on the world economic system and especially its trading patterns. In noting the increasing trend towards regionalism the book documents that this trend away from multilateral trading arrangements on an intercontinental basis, such as the Commonwealth system provided, has increasingly taken the form of the major economic power such as the United States, the Soviet Union, the EEC, Japan and China, effectively dominating its weaker economic neighbours and dignifying this domination with some form of co-operative regional economic system.

To match the well-established links between the Soviet Union and its East European satellites in the Comecon system we have a description of the precise nature of the extent of the US economic monopoly in Latin America. In addition, in the book's most extensive chapter, The Evolution of Eurafrica, the author documents the precise nature of the arrangements which exist and are likely to develop in the future between the West European and African states, again underlining the long-term dependent status of the developing countries, notwithstanding the energy factor.

The book goes on to sketch in the foreign economic policies of both Japan and China who are both steadily staking out their respective spheres of economic influence. One of the book's themes, which is to be developed in two succeeding books in the series, is that the very fact that these five super-blocs (two of whom are superpowers) embrace the entire world between them contain the potential for enormous concentrations of future power with a corresponding potential for conflict unless their expansive tendencies are consciously restrained. In an historical chapter showing the genesis of these blocs in the twentieth century, the similarity of the assumptions which undergird the superbloc and those which underlay mercantilism is briefly suggested.

Finally, in a major appendix on Britain, the EEC and Britain's overseas trade trends, complete with tables of Britain's major trading partners and key commodities, the evidence that the more Britain concentrated exclusively on Western Europe, especially the EEC, the worse her trading imbalance became both in the visible and invisible trading sectors, is strikingly revealed, sadly töo late to save Britain from considerable hardship even without the advent of the energy crisis.

* *The Politics of Trade by Douglas Evans. Macmillan £3.95.*

THE RHODESIAN SCENE

by Mark Aynscough

Mr. Ian Smith's victory in the General Election in Rhodesia was a genuine triumph: he increased his overwhelming majority of 1970 to gain a clear sweep by winning all the European seats. Why do the Europeans have such faith in Mr. Smith, and when they vote for him, what do they expect from him?

Apart from a few independent candidates, the opposition to Mr. Smith's Rhodesian Front Party (R.F.) came from the newly formed Rhodesia Party (R.P.) under Mr. Tom Gibbs, the son of a former Governor of Rhodesia. This party only began to take shape as the Election grew near, so that it lacked the necessary unity and organisation; there was no definite or constructive policy

to bind the group together. The R.P. campaign, as a result, centred on seemingly wild promises and negative criticisms of the R.F. The main R.P. advertising slogan suggested that "R.F." might stand for "Repeated Failure", citing as examples *HMS Tiger* (December 1966), *HMS Fearless* (October 1968), the rejection of Smith's home proposals by the Pearce Commission (May 1972), the closure of the Zambian border (January 1973) and the rejection by Bishop Muzorewa of Smith's settlement terms (June 1974).

All but the last of these "failures" are now past history, but the question of a settlement with the Africans was a dominant issue in the Election. The R.P. claimed that Mr. Smith could never achieve any kind of settlement with Africans or Britain because of the distrust of the Rhodesian African, the British and the International Community, whereas they, the R.P., would win the trust of these people and put their settlement proposals to the Rhodesian electorate. Furthermore, whereas Bishop Muzorewa, the leader of the African National Council (A.N.C.) had rejected Mr. Smith, he was ready to accept the more generous proposals of Mr. Gibbs. However, the R.P. terms for settlement were too radical for the majority of Europeans who did not want what the R.F. called a "phased sell-out to black majority rule".

It would not be fair to say that the R.F. won the Election so convincingly solely because the opposition failed to inspire confidence amongst the electorate. Mr. Smith's government, under most adverse conditions, has achieved a great deal, especially in the financial field. It even looked as though Mr. Smith's talks with Bishop Muzorewa were making progress, but the publication of the R.P.'s more liberal terms made a breakdown inevitable.

In putting their trust in Mr. Smith, the Rhodesian electorate was naturally favouring a party which was known and established to one which was new and unpredictable; it was hoping that the R.F. would better its already considerable achievements, and that somehow Europeans in Rhodesia would continue to benefit.

Whether the Europeans have voted for the Party that will most benefit them in the long run remains the vital question. Before one can answer this, one must consider the Africans' situation. The majority of Africans are perfectly peaceable, friendly beings, even though quite incapable of making any responsible decisions to determine their own future. The influential Africans, however, are not satisfied with their position: their discontent ranges from terrorism in the Eastern Highlands (which is increasing in numbers and violence) to the mild complaints of African M.P.s in Parliament. Betweeen these two lies the supposedly non-political but highly influential African National Council. The disunity amongst Africans at this level is striking but disunity goes even deeper.

To one who has not been to Africa, talk of tribal grievances, even tribal warfare, might sound like a thing of the past, but there is no doubt that it is still a real problem. In Rhodesia the problem is especially acute because there are only two tribes—the Mashona and the Matabele. In a country with numerous tribes, like Kenya, there is little danger of one tribe gaining supremacy because the others can mass together and so overcome any upstarts. In Rhodesia, if one tribe were to become more powerful than the other, there would certainly be trouble. Although Black Majority Rule must be the eventual outcome, there is not, as yet, enough unity amongst Africans—indeed there are not enough responsible Africans—for Black Government to be successful.

Few realistic Rhodesians think that the present situation can last much longer. African discontent is undoubtedly boiling up and some sort of agreement must shortly be reached if violence, and even revolution, are to be avoided. The Europeans are hoping that the Africans, led by the A.N.C., will now settle with Mr. Smith (thus making possible a settlement with Britain) since the possibility of negotiating more profitably with the R.P. has now been ruled out.

However, two important facts make a settlement with Mr. Smith seem unlikely. Firstly, there is little doubt that Africans are suspicious of the R.F. and neither side is likely to make the concessions required of it; secondly, the Africans are gaining more allies all the time and as Black Governments come to dominate, and as the Europeans' hold—with more neighbouring countries closing their borders—becomes more precarious, the Rhodesian Africans are evermore appreciating the strength of their position.

The future of Rhodesia is certain to be troubled; one can only hope that Mr. Smith can justify the faith that the Europeans have in him, for it would be tragic to see such a beautiful, prosperous and friendly country in ruins.

THE ANNUAL GENERAL MEETING

of the Commonwealth Industries Association Limited will be held in Westminster on Wednesday, 11th December 1974, at 6.30 p.m.

Members and Subscribers who would like to attend this meeting should apply to the Secretary, Commonwealth Industries Association Ltd., 6/14 Dean Farrar Street, SW1H 0DX, for details.

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