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COMMON MARKET

What It Is

M. K. PANDHE
S. A. DANGE
R. PALME DUTT

WITH A FOREWORD BY S. A. DANGE

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What It Is

PART ONE

Historical Background of the ECM

M. K. Pandhe

THE destruction of the economies during World War II posed innumerable problems for monopoly capital in West Europe. Prior to the war, these countries had dominated 40 per cent of the world imports and 30 per cent of the world exports. As a result of the complete breakdown of their economies during the war years, France and England lost their creditor positions and became large-scale debtors to the United States. A severe crisis prevailed all over Western Europe.

The victory of the Soviet Union, the emergence of the People's Democracies in Eastern Europe and the People's Republic of China in Asia brought into existence a powerful socialist market, embracing nearly half the world population. This resulted not only in the shrinkage of the capitalist market, the plunder of which had contributed to the 'prosperity of Western civilization' prior to World War II, but also in the emergence of a powerful socialist world market.

Another factor contributing to the difficulties of the Western nations was the liberation of colonial countries from the imperialist yoke and the intensified struggle of a number of colonial countries for national liberation. Thus the traditional sources of cheap raw materials extracted by colonial domination and markets for finished products could no longer be expected to yield the old rate of super-profits.

The only capitalist country which grew stronger during the war years was the United States of America, which did not suffer any destruction as a result of the war. The war-rich monopolies of the USA decided to capture the economies of West European countries, not only by means of its armies which had occupied Europe, but also by buying up and investing in West European industry. The Americans made a dictated Plan for it in 1948. This was the Marshall Plan. Eighteen West European countries plus the United States and Canada participated in it.

The Marshall Plan sponsored by the United States found its legislative embodiment in the European Recovery Programme under the direction of the Organisation for European Economic Cooperation (OEEC). Sixteen countries in West Europe participated in this programme, according to which, by an Act of American Congress, listing of 'production goals and investment plans' was done in order that funds could be most effectively allocated to meet Europe's needs. The Soviet Union and the People's Democracies in Eastern Europe were also asked to join it. But they refused to participate in this programme, knowing full well that it was not merely a programme of economic aid but a programme of domination of American imperialism, a programme of intervention in the domestic affairs of the countries that joined it.

The Convention of the OEEC which came into existence in April 1948 established the following obligations:

(i) to develop production individually and collectively through the effective utilisation of reserves and modernisation of equipment;
(ii) to prepare general programmes for the production and exchange of commodities and services;
(iii) to utilise to the maximum, and in the most rational manner, capital available for production;
(iv) to attempt continually to maintain economic and financial stability all the while assuring full employment;
(v) to reduce trade barriers and customs impediments;
(vi) to reduce barriers to the free movement of persons.

The United States poured in 12.2 billion dollars during the period 1947-53 alone. American capital began to flow with greater speed into all West European countries.

The Marshall Plan was followed by a military alliance in 1949—the North Atlantic Treaty Organisation (Nato)—which was joined by 13 European countries in addition to the USA and Canada. West Germany became the key 'defensive point' of the Nato and direct American and British aid through grants came to the tune of 4.4 billion dollars by 1951.

European Payments Union

This multi-lateral payments system was established in September 1950 by which all the sixteen countries participating in the Marshall Plan agreed to reduce tariff by 10 per cent. Under this agreement, each member had to report its monetary net payment position, and out of the general fund established in dollars, surplus nations received three-fourths of the sum due to them in dollars and they had to extend credit for the other one-fourth. This further increased the domination of dollar over West European trade.

However, the EPU could not function for more than a year and it had to be dissolved after the Korean War. Britain and France became large-scale debtors while West Germany and Belgium piled up huge credits. All the EPU debts were in a large measure either liquidated or settled.

Both the OEEC and the EPU did not result in elimination of sharp antagonisms among the Western nations. The rivalry and cut-throat competition prevailing among the monopolists were obstructing the unity of the 'free world'. While the flow of dollars into West Europe created conditions of temporary stabilisation in the continent, it was not enough to solve their problems in the long run. The bourgeoisie needed more coordinated and unified policy in economic affairs.

Customs Unions

A beginning was made in this direction by the formation of a customs union by Belgium, Netherlands and Luxembourg in 1950 which came to be popularly known as 'Benelux'. It was an attempt to eliminate competition among the three participating countries. The agreement consisted of the following measures to be implemented in successive stages :

(i) Uniform tariff levels for the three countries vis-a-vis the outside world;
(ii) Common legislation on duties, sales and excise taxes;
(iii) A complete economic union in terms of production, investment and distribution.

The Benelux countries could introduce only the first two measures. The third could not be implemented due to the differentiation of wages, costs, stability of economy as well as the value of currency.

Attempts were made by the bourgeoisie in France and Italy to form a similar customs union of France, Italy and Algeria, popularly known as 'Frital'. But from the economic point of view, since both the countries produced goods of the same kind their economies were in essence competitive rather than complementary. For raw materials, both countries were dependent on external sources. The French National Economic Commission turned down the proposal and 'Frital' failed to see the light of the day.

Efforts were also made to have a unified control of agricultural products such as cereals, meat, beet sugar and milk products throughout Western Europe. This was known as the 'Green Pool' which would have crushed the small and medium peasantry of the entire Western Europe and introduced control of the monopoly over the production and market of these products. However, the foreign ministers of seventeen countries participating in the talks could not come to any conclusion with regard to the wide differences in prices prevailing in Europe and which was due to the differences in the extent of mechanisation in the agrarian sector. Thus, this plan was also dropped under the plea that it was 'too ambitious'.

European Coal and Steel Community

We have seen that earlier efforts to combine and avoid competition in the capitalist markets did not bear much fruit but the efforts to form some sort of an alliance to maintain the high level of profits for monopoly capital continued.

Jean Monnet, a French economist, advocated unity in West Europe by eliminating trade barriers and ultimately integrating their economies. He aimed at 'free trade' within the largest possible area, enabling the industries to cut costs, free flow of capital and labour, etc. To begin with, he said, the experiment should be made by pooling coal and steel resources.

The European Coal and Steel Community or the Schuman Plan came into being after the Coal and Steel Treaty signed in 1953 by France, West Germany, Italy, Belgium, Holland and Luxembourg—the same countries which later on constituted the Common Market. The main purpose of the Schuman Plan was to ensure market at a price favourable to the monopolies by avoiding competition among the six participant countries. It also implied 'free movement' of labour and capital as well as termination of tariffs and quotas which restrict the movement of goods from one country to another.

The endeavours of the coal and steel monopolists did result in some measure of success.

The control of monopolies over the market in the six countries can be seen from the rise of the giant organisation named GEORG which reigned supreme over the Ruhr coal supply which made up for more than half the supply of all the six countries participating in the Coal and Steel Community.

The High Authority which was supposed to keep an eye on the implementation of the treaty encouraged the process of further concentration. Here is another example of concentration in coal and steel industry:

> The Thyssen works, comprising steel and coal interests of enormous size, was integrally reconstituted in 1958 by a merger of the interests of Thyssen's heirs. It was followed shortly after by a merger of Phoenix-Rheinrohr and August Thyssen Hutte, the largest concentration in the community for steel production. So too came the concentration in the Krupp works; indeed, the very question of restoring ownership to Krupp was scrupulously avoided by the High Authority on the ground that it was a question for the Allied authorities. In 1959, Krupp announced tnat the High Authority had approved its acquisition of Bochumer Verein, its old competitor (R. E. Hauser and G. M. Hauser, *A Guide to Doing Business in the European Common Market*, pp. 62-63).

Similar combinations were formed among the steel monopolies of France, Belgium and Luxembourg. Italy also did not remain aloof from it.

> Half the Community's coal production, three-fifths of its coke production, 40 per cent of its coal trade, 70 per cent of its coke trade, all were in the Ruhr and all monopolised.

William Diebold in his book, *The Schuman Plan,* has pointed out the high level of concentration that took place in the countries participating in the Plan. He observed :

> In 1952 and 1956, 11 companies produced 40 per cent of the Community's crude steel. In both years, the three largest firms produced 14 per cent. The figures for 1957 appear to be similar. Of course, the firms have grown larger. In 1952, only three firms produced more than 1.5 million tons of steel while in 1955 and 1956, there were 13, and in 1957, there were 15. In 1952, no firms produced more than 2 million tons while in 1954 there were two, by 1955 three, and by 1956 six. Over 60 per cent of the Community's steel was produced by companies turning out more than a million tons apiece in 1956 while in 1952, firms of that size produced only 40 per cent. In 1957, over half the Community's steel came from 15 companies producing more than 1.5 million tons each (pp. 373-74).

It was also a well-known fact that ten firms produce two-thirds of Germany's steel, four produce more than half of French output, one produces a quarter in Italy's and two nearly 40 per cent.

The High Authority authorised 15 cartel formations during 1953-58 period. Out of this, three concerned steel-making arrangements principally in Belgium. Other two involved combination of German steel firms with American coal firms. The Fiat Motor Company was allowed to contract for a fixed proportion of the hot-rolled sheets and wide-strip produced by the Corngliano plant at Genoa. Similar other concessions were given to the formation of international cartel network, to dictate the price and control the market. Thomas Balogh, a British economist, even went to the extent of stating that 'the Iron and Steel Community has unmasked itself as a cartel'.

The Potsdam Conference held during 17 July to 2 August 1945, envisaged a scheme under which all war production potential would be eliminated, industry would be decentralised and deconcentrated. At the conference, the then Labour Government of Britain proposed complete nationalisation of the Ruhr industry, but due to US opposition, the proposal was rejected. But in the ten years of Allied control over West Germany aided by the rule of Adenaur, the monopolies have become even more powerful than before the Second World War. Two American economists described the implementation of the deconcentration in the following manner:

> The deconcentration programme underwent a metamorphosis more delicate than that concerning reparations (*supra*); despite the total abandonment of the policy, in fact, lip service was still paid to the anti-cartel philosophy which is even embodied in the charters of the various organisations for economic integration in Western Europe. Concentration of industry had become an art in pre-war Germany, for in addition to cartel (accords among autonomous firms), there were Konzens, similar to American 'trusts', creating a double level of concentrations. As an illustration, it may be noted that he Ruhr industry in pre-war years consisted of six Konzens which produced 98 per cent of the cast iron production and 95 per cent of the steel output of Germany. When one realises that the Ruhr area turned out 70 per cent of the total European production of these items, the degree of concentration is astounding. Coal mines were also integrated in this picture so that the total price of the product was a predetermined affair (R. E. Hauser and G. M. Hauser, *A Guide To Doing Business In The Common Market*, pp. 18-19).
>
> Thus [the authors observed] early in the history of the European Coal and Steel Community, the High Authority took the occasion to note its desire that this reconcentration would be limited, although it was patently clear that the High Authority had accepted *some* degree of reintegration as inevitable. A good example is that of Mannesmann, A.G., split into three parts by the Allies, but re-united by 1954 so that it actually had larger coal resources than before the deconcentration measures. By 1957, a German economic report could note that all the major companies had returned in more or less a complete form—this despite an avowed High Authority policy dedicated to limiting reconcentration (*Ibid.*, p. 62).

The wages of the workers in the six countries were deliberately kept on a low level by using the technique of 'free flow of labour', i.e., by expanding the labour market and increasing competition among workers. Only dogged resistance by the trade unions won some wage concessions for the workers, defeating the slogan of wage-freeze policy.

Thus the Chief purpose of the Schuman Plan was to help the monopoly capital of the participating countries. This was all done in the name of preserving the 'free world' and fight against totalitarianism.

Euratom

The Schuman Plan was expanded in its scope by including atomic energy in the Coal and Steel Community. A separate organisation named Atomic Energy Community (Euratom) was created at a meeting of the foreign ministers who participated in the Schuman Plan at Messina (Italy) in June 1955. The headquarters of Euratom were located in Brussels (1958).

The Commission of Euratom is composed of five members and is ruled by simple majority. In accordance with the treaty, the Commission exercises delegated authority to enforce its decision. It is also assisted by a Scientific and Technical Advisory Committee of 20 members.

The Euratom has laid down certain principles according to which all atomic fuel belongs to the Community. The right to its use and consumption is determined to a great extent by the rightful ownership of the fuel. An agency has been created for its distribution which alone has the right to enter into delivery agreements within or outside the Community.

Eurovision

Another step towards integration was taken with the constitution of the European Broadcasting Union, popularly known as 'Eurovision'. It was established in 1954 and 23 countries in Europe including Yugoslavia participated in it. Turkey was the only Asian country to join this union, thus making a total of 24.

Cept

A similar organisation called Conference of European Post and Telecommunications was established in 1959 in which 19 countries participated. Yugoslavia did not accept membership of this body.

The formation of the European Economic Community (EEC) or the European Common Market (ECM) is nothing but the extension of the European Coal and Steel Community and Euratom, embracing all the commodities, and which is clearly an extension of the grip of monopoly in all the major sectors of economy in those countries.

Maurice Faure, the French State Secretary for European Affairs, said in July 1957, on ratification of the Rome Treaty:

> We are still living in the fiction of the four great powers. In reality there are only two—America and Russia. Tomorrow there will be a third—China. It depends on you whether there will be a fourth—Europe. If you fail to make this choice, you condemn yourself to walking backward the future.

When, in March 1957, the six Schuman Plan countries decided to form a community whereby 'trade in industrial goods between members would be freed from quota restrictions and from all tariffs and there would be a common tariff against goods from outside countries,' the non-member countries in Western Europe came face to face with the problem of competition from the Common Market countries. The 'Outer Seven' of U.K., Sweden, Austria, Norway, Denmark, Switzerland and Portugal formed the so-called 'European Free Trade Area' (EFTA). Sir Edgar Cohen, Second Secretary of the Board of Trade of Britain, in a speech (1958) expressed his views on the difference between the Common Market and EFTA in the following manner:

> In a free trade area, because each member is free to reduce his external tariff as he pleases and goods move freely between them, the lowest duties set the pace for the rest and the group tends to look outward and trade liberally. A customs union, on the other hand, is an economic unit and may, as such, pursue liberal or protectionist policies as its members may think fit.

US Investments in West Europe

In 1959, the total U.S. investment in Europe went up to 5.3 billion dollars. The return on U.S. investments was exceptionally high in West Europe.

Among the Common Market countries, in 1958-59, the highest returns were from Germany—20.1 per cent. The corresponding figures for other countries were: Belgium and Luxembourg 8.9 per cent, France 7.1 per cent, Italy 12.6 per cent, Netherlands 7.5 per cent.

Among the Free Trade Area in the same year highest returns were paid by Switzerland—17.3 per cent. The corresponding figures for other countries were: Denmark 17.2 per cent, Norway 11.4 per cent, Sweden 13.4 per cent, and U.K. 13.7 per cent.

It would be interesting to note in this connection that the returns on domestic investment in the U.S.A. in same year were only 9.5 per cent.

U.S. investments in U.K. constitute nearly half the total investments in the whole Western Europe. In U.K. the amount of U.S. capital rose from $1,131 million in 1953 to $2,475 in 1959—a rise of 118.8 per cent. During the same period U.S. investments in France went up by 107.9 per cent, West Germany by 188.0 per cent, Italy by 229.4 per cent, Switzerland by 409.7 per cent. The growth of U.S. investments in Europe can be seen from the following table.

VALUE OF U.S. DIRECT INVESTMENTS IN WESTERN EUROPE
1953-1959

(in million dollars)

Country	1953	1959	*Percentage increase*
ECM countries:			
Belgium Luxembourg	103	210	94.4
France	304	632	107.9
Germany	276	795	188.0
Italy	95	313	229.4
Netherlands	125	244	95.2
Total	908	2,194	141.6

Country	1953	1959	*Percentage increase*
EFTA countries:			
Denmark	36	48	33.3
Norway	37	62	67.5
Sweden	74	125	68.8
Switzerland	31	158	409.7
U.K.	1,131	2,475	118.8
Total:	1,309	2,868	119.1
Total Western Europe:	2,369	5,300	123.7

(Source: U.S. Department of Commerce, *Survey of Current Business.*)

Professor Emile Benoit, in his book *Europe at Sixes and Sevens,* observed:

> It should be noted in passing that the large inflow of U.S. capital to Europe reflects not only excellent opportunities in Europe but also the existence of relatively poor opportunities in the United States. There has recently appeared a tendency in some quarters to blame U.S. capital exports not only for the strain in our balance of payments (for which in the short term it must accept some responsibility) but also for the drying up of employment opportunities and slow pace of advance in the U.S. in the last few days (p. 182).

With the formation of EFTA the competition between the 'Inner Six' and 'Outer Seven' entered a new stage. West Germany tried its best to compete with British goods in the EFTA. For example, in 1958 West Germany sent 27.5 per cent of its exports in EFTA, of which nearly two-thirds were sent to Scandinavian countries. To counteract this threat Britain suggested that tariff rates in EFTA should be reduced further by 20 per cent. Similar steps were proposed among the countries in the Common Market to counteract the British threat. The tariff war resulted in bitterness between the ECM and EFTA countries.

The U.S. Government sounding the alarm at the growing bitterness of the competition in trade and commerce between two groups decided to abandon its professed neutrality and intervene in the 'controversy'. The announced objective was to seek an accommodation of interests between the two blocs, but on a basis which would safeguard U.S. exports as far as possible from tariff discrimination.

Macmillan's meeting with Adenaur in Bonn on 11 August 1960 was a step towards surmounting the barriers between the two groups. The controversy between the two blocs of Western Europe was viewed in the 'broad framework of world policy', i.e. in the light of importance of unity of the Western world. Negotiations between the two groups continued till February 1961 when Edward Heath, British Lord Privy Seal, in his declaration at Paris for the first time accepted for the U.K. 'the principle of a common external tariff and also expressed a willingness to go beyond a mere trade treaty and accept 'Common European Institutions'.

Even from the point of view of the political unity of the Nato countries such a unification was thought to be an urgent necessity.

However, either through the Common Market or any other form of economic organisation, the contradictions among the monopolists will not be reduced in any manner. They are bound to come up now and then, in one form or another. Professor Benoit, the U.S. economist whom we have already referred to earlier, admits that crisis conditions in Western civilization have now become normal, and that, henceforth, for an indefinite period, the survival of the bourgeoisie (he uses the phrase 'our society') would always be in danger. He ominously concludes :

'Free societies henceforth will perforce 'live dangerously', if they manage to live at all.'

PART TWO

I

India and the Common Market

S. A. Dange

NOBODY in India knew very much, until very recently, about the European Common Market—the ECM.

But now since Britain decided to join it and when three British ministers went round to India, Australia, New Zealand and other Commonwealth countries to sound their opinion, the whole country has become conscious of the Common Market. It is being debated in the Press, in the Parliament, among political parties and mass organisations.

The dominant note in these discussions appears to be that Britain joining the ECM will hit India's economy, her export trade particularly; that Britain is 'letting down' her Commonwealth partners.

Not one, however, seems to be saying definitely that Britain must not join the ECM. Even the Government of India says that it is for Britain to decide her line. India will suffer to some extent but she will look after her own interests in the best way she can.

Only the PSP spokesman, Asoka Mehta, a true follower of the European Social-Democrats, is very eloquent about the ECM.

From all accounts, however, the Indian tone is one of anxiety and regret that we will lose our trade with England and suffer a serious setback. It is, therefore, necessary to know the real position in this respect and have a principled approach.

Imperialism — The Common Bond

The ECM consists of six countries. They are: West Germany, France, Italy, Belgium, Holland and Luxembourg. These countries established the Common Market by the Treaty of Rome in 1958.

These Common Market countries are highly industrialised countries, except for Italy, whose economy, compared to that of Germany and France, is a little backward.

All the six, except the small Luxembourg, have been and are imperialist countries.

All of them are governed by reactionary governments and are part of the warmongering Nato.

After the Second World War, all of them have been set on their feet by American capital, beginning with the Marshall Plan of 1948.

In general, their foreign policy is the policy of American imperialism—that is, warmongering.

The American imperialists entertain the idea of forming a single gigantic bloc of all the capitalist countries of Europe, to subordinate their economies to its aim of world conquest and to use them in a war against the Soviet Union and other socialist countries.

But this plan of building a 'united imperialism' of capitalist Europe, with a population and market of 250 million people has not succeeded.

After getting rehabilitated through the aid of the Marshall Plan and after reconstructing their worn-out plants, the age-old rivalries and contradictions of the monopolies in these countries began to assert themselves.

The plans of building a super-imperialism of United States of America and United States of Europe foundered on the inherent rivalries of the monopolists.

The Americans succeeded in hammering out the Six into a Common Market, while Britain tried to build a rival alliance of what is called the 'Outer Seven' consisting of Great Britain. Sweden, Norway Switzerland, Denmark, Australia and Portugal, calling themselves the European Free Trade Area (EFTA).

The Common Market is an imperialist bloc and as such is directed against the socialist camp.

It is also directed against the underdeveloped countries and their independence because France, Belgium, Holland—all have colonial possessions—and the German Nazis and Italian fascists hope to recover their lost colonies.

The Outer Seven, led by England, also constitute an imperialist bloc, though some of them have no colonies. But England makes up for all of them.

The six Common Market countries want to eliminate tariff barriers amongst themselves and have a free flow of goods, labour and capital by common agreement. But this very thing becomes impossible of achievement, as each one wants to strengthen its own economy, that is monopoly profits, as against the other.

Inter-Imperialist Contradictions

The wage levels and capital equipment in each one of them being different and all being based on capitalist-imperialist competition, the free flow of labour, capital and goods leads to severe competition. For example, the pooling of steel and coal in the Six immediately threatened closure of marginal mines in Belgium and France, while the cheap coal of Ruhr began to capture the market. In agriculture also, French agricultural workers and small farmers refused to have their goods priced out of the market of the common pool. And so on.

The Common Market, established to eliminate competition, led to more competition on a total European scale among the giant monopolies of West Germany, France, Italy, etc. Contradictions developed between Germany and France, between France and Italy, and so on. Competition also arose between the American monopolies and the Six, led by giant cartels of West Germany, now fully rehabilitated once again under Nazi control.

The question of Britain joining the ECM six is a part of this inter-imperialist rivalry and competition. A large section of British monopoly capital wishing to secure the big market of the ECM for its engineering goods wants to be in the ECM.

Politically, monopolies cannot remain out of the economic ring of the Nato. Despite the opposition of a certain section of its own bourgeoisie, Britain wants to go into the ECM, for its overall interests of war, monopoly development and competition.

With Britain inside the ECM, the Common Market will become a formidable combination, which will even compete with American monopolies. Why do the Americans then want it?

For profits.

Lower Wages and American Investments

The wage levels in the European countries are lower than in the USA. If the per hour wage is taken in dollars, the levels stand as below :

U.S.A.	—	$2.50 per hour
Britain	—	$1.50 „ „
France	—	$0.95 „ „
W. Germany	—	$0.80 „ „
Italy	—	$0.80 „ „
Holland	—	$0.65 „ „

Thus the Americans are investing more and more capital in these countries where lower wages prevail and exporting their cheaper goods to America to make higher profits. American investment in Western Europe increased from 1733 million dollars in 1950 to 5300 million dollars in 1959. The income of American monopolies from their capital investments in Europe is increasing at a faster rate than their income from home investments. Even the conservative trade unions of the AFL-CIO have begun to see the danger to their employment and wages in this export of American factories and capital to Europe.

The European monopolists also are reaping the advantages of American investments. At the same time, they are competing with the American monopolies. Hence all are interested in the Common Market and all are engaged in cut-throat competition inside it.

By joining the ECM, the British monopolies hope to beat down the higher trade union rates of the British workers, by either importing cheaper labour of the Six or by exporting their factories and capital to the territories and the market of the Six when she joins them as the seventh.

Thus all these moves are conditioned by:

(1) the intentions of the big monopolies to combine their economic and military strength against the socialist camp;

(2) the inter-imperialist rivalries of the monopolies;

(3) their contradictions with their colonies and the underdeveloped countries;

(4) their over-all conflict with the working class in their own countries.

International Aspects

What can be our attitude to this development?

We are opposed to the formation of these blocs, which intensify war preparations and militarisation of economy. We want trade among all countries, to be free and to be conditioned by the interests of the people.

But this line is unacceptable to the monopolists. They put embargoes on trade with the socialist countries. They dictate unequal terms to the underdeveloped countries. They export capital and build factories in other countries to avoid demands of their own working class and reap super-profits.

Where there is abundance of production of food and other goods, they hold them back from the market to raise prices and increase their profits. Trade ceases to be an instrument of supplies needed by society. The vast increase in forces of production instead of becoming an instrument of abundant and cheap supplies of goods for satisfying the needs of man becomes, in the hands of capitalism, merely an instrument of profits, rivalries, war and ruin. We naturally object to such blocs and markets of warmongers.

From this point of view, Britain joining the ECM is a step towards the intensification of the cold war and competition, which one should disapprove. But Britain outside the Six with the Outer Seven does not become a different imperialist, colonial, anti-Soviet power than what she would be within the Six in the ECM bloc.

This is the international aspect of the problem and of our approach.

National Aspect

What is the national aspect of the problem?

Since India was conquered by Britain, her trade has been tied with Britain. Britain's trade with India was at first nothing but open plunder. As India's national movement grew, the rate of the plunder was mitigated a little and masked under 'Imperial Preferences', the Ottawa Agreement and so on.

When India attained independence, she had the power to make a radical change in her relations of trade with Britain.

But with state power in their hands, the traders and manufacturers of India in the postwar period got more busy in intensifying the plunder of their own people than bringing the plunder back from Britain. Thus the change in political status did not materially alter the direction of our trade.

Moreover, the capitalists of British industry fully utilised their advantage as an industrialised country against India which, as an underdeveloped country, wanted machines and capital goods in exchange for her exports of raw materials.

As India also set herself on the path of capitalist development, her trade continued to flow into the capitalist countries as before.

Out of the total exports of Rs. 612.77 crores in 1960, the share of the socialist countries was only Rs. 54.66 crores.

Africa got Rs. 40.21 crores, Asia Rs. 118.25 crores, America Rs. 131.57 crores and the capitalist countries of Europe Rs. 238.43 crores, of which Britain alone took a share of Rs. 174.39 crores.

Thus Britain continues to be the single largest customer of our exports. In the total turnover of Rs. 612.77 crores, her share is Rs. 174.39 crores, that is about 28 per cent of the total.

Our trade continues to be with capitalist countries and a large part of it with Britain.

Foreign banks and agency houses still dominate the field though Indian banks have entered the market on a greater scale than before.

The terms of trade with capitalist countries continue to be unequal as before—that is, we selling cheaper to them and they selling dearer to us.

The trade carriers continued to be foreign-owned, our shipping being still backward, though our share grew a little more.

But there has been one significant change. India has now opened trade relations with the socialist market. This turn towards the stable socialist market has given us ground for manoeuvre against the terms dictated by the imperialist market. In crisis, it acts as a saviour for our goods from attacks of depressions and fluctuations in the foreign capitalist market. Moreover, trade with the socialist countries is based on relations of equality and mutual exchange. But the traditional link with Britain continues to remain quite strong. Apart from the traditional financial hold, the additional reason for this is that our trade with Britain is based on Commonwealth preferences.

Loss Is Not Ours Alone

Our goods enter the British market mostly free of duty, while other capitalist countries levy duties of varying kinds and put quotas and other barriers.

This gives us greater power in competition with the taxed goods of other countries coming to the British market.

Britain obviously does not do this for benefitting us. By keeping us tax-free, she ensures a supply of raw materials at cheaper rates and diverts them into her channels by frightening us with competition. The trade being done by her own banks and investments here as in tea, etc., she is, in fact, buying the goods of her own capitalists and not necessarily of India, though they are India's produce.

In return, Britain gets a guaranteed field of her exports and investments.

Thus, if Britain joins the Common Market, and we are asked to pay duty for our goods, Britain will have to pay more for her imports. While our tea will be hit by the duty, the British people also will have to drink dearer tea. The worry is not only ours. Many of the critics of the ECM forget this side of the story.

No doubt, a part of our export trade will suffer a temporary setback. It is said that about 10 per cent of our trade may be lost or we may suffer a loss of 10 per cent in value due to the duties, quotas, etc. That is not very much.

What exactly is the position regarding the concrete items of trade? Let us see.

No Cause for Panic

Some people paint a picture as if our most paying commodities will lose the market and we will be ruined. Let us look at certain items.

Take *jute*, the much-talked of item of export. In 1960, we exported Rs. 70.6 crores worth of jute. Of this, jute bags worth Rs. 2 crores were taken by Britain. And the Common Market bought Rs. 2.81 crores worth. Our jute enters Britain with a 20 per cent price weightage imposed on us in order to protect Dundee jute. Thus England imposes 20 per cent 'duty' and the ECM imposes 23 per cent. Not much difference.

In *tea* alone, England is a big market. She took Rs. 75 crores worth in 1960 in a total export of Rs. 120 crores. The ECM is a small buyer and puts 18 to 23 per cent duty on our tea.

But even if England joins the ECM and puts 20 per cent duty on our tea, she is bound to continue to be our buyer, because we are the biggest and cheapest producer and, secondly, because it is the English capital that still dominates production and marketing of tea.

In *textiles*, we will not be much of a loser. England imported 223 million yards of grey cloth from India free of duty. ECM puts 17 to 19 per cent duty on our cloth.

Now even if this 223 million is not taken by Britain, our industry whose production reaches 5,000 million yards cannot collapse, as some allege, just because of this loss of market for only 4 per cent of our production.

But this market will not be lost because we must remember that a large part of this was re-exported by England to the ECM countries, after processing the cloth. The ECM will be as much our buyer, if we can process it ourselves.

Coffee—England bought Rs. 17 lakhs worth in 1960, while the ECM countries bought Rs. 2.25 crores in a total export of Rs. 6.67 crores.

England is a good market for our mattings, carpets and floor coverings. Also for castor oil and oil cakes. England bought Rs. 3.5 crores worth of floor coverings, Rs. 3.39 crores of castor oil and Rs. 10.8 crores of oil cakes.

The market for castor oil and oil cakes can be found on a bigger scale in the socialist countries.

Thus the situation is not as panicky as is made out by some. There will be some setback. But it will be temporary and can be overcome. We should not allow the bourgeoisie to create a picture of panic and, on that basis, give it an excuse to attack our workers or impose their so-called losses on the people by demands on the public budget for subsidies and relief!

England today uses the duty free market and her financial hold on our trade and certain lines of production in India to get goods at cheaper prices. She exports a quantity of these purchases to other countries and makes a commission agents' profit. Even if England joins the ECM, this agency business will still be retained by her. The business may not then go to her ports but it will go through her ships and banks.

India Government's Stand

The position taken by Morarji Desai, the Finance Minister, a staunch adherent of the Commonwealth, is worth noting. Making a statement for the Government of India on the Common Market in the Lok Sabha on 8 September 1961, he said:

> It is our considered view that the less-developed countries of the world should not rely on preferential treatment from industrialised countries, as a basis for the development of their industries and exports. *Such dependence can undermine the political independence of the countries concerned* (emphasis added).

Further on, he says:

> International trade today is at the crossroads. We can either move in the direction of more liberal trading policies calculated to achieve a balanced exchange of goods and services between the developing countries and the industrialised

countries on a fair, non-discriminatory basis; or we can go in the direction of groupings, regional and of other kinds.

A policy of freedom from tie-ups with imperial preferences, a balanced trade on equal terms and without barriers of tariffs and quotas, and elimination of groupings and bans is indicated in this. Such a policy, if allowed in practice would lead India to seek markets everywhere including the great socialist market and would not impose on her the necessity of tying herself to the strings of this or that grouping.

Hence it was correct for the Government of India to take the position in its talks with the British Minister that whether Britain should join the ECM or not is her own affair.

Associate Membership

Then what was Britain negotiating in her talks with India? That was never stated clearly anywhere. But one can guess what Thornycroft had been negotiating.

In the ECM, when Britain joins, there will be two countries with large colonial 'reserves', i.e., Britain and France. Next to them are Belgium and Portugal.

France has already made her 'overseas territories' which include some of the recently liberated countries of Africa as 'associates' of hers in the ECM, thus allowing goods from there to come in duty free.

When Britain joins, she also would like to get the same status or concession for her Commonwealth associates. If she does, will India like to be an 'associate'?

There is also the possibility that just as the ECM has made rubber and tin from Malaya duty free for the ECM, England may ask the same status for some lines of her Commonwealth products. India Government would not reject the latter proposal but what about being an 'associate' of the ECM?

But such an association has a larger meaning than merely exports. You become more or less a part of the ECM and the Nato and the Treaty which governs it.

That treaty asks you to surrender a part of your sovereignty to the ECM Parliament and authorities. It makes you a part of the war bloc of the Nato countries. Would India go that far?

India has all along opposed joining in war blocs or aligning with any block. Will she, however, agree to be an 'associate' of the economic counterpart of the Nato war bloc, to protect her trading interests? The Federation of Indian Chambers of Commerce and Industry, in fact, asked for such association.

Such soundings could have been done at the talks. If it were not so, a Cabinet Minister need not have flown from London to Delhi, to only tell India 'of Britain's application for ECM membership'.

It does not seem that Indian Government will move that way. There is no need. The threat is not so great and there is the alternative market. And, moreover, the Common Market countries themselves would like to pocket India's trade, once it is de-linked from the 'imperial ties' of Britain.

In view of this, Britain's joining the ECM is no calamity for India. At the most, a temporary, small setback to certain lines of export may take place, which can be overcome.

Conclusions

On the contrary, certain political results will follow from Britain's joining the ECM, which are worth noting. There are distinct political advantages in the new developments, when looked at from the long-range point of view.

Firstly, the traditional tie-up of our trade, banking, shipping—in short, all the legacy of 'imperial preference', will be loosened. Our bourgeoisie will have to stand on its own feet when shaken out of the 'shelter' of the imperial market.

Secondly, many have said that when Britain joins the Common Market, it will be the end of the Commonwealth. It is Britain, round whom the Commonwealth gravitates, that will be quitting the Commonwealth. What is there to worry in this? It should be a welcome thing—if the Commonwealth breaks. Is it not?

Thirdly, India, de-linked from British preferences, will search for alternative markets and so trade with the socialist countries will grow. That will make up more than the 10 per cent loss in value.

Fourthly, British investments in India's raw material products will weaken, making room for Indian capital to advance.

Fifthly, the situation existing in the British working class will change and they will have to battle with their imperialists against the onslaughts on their wages and living.

The snapping of a hundred-year-old imperial pattern of trade should not be an event that should worry us. It would be the logical outcome of our independence, the weakening of British imperialism and turning the face of our trade towards the socialist market and a free world market.

If it pleases England, let her join the Common Market and try her fate with West Germany, France and her other partners of the Nato.

The emergence of the world socialist market with its population of one thousand million has shrunk the imperialist capitalist market.

The cold war strategy of the imperialists shutting off trade with this huge growing market has made the crisis of trade of the industrialised imperialist countries still deeper.

Their industries have grown with new technique and automation to greater heights of production than before the second world war.

But their buyers' number has shrunk, as their old markets in the Balkans, in old China and South East Asia have broken away from the orbit of imperialism to their own new world of socialism.

The newly-liberated underdeveloped countries also no longer offer the same market of plunder as before.

To extricate themselves out of this situation, the imperialists are trying to steal each other's markets by groupings of the Six in the Common Market or the Seven in the EFTA market.

But all these attempts to re-divide amongst themselves the shrunken markets of the capitalist world cannot solve the problem of feeding their vast production apparatus and vast monopolies. Hence their internal rivalries and their plans of war—if possible—with the socialist countries.

But that cannot save capitalist industry and trade, from the operation of the laws of its own ruin, inherent in the system itself—the law by which the apparatus of social production is growing on a vast scale, but the disposal of its products remains conditional upon the profits and will of a handful of monopolists, who cannot allow consumption to grow fast enough to absorb the growth in production.

For that to happen, socialism is necessary.

To avoid that very thing are born the Six and the Seven, and all such capitalist manoeuvres to save themselves from the inevitable doom.

We in India need not worry, if we are on the right road.

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Britain and the Common Market

R. Palme Dutt

SINCE the Kennedy-Macmillan talks in Washington at the beginning of April the question whether Britain will join the so-called 'European Economic Community', or Common Market, has become a central subject of discussion in Britain. If such a decision is taken, this will represent a decision of major significance for the whole future—and further decline—of Britain and British imperialism.

For the EEC, or Common Market, is no mere economic customs union. Its economic aim is proclaimed to be to secure the economic 'integration' of all capital and labour resources over the area—i.e., to establish the domination of the strongest monopolies over weaker monopolies or smaller industrialists, not merely within each country, but across the national frontiers. This is, however, only the economic substructure proposed. The main objective, which has been set by the sponsors and leaders of the Common Market is of a political nature. From the very outset the United States, with the support of the West German monopolies, sought to establish some kind of 'supernational' federation which would successfully swamp the national independence of the West European nations.

British capitalism, still seeking to maintain some measure of independent economic postition against the increasing pressure of the United States and West Germany, has fought this project during recent years with every weapon at its command, and sought to establish its rival (weaker) alliance of the Seven or strengthen the links of its 'Commonwealth', or sterling grouping.

These attempts have failed. The abrupt reversal of policy now suggested would represent a very serious surrender, even though the British capitalists still entertain hopes of establishing a dominant position inside the Common Market.

No official announcement has been made so far, up to the time of writing, of any firm decision to enter the Common Market. Instead, the abrupt jolt of such a new turn has been broken to the British public, so as to lessen the shock, by a series of inspired press predictions and ministerial half-way statements, cumulatively repeated for a few weeks after the Anglo-American talks at an accelerating pace, until the idea has been brought to the forefront of discussion and an atmosphere created of expectancy and implied acquiescence in a decision shortly to be announced. This has not prevented the voicing also of significant opposition, which may increase.

Britain and Western Europe

Plans for West European continental capitalist combination go back to the First World War, when the German imperialists set themselves the aim to establish their project of Mitteleuropa, which should combine the territories of the German and Austro-Hungarian Empires and adjacent smaller countries in an economic customs union, as a prelude to political federation, and draw France into a vassal relationship.

French imperialism was determined to defeat these plans by the alliance with tsarist Russia and Britain. The victory of the Entente, backed by the United States, and the revolutions in Eastern and Central Europe, overthrowing the German and Austro-Hungarian Empires, ended the dreams of Mitteleuropa.

In the era following the First World War, new moves towards West European capitalist combination developed. These moves were henceforth strongly dominated by two new factors, namely, hostility to the Soviet Union and fear of Communism. At the same time they reflected in the first phase the rivalry of the two victor West European Powers, Britain and France. French imperialism, in the Poincaré phase, sought on the basis of the Versailles Treaty and its alliance with the successor states in Eastern Europe, to hold down Germany and prevent its economic or military revival. Britain sought to rebuild Germany, undermine the Versailles system and weaken France, in order to hold the balance between France and Germany. In opposing this, the French monopolists, after the fiasco of the Poincaré policy (the attempt to occupy the Ruhr) moved over to the alternative method of an alliance with the reviving German monopolists.

So was formed the 'European Steel Cartel', actually Franco-German Steel Cartel, of the French Comité des Forges and the Ruhr coal and steel barons, prepared through the famous Franco-German meeting at Thierry in 1926, the year when British capitalism was temporarily paralysed by the internal battle of the general strike. Britain, for its part, directed its policy to build up the Locarno alliance (from 1925 onwards) of the four West European Powers, Britain, France, Germany and Italy, with Germany accepted as an equal partner so as to counter French ascendancy in Europe. Thus, Thierry represented the French counter to Locarno.

With the Dawes Plan of 1924, put through with the aid of the first Labour Government, and the Young Plan of 1929, put through with the aid of the Second Labour Government, United States capital entered into a dominating role in Western Europe and actively built up the war industry potential of German monopoly capitalism. France's position was continuously weakened. British and American financial and diplomatic circles played the main role in building up Nazism and Hitler in Germany, and in rearming Nazi Germany, in open violation of Versailles, as the supposed grand spearhead for the future war against the Soviet Union. As soon as Hitler came to power in 1933, MacDonald at the head of the Second Labour Government, proposed a Four Power Pact of Britain and France with fascist Italy and Germany. The subsequent Tory Governments under Baldwin and Neville Chamberlain continued this policy, which culminated in the Munich Treaty, leading to the Second World War.

In the Second World War the rearmed German imperialism continuing and carrying further the line of the First World War, sought to establish a unified Western and Central Europe under German domination. This was called the 'New Order in Europe'. The French bourgeoisie under Pétain and the Vichy regime (installed with the support of all the bourgeois parties and the majority of the French Socialist deputies), fearing more their own working class than Hitler, willingly collaborated with the Nazi warlords and proclaimed fidelity to the 'New Order in Europe'. In this way the European Steel Cartel of the inter-war years was continued during the Second World War, to provide the arms for the Nazi assault on the Soviet Union.

In opposition to the 'New Order in Europe' of Nazism British imperialism conjured up a vision, on the basis of the weakening of France, to establish British domination in Western Europe. A preliminary version of this aim found expression in May 1940, when Churchill on behalf of the British Government made a formal proposal that France should be incorporated into Britain to form a single state—a proposal which aroused no small resentment in the French Cabinet and hastened the surrender to Hitler. Thereafter British imperialism, reduced to mortal danger by the consequences of its own policies, was in no position to pursue its ambitions until the Soviet armies had destroyed the power of Nazism.

In the closing phase of the Second World War, as soon as the defeat of Nazism was in view, and in the first phase after the Second World War British imperialism actively pursued and publicly proclaimed the aim of establishing a unified Western Europe (carrying forward Locarno and Munich) under British leadership. For this purpose British foreign policy, under the Third Labour Government of Attlee and Bevin, worked to restore German imperialism, banned payment of reparations from Hitler's loot, and was careful to have included the decisive Ruhr coal and steel region within the British zone. In Labour and 'Left' literature of this period this picture of a 'United Europe', i.e., United Capitalist Western Europe, under British leadership, was presented as a form of struggle against national narrowness.

But in fact it was United States imperialism which took over this task. Britain, enfeebled by war losses, was in no position to resist. Under the Third Labour Government the enfeebled British capitalism which was turned into the junior partner of the USA eagerly accepted the Marshall Plan of American economic domination in Western Europe, hoping to share in the fruits as junior partner, and its sequel, the establishment of the permanent organisation OEEC (Organisation for European Economic Cooperation) as the American-controlled organ for West European economic integration. The British initiative of establishing the Brussels Treaty of the Western European Powers as a political-military bloc of Western Europe under British leadership, without the United States, was soon displaced by the North Atlantic Treaty Organisation with the United States as Commander-in-Chief, and the West European states as subordinate satellites. Thus Western Europe became already a partially 'integrated' region of American economic, political and military domination and occupation, with West Germany as the main partner in practice, and Britain as the would-be but ineffective rival. The United States took the lead, not only in direct economic participation in rebuilding the great West German monopolies, but also in forcing through the rearmament of West Germany, at first against considerable British hesitations and direct French resistance (the crisis over the abortive 'European Defence Community', rejected by the French Parliament).

This was the situation when the initial phase of the OEEC was succeeded by the new stage of the battle of the Common Market of French and German capitalism, backed by the United States, against the British attempt at the alternative European Free Trade Association.

Battle of the Common Market and the EFTA

The American-devised organ OEEC, founded as a result of the Marshall Plan, was intended to be a permanent organ preparing the closer economic association of the 19 West European states composing it, through the method of reciprocal tariff reductions with the proclaimed aim of establishing a free trade area.

Meanwhile, in much the same way as after the First World War, once the restoration of power of the German monopolists and militarists had been accomplished in West Germany the alternative current of French-German capitalist cooperation, with a sharp edge turned against Britain, began to assert itself.

Corresponding to the European Steel Cartel between the wars, the European Coal and Steel Community was formed, drawing in again the cooperation of the Comité des Forges and the Ruhr steel barons, and competing against the British steel interests.

By the mid-fifties West German monopoly capitalism was forging ahead and had begun to outstrip Britain in basic industrial production, especially steel, in total manufacturing output and in world export markets. French monopoly capitalism was also developing more rapidly than British. These powerful Continental capitalist forces, in association with those of Italy, Belgium, Holland and Luxembourg, now began to plan a closer monopolist economic association of these six states, which should take on eventually a political character. By 1957, the Rome Treaty of the Six was drawn up, establishing the so-called European Economic Community, or Common Market.

This new monopolist bloc, whose immediate practical effect was in the tariff field, represented a powerful threat to British capitalism especially, as well as to all other European states outside it. Potentially, it could represent a threat eventually also to United States capitalism, if it could begin to conquer American export markets and close the Continental export market to American industrialists. But American policy in fact openly backed the Common Market. The reasons for this were clear. First, American finance-capital was very closely linked with the West German monopolies (as the record of the Dulles firm from the First World War to the collapse of the Hitler Reich illustrated). Second, American export of capital and establishment of subsidiaries in the European countries was able to a considerable degree to skip the tariff barriers and prosper behind the Common Market tariff wall. Third, from the point of view of the United States, as the whole record of the years since the Second World War and especially during the 1950s and the beginning of the Kennedy era has shown, the main rival capitalist world Power has been Britain; and American policy has been consistently directed to weaken Britain (Point Four, Middle East, Suez, Africa, 'Anti-Colonialism,' etc.). The Common Market represented a powerful weapon against Britain, either to strike a heavy blow against Britain's independent industrial and exporting position, or to force Britain to surrender and become only one of a grouping of states under American influence and West German domination.

British industrialists and political leaders immediately recognised the menace and endeavoured to use all means to counter it. For Britain's situation was basically different from that either of the Common Market countries or of the United States. The entire British economy had been built up on the basis of Britain's world colonial power; and even though the advance of the battle of national liberation had compelled the transformation of the former Empire into the so-called 'Commonwealth' of associated politically self-governing states, London's economic, financial and strategic hold continued to be decisive in all these areas of the former Empire, constituting one-quarter of the world.

In recent years, however, Britain's positions have been weakening under the simultaneous assault of the American monopolies and emerging local capitalism.

One-seventh of British exports went to the Common Market countries; nearly one-half to the Commonwealth. To sacrifice the latter to the former by abandoning the Commonwealth tariff ties and becoming enclosed in a West European economic system was felt to be equivalent to suicide for British imperialism. Yet the loss of the 14 per cent of British exports to the Common Market countries would be a heavy blow, especially as this market was expanding, while Commonwealth trade was declining. France could squeeze in its overseas African empire (French Overseas Community) by special provision into the Rome Treaty; but Britain could hardly do the same for the Commonwealth, covering one-quarter of the world, without destroying the meaning of the West European integration, even if the Commonwealth countries were willing, which the larger ones (e.g., Canada, India) most certainly would not be.

Bound up with these problems arising from the structure of the British world imperialist system was the question of agriculture. The traditional economic basis of the British Empire has been, and still continues, that the British metropolis is the manufacturing, industrial, trading and financial centre, exporting its industrial products and capital into the colonial or dependent countries and receiving from them their primary products, food or raw materials. Historically, this system meant the deliberate sacrifice of British agriculture, with land increasingly falling out of cultivation, until the experience of two world wars, revealing the strategic dangers of this policy, has led to the maintenance since the Second World War of a highly expensive and heavily subsidised system of agriculture inside Britain, behind heavy tariff or quota protection to exclude European and other non-Commonwealth agricultural products. Full participation in the Common Market, opening the coveted British market for agricultural products to French, Belgian, Dutch and Italian agricultural producers, would strike a blow simultaneously at this artificial system of British agriculture and at the whole structure of Commonwealth trade and preferential tariffs, representing the main framework of British trade today.

It is therefore no matter for surprise that from the moment of the signing of the Rome Treaty in 1957 until today Britain has conducted a most active war against the pressure of the Common Market. The first attempt, conducted through the organs of OEEC, was to propose the negotiation of a special arrangement with the Six to establish alongside the Common Market a wider grouping or 'free trade area' embracing all the West European states. The essence of this scheme was that it should cover only industrial goods and exclude agricultural products, and that in place of a single uniform tariff each participating state, while establishing free trade in industrial goods with other participants, would maintain its own tariff system in relation to outsiders. This would mean that Britain would be able to secure free entry for her industrial manufacturers into the Common Market countries; to continue to exclude agricultural products from the European countries; and to maintain its preferential tariff system with the Commonwealth countries.

This first plan of Britain soon foundered in face of the opposition of the Six. In 1958, the Council of the Common Market countries met and directly rejected the British proposals. A report known as the Ockrent Report was adopted, laying down that Britain might either accede to the terms of the Rome Treaty or stay outside. The British Government Minister, R. Maudling, who was Chairman of the Inter-Governmental Committee of the OEEC, expressed in October 1958, his deep disappointment and bewilderment' at this refusal, and warned that Britain would be compelled to take 'defensive measures'.

In January 1959, the first stage of the Common Market, with a 10 per cent reduction of tariffs between the Six, came into effect. By March 1959, the Six adopted the Hallstein Report for speeding the rate of reduction of the tariffs between their countries, thus intensifying their offensive against Britain's economic positions.

In face of this offensive the British Government in March 1960 formed its counter-organisation of European countries outside the Six. Seven countries were involved: Britain and its satellite Portugal; the three Scandinavian countries with close trading links with Britain; and the two neutral countries, Switzerland and Austria (subsequently in 1961 the adhesion of Finland was announced). The principle of the EFTA was mutual reduction of tariffs by stages towards the aim of free trade, but without endeavouring to establish any common external tariff or other forms of economic closer association.

Whatever the governmental declaration on both sides of hopes of future agreement, sharp relations of conflict in fact developed between the Six and the Seven.

At the same time it became rapidly clear to the British political leaders and industrialists that EFTA was a weak weapon and completely unsuccessful to counter the offensive or check the advance of the stronger Common Market bloc. US pressure to force Britain to join the Common Market was intensified. In the negotiations on establishing closer relations between West Germany and Britain, following the Macmillan-Adenauer meeting at Bonn in August 1960, the possibility of a compromise settlement was discussed, with Britain joining the Common Market subject to some qualifying clauses to meet her special problems. The US Administration's view was repeatedly declared, both under Eisenhower and under Kennedy, to support the Common Market against the EFTA.

All these conditions prepared the way for the new turn in British policy; and the forces making for change may have come to a head at the Kennedy-Macmillan talks at the beginning of April of this year.

Reasons for the British New Turn in Policy

What are the reasons why the Macmillan Cabinet and the majority of the British ruling class appear to be approaching a decision, and may possibly have already reached a decision, to negotiate for entry into the Common Market with such terms and protective qualifications as they may succeed in securing?

It is necessary to recognise that there is still sharp division. Some important sections have always been in favour. Significant sectional interests, especially those connected with Commonwealth trading and with agriculture, have been vocal in opposition, and may continue in opposition. But the majority weight of ruling class opinion, the Cabinet majority, the big bankers, the biggest monopolies, appear to have shifted towards the idea of entry.

Several considerations have evidently played a part in this shift.

Firstly, in the battle between the Six and the Seven the two antagonists were unequally matched. The Seven represent an aggregate population of 89 million; the Six, of 168 million. For Britain formation of the Seven only represented favoured entry to an additional market of 37 million, whereas adhesion to the Six would represent favoured entry to a market of 168 million. British exports to the partners in the Seven only represented 11 per cent of British exports, whereas British exports to the Common Market countries already represented 14 per cent of the total, or a more important market from the British point of view. During the early months of 1961, British exports to the Common Market countries increased by 8 per cent, despite tariffs, while those to the EFTA countries declined by 2 per cent. EFTA was never in fact regarded as a serious economic alternative by Britain. It was only devised as a makeshift bargaining weapon to exercise pressure on the Common Market countries. Experience soon showed that it was ineffective for this purpose, and was producing no sign of change or modification of attitude on the part of the Six.

Secondly, the period of the 1950s was a period of relative industrial stagnation for Britain; industrial and exporting leadership in capitalist Europe was lost to West Germany, so that Britain slipped down to the position of the third capitalist nation; the deficit in the balance of payments has reappeared while West Germany has a swollen surplus.

This decade has been a decade of relatively rapid industrial and exporting expansion of West German capitalism, and to a lesser extent of French capitalism, alongside a deteriorating position of Britain. Trade between the Common Market countries has increased by 50 per cent during this decade. The conclusion has been widely drawn that this expansion is the consequence of the Common Market, and that Britain's deteriorating position is due to exclusion from the Common Market.

In fact this conclusion is highly questionable. Many other factors are involved in this characteristic picture of the uneven development of capitalism. The deterioration of Britain's position testifies to the general decline of British imperialism, reflecting the increasingly rapid undermining of the old basis of colonialism. The United States—often held up as an example of the economic advantages of a large economic market unit—has also been very much slower in development during this decade than West Germany, France or Japan. Belgium, within the Common Market, has gone through severe economic difficulties. The present rate of expansion of West German capitalism is likely also to reveal soon its inherent contradictions and the fallacy of the supposed 'economic miracle'.

But while the somewhat naive arguments of the advocates of the Common Market are thus questionable, one fact is undoubted. The bigger British monopolists are casting eager eyes in the direction of the broad market of the Common Market countries; they view with alarm the prospect of increasing exclusion, and believe themselves strong enough to face competition. This immediate drive is playing an important part in the present shift of policy.

A further factor in the present calculations of the British monopolists is the weakening economic basis of their present trade with the Commonwealth countries and the general weakening of the whole structure of the sterling area. The Commonwealth market, with its preferences for British goods, still represents nearly half of British exports. But the proportion has steadily fallen, and the proportion of Britain's exports in the total imports of the main Commonwealth countries, though still dominant as the largest single exporter in all (except Canada long lost to the United States), has continuously declined and lost ground to the United States, West Germany and Japan. According to the National Institute of Economic and Social Research Britain's share of sterling area markets has been going down steadily since the mid-fifties at the rate of 2.5 per cent per year. In the important market of India, whereas in 1955 imports from Britain totalled 1,602 million rupees, or nearly double the 887 million of the USA and three times the 537 million of West Germany, by 1960, the British figure remained at 1,685 million, while the USA had climbed to 1,614 million, or nearly equal, and the West German figure to 939 million, or well over half. These signs were ominous.

Still more serious were the signs in relation to the sterling area. Until the last few years the essence of the system, reflecting the role of Britain as the tribute-receiving imperialist centre, was that the U.K. deficit with the non-sterling area was covered by the surplus of the 'rest of the sterling area' (i.e., the Commonwealth excluding Canada, and some protectorates or satellites). Britain was to this extent maintaining its balance of payments on the basis of the Empire. The dollar surplus of the colonial and dependent countries was paying for the dollar deficit of Britain. But in recent years, with the newly independent countries seeking to draw on their credits, sterling balances and dollar sales to pay for new programmes of reconstruction, the old system has broken down. Both Britain and the rest of the sterling area have shown a deficit on their balance of payments. While the U.K. deficit has risen from £177 million in 1958 to £644 million in 1960, that of the overseas sterling area has also risen from £313 million to £399 million, or a rise in the total deficit of the sterling area from £490 million to £1,043 million. Gold production of $303 million in 1960 has not been enough to cover this. The difference represents net long-term capital movements (mainly US capital) into Britain and the Empire, increasing the American economic hold and involving heavy future commitments for payment of interest or repatriation of profits.

Hence the British monopolists, recognising that they are on a weakening basis in relation to the Commonwealth and the sterling area, are sharply on the look-out for new directions to build up their position, at the same time as they endeavour to hold on to all they can of the old. Even in relation to the Socialist world, still representing only 2 per cent of British trade, the serious organisation of the British Industries Fair in Moscow, with the active participation of the biggest monopolies, has indicated how sharp is this search for new outlets. In this situation they turn especial attention to the endeavour to penetrate the West European Common Market, even while aiming to negotiate to endeavour to protect at the same time their Commonwealth interests and preferential advantages. Whether the two are compatible is another question.

US pressure on Britain to join the Common Market has been an important factor in this development. The reasons for this pressure are obvious. There is a view that such a policy of economically unifying Western Europe would be equivalent to building up a powerful and dangerous economic competitor for the United States. But in fact US capital and economic, as well as diplomatic and military, influence, is already well entrenched behind the fortifications of the Common Market. To force in Britain would mean to weaken Britain in relation to the Commonwealth and as an independent world factor, while the mutual rivalry of Britain and West Germany and France within the European Economic Community would provide the opportunity for the United States to continue to seek to play the balancing role of arbiter, get rid of the embarrassing 'special Anglo-American relationship', and stand out as the sole independent world Power of the capitalist camp.

Apart from the economic considerations, there are very important political reasons for American support of the EEC and pressure on Britain to join it. The existing Nato structure of American domination in Western Europe has received many blows from recent events and revealed dangers of falling apart. From the point of view of US world policy EEC has been seen as a means of consolidating the West European front of the imperialist world front against Communism. It is here that the question of the Common Market links with wider political considerations which require separate examination.

A survey of all the projects for a so-called 'United Europe' or in fact United Capitalist Western Europe would show that all such plans have been explicitly based on the assumption of the exploitation of Africa as the essential foundation for West European prosperity. Thus the Labour Party Executive laid down in its publication, 'The Labour Party's Plan for Western Europe' in 1948:

> Western Europe cannot live by itself as an economic unit. ... A real reduction in our dependence on American supplies depends above all on our developing the vast resources of the African continent. Such development depends on close collaboration among the Powers with responsibility in Africa.

Similarly Dulles declared that the development of Africa could make 'Western Europe completely independent of Eastern European resources'. Africa was described by the 'United Europe' advocates as 'a southern extension of Europe'.

With the formation of the 'West European' Common Market, or European Economic Community, provision was expressly made to include the former colonies of European countries in Africa. In May 1961, a three-day session of the Assembly of the EEC was held to discuss the problems posed by the association of 16 independent African states, formerly colonies of European countries, with the Common Market. The questions were held over for a further meeting at Strasbourg in June. It was emphasised that the Common Market's interest in Africa must not appear as a form of neo-colonialism.

Thus the new imperialist scramble for Africa which is at this moment taking place in relation to the newly independent African states, and in which Britain is vitally concerned to secure the major share, not only in former British colonies, but also in others, such as the Congo where British manoeuvres have been most active and aggressive, is now closely tied up with the Common Market. If the Common Market were to turn a great part of ex-colonial Africa into a closed area excluding Britain (we are here of course dealing with the plans of its sponsors, not with the prospect of the defeat of those plans by the advance of the African liberation struggle), this would be a dangerous prospect from the standpoint of British imperialism. Hence the new trend of the British imperialists towards entering the Common Market, where before they most often counterposed the interests of their Empire or Commonwealth to such entry, is directed, not merely to Europe, but also to secure a strengthened position for the domination of Africa. As in all British politics, the colonial question is still the underlying guiding thread.

The EEC has been proclaimed by its founders from the outset and by the Rome Treaty to be not primarily economic, but political in aim, as a step towards some kind of 'supra-national' political unification of Western Europe. The President of the Council of EEC, Professor Hallstein, declared on May 22:

> Membership of the Common Market is permanently open to all European countries. But joining means a deep commitment to its customs union, to harmonisation of economic policy and to supporting its institutions with their supranational political character.
>
> Political goals have equal priority with economic ones in the six-nation union. We are not in business at all. We are in politics.

From the days of Locarno and Pan-Europe onwards the conception of Western 'European Unity' has always been bound up with counter-revolutionary politics to maintain the division of Europe and consolidate the capitalist combination against the Soviet Union and the Socialist countries in Europe and against Communism and the working-class movement in Western and Central Europe. With these aims British Conservatism and Right-wing Labour have always had close association. This factor is a significant political factor towards participation in the EEC.

As we have seen in the survey, the struggle between Britain, France and Germany for domination in Western Europe has been continuous, with the United States since the First World War and still more since the Second World War endeavouring to intervene from outside as the overriding strongest Power. Up to the present, British policy has been to endeavour to maintain the three 'concentric circles', the Western European connection, the Commonwealth and the 'special Anglo-American relationship'. The typical British picture of the goal has been expressed in the conception of the 'Atlantic Community', as in

Churchill's Fulton speech, with Britain maintaining the Commonwealth, the Anglo-American partnership and an active role in Western Europe.

Now the hardening of the Common Market grouping, with the exclusion of Britain, and the simultaneous repudiation of the special Anglo-American relationship by Kennedy, have created a precarious situation for British imperialism at the same time as the hold on the Commonwealth is weakening. From this situation arise the present dilemmas of British policy, and the strengthened trends towards joining the Common Market.

It would be premature to assume that the decision of British policy in relation to the Common Market has already been taken. The battle still continues. But it is evident from this preliminary survey that very important consequences are involved in this decision for the future of Britain.

— From LABOUR MONTHLY (London), July 1961.

3

West Germany and the Common Market

THE Common Market is the offspring of the union of German and French heavy industry. Earlier moves towards union were made in 1919 and again in 1945 in face of the prospect of nationalisation, first by the Spartacists and then by the Allies.[1] This prospect has vanished. What drives them together today? The logic of the history of German industrialisation—late in the field, protected by the State, financed from landed capital, geared to rearmament—has made West Germany's heavy industry what it still is today—excessively large and excessively concentrated. The problem of finding an outlet for this great concentration of productive capacity remains.

The industrialists like Krupp and Flick have served their jail sentences and have had their property returned. The bankers like Abs and Schacht have for long been back at the centre of German finance.[2] The measures of deconcentration have caused no more than some temporary inconvenience to the directors who had to sit on five or six boards instead of one. And even these measures are being rescinded. Mannesmann is the latest—the £1,000 million coal, steel, ore and engineering combine. The veteran chairman, William Zangen, who was chairman of Hitler's industrial supervisory council—the Reichsgruppe Industrie—announced at the end of October that Mannesmann 'would run its most important subsidiary companies in the future as works departments'—despite the protests of the trade unions representing Mannesmann's 30,000 workers.[3]

[1] See Basil Davidson, *Germany What Now*, p. 127, for discussion on a separate Rhineland Westphalian State.

[2] See L.R.D. pamphlet, *Who Controls W. German Industry*, 1954.

[3] See *Economist*, 3 November 1958.

The *Economist* (3 November 1958) commenting on the news stated that in the great industrial expansion over the last five years in Western Germany firms employing more than 1,000 persons have increased by 37 per cent, medium-sized firms by 17 per cent; while firms employing less than 50 persons are, on the other hand, fewer by 4 per cent. In fact German industry is now as concentrated as ever and more closely associated with the government than at any time except under Hitler when industrial leaders like Zangen and Dinkelbach (once more back with United Steel) operated directly inside the Government machine.

'Drang Nach Western'

From Hitler the industrialists looked for a programme of rearmament and military advance—the drang nach Ostern—to take up the slack of unemployed factories and expand German interests. Where are they driving today?[4] With Eastern Europe closed to them by the establishment of socialist forms of economy and with old time colonialisation outdated their first interest has been directed towards Western Europe. Dr. Schacht, released from prison in 1946, had already outlined to the Allied Governments a proposal for an economic union of Germany with the West European countries, of which Germany would become the industrial centre and would produce machinery and heavy equipment in exchange for food and consumer goods.[5]

By 1948 Robert Pferdmenges (ex-director of United Steel who had made his fortune in 'organising' on Hitler's behalf the Jewish Cologne banking house of Oppenheimer and had had close connections with Vichy France) was negotiating with the de Wendels, French coalowning family, to arrange joint Franco-German ownership in certain Ruhr industries.[6] The very next year, Pferdmenges was designated by Dr. Adenauer to negotiate for Germany on the setting up of the Schumann Coal and Steel Pool for the six countries: West Germany, France, Belgium, Luxembourg, the Netherlands and Italy. After the Coal and Steel Community has come the European Atomic Energy Community, (Euratom) for the same six and the Common Market.

[4&5] See J. S. Martin, *All Honourable Men*, p. 247.
[6] *Ibid.*, p. 241.

Table 1. COMMON MARKET AND WORLD MARKET, 1956-7

Country	*Population* (m.)	*Imports, Exports* ($000m.)	*Gross National Income* ($000m.)	*Crude Steel Production* (m. tons)	*Hard Coal Production* (m. tons)	*Electric Power Production* (000m. KwH)
W. Germany & Saar	51	13	41	26	150	85
France	44	10	48	13	55	50
Italy	49	5	23	7	1	41
Belgium & Luxembourg	9	7	10	10	30	12
Netherlands ...	11	7	8	1	12	12
Common Market ...	165	42	130	60	250	200
Other West Europe	72	18	45	4	5	76
U.K.	51	20	55	21	210	88
U.S.S.R.	200	8	(?)	50	450	200
East Europe ...	100	10	(?)	15	250	90
U.S.A. & Canada ...	186	35	440	110	490	770
Japan	87	3	22	10	50	75
India	375	3	32	3	40	10
China	650	3	(?)	5	120	20

(Sources : Western Europe, U.K., U.S.A. and Canada : O.E.E.C. General Statistics. U.S.S.R. and E. Europe : E.C.E. Survey of Europe in 1957. China : *Far East Trade* September 1958. Japan : E.C.A.F.E. Survey of 1957).

Nothing less than economic and political integration of Germany's western neighbours with Western Germany is what these developments mean. And by one of those strange ironies of fate the process is presided over by de Gaulle, one-time hero of French resistance in the Second World War who now provides a front for Soustelle and the leaders of French heavy industry—as Petain, hero of Verdun, provided a front for Laval and the very same men of Vichy.

The Coal and Steel Community

The Community has been working for eight years now and gives us therefore a good indication of how the Common Market may be expected to work. The *Financial Times* reported in 1953 that 'the Community was regarded by American interests as being a convenient means of taking an interest in the expansion of the European steel idustry' (17 May 1953). The Community obtained a US loan and there has been some private US investment, but it is Western Germany that has predominated. Western Germany produces nearly half the total of the Six Countries' steel output and more than half of the coal.[7] Western German mines and mills have been very much modernised since the war and can deliver their output even in the other countries' markets at prices well below theirs. Small and inefficient producing units have been closed down. Italian steel firms have even been investing in the West German coal and steel industry instead of their own.

Cartels have been rife. In coal, GEORG in Germany, COBECHAR in Belgium, and ATIC, the selling agent of the nationalised French mines divide on national lines and reach uneasy agreement on quotas and prices inside the Community. In steel the cartels cut across national frontiers owing to the interlocking of directorates—Belgian Union Minière, Luxembourg's ARBED and Germany's giant United Steel. The French, German and Belgian steel producers are organised for export purposes in the Brussels Steel Export Cartel. Mergers have been accelerated. The Community has at all times compromised with the cartels, especially on pricing policy, and its officials have complained that they could not control coal and steel policies without control of wider economic policy.[8] The Common Market provides the opportunity for such control just when the difficulties of the Community have come to crisis point.

While output was expanding (coal up 20 per cent and steel almost doubled from 1950-57) problems of output quotas and pricing were not so serious. But with the cut back in industrial advance in Germany this year coal stocks have been growing alarmingly, unemployment and short time are widespread and cartel agreements on quotas have become more important.

[7] See Table 1.

[8] See *Times Review of Industry, January* 1954, and Shirley William, *The Common Market and its Forerunners* (Fabian International Bureau), pp. 18-23.

German steel output has all along been rising at a faster rate than Belgian or French. Luxembourg and Saar output have been about static. The small Dutch and Italian producers have kept up with the German rate of expansion. But with the recent check to the boom German output has been holding steady while the others have dropped away.

The European Institutions

In the Coal and Steel Community decisions on crucial questions of economic policy are no longer entirely in the hands of national Governments. It is in fact this relegation of economic and indeed of political power to supra-national bodies that has been the essential feature of the proposals for the integration of the economies of the six countries in the Common Market and Customs Union.

Executive power in the Coommon Market, and in Euratom too, is in the hands of a Commission like the Coal and Steel Community's High Authority which takes decisions by a simple majority vote. The administrative staff are directly responsible to the Commission which is appointed by the six governments acting together. These three Executives—Coal and Steel Community, Common Market and Euratom—act jointly and in consultation with a Common Council of Ministers. The Council retains the power of final decision but only on the basis of propositions put up to it by the Executives, and for the first year decisions must be unanimous. Supervision of the Executives' work is also entrusted to a Court of Justice for settling disputes and reviewing decisions appointed by the member Governments and to an Assembly of 142 members appointed from the national parliaments of the 'Six'.

Economic Integration

The powers of the Common Market Commission go far beyond the mere supervision of tariff costs, import quotas and control over the origins of goods flowing into the Union. There is first the question of a common foreign economic policy, the common tariff surrounding the 'Six'. There are the questions of the balance of payments of each of the members with each other and with the outside world. There is the 'harmonising' of social, welfare and taxation policies. There is the investment policy of the $1,000 million Investment Bank for Europe to which the Italian and other less advanced members look for help in developing their poorer regions. There is the $600 million Overseas Development Fund for what is already being called 'Eurafrica'. Germany's United Steel and Belgian steel companies are jointly exploiting new sources of iron ore in French African territories and French industrialists are relying on German capital in their grandiose plans for developing the Sahara. There is the operation of the European Agricultural Market which is to be 'managed' not opened to free trade. In addition there is the work of Euratom with the $215 million to be spent over the next years in developing the production of atomic energy. There are also thermal and hydro-electric power schemes to supply a Central European grid and finally the improvement of rail, canal, river and road transport connections.

The 160 million people in the six countries having thrown in their lot together must now increasingly develop as one economic unit and indeed as one political unit. They form a great power that on any count rivals the Soviet Union for second place in the Great Power Table and puts Britain into the shade.[9] The political and economic adjustments that Britain will have to make to this fact are not limited to the effects of our exclusion from a Common Market in Europe, which the Free Trade Area proposals were designed to meet.

The Role of Western Germany

It seems reasonable to ask what the other countries will get out of a Common Market which West Germany seems bound to dominate as she has dominated the Coal and Steel Community. Her national income is no larger than France's but her vast reserves for lending, her huge balance-of-payments surplus with each of the other countries which she has done nothing to cut down over the last five years give her predominant finan-

[9] See Table 1.

cial power. Add to this her central geographical position and it is not surprising that the Economic Commission for Europe should fear 'a perverse flow from the poorer to the richer regions'.[10] Economic expansion in the Rhine delta below Bonn seems to be inevitable as the protection which surrounds the other industrial areas is reduced.

The rest of the Market hopes to share in this expansion either by direct investment in it, as we have noticed, or indirectly from the prosperity that in engenders and the capital that becomes available. Some at least of this they hope will come their way privately or through the Fund and Bank. What the workers, as opposed to the capitalists, can hope for is less clear. Many will be encouraged to move from poorer regions to settle in richer for labour as well as capital and goods is to be free to move where it will. Workers who believe in socialist measures will have to convince their fellows in all the six countries. A socialist government in one country alone would find itself completely hamstrung in developing its own national economy separately from the others.

But if the Ruhr becomes the central attraction for investors throughout the six countries, it is no less attractive to those outside. American investors are already deeply involved in Western German industry—General Motors, Ford, General Electric, Standard Oil, ITT, etc.[11] It is said that many investors have only been waiting to see the outcome of the Free Trade Area negotiations to decide on the best site for establishing new European plants. Part of Britain's enthusiasm for the Free Trade Area is believed to have been the hope of attracting American capital to sites in Britain that opened on to both the Free Trade Area and the Empire market. Without a Free Trade Area the Ruhr will seem to be the obvious choice.

Anglo-German Rivalry

For 70 years Germany, against whom we have fought two world wars, has been Britain's chief industrial rival. By 1913

[10] See E.C.E., *Survey of Europe*, 1957, p. 16, Chapter V.
[11] See *Manner, Machte, Monopole* by Kurt Pritz Koleit (Dusseldorf, 1953), pp. 395-410.

Germany had won 22 per cent of the world market for exports of manufactures and reduced Britain's share from 38 per cent to 27 per cent. By 1939 Germany's share had again climbed to 20 per cent for the first time surpassing Britain's. After 1945 Britain recaptured a quarter of the world market with Western Germany's share reduced to 4 per cent. But in 1957 the West German share alone once more exceeded Britain's which had fallen to 18 per cent.[12] In motors and other transport equipment, shipbuilding and machine tools and textiles—indeed in almost all products except chemicals British manufacturers have been especially hard hit by German competition and the effects are to be seen not only in the West European and Scandinavian markets where German firms have a traditional and geographic advantage but in the British Empire and even in the United Kingdom itself.

The Common Market is the latest German challenge to Britain and virtually presents her with the alternative of exclusion from key markets in Europe or opening her own preferential Empire markets to German exporters. The two years of negotiation over Britain's proposal for a Free Trade Area to be associated with the tariff reductions of the Common Market countries is evidence of the bitter struggle to cut ino the market without losing the Empire.

— From LABOUR RESEARCH (London), January 1959

12 U.K. Treasury, *Bulletin for Industry*, May, 1958 plus E. A. G. Robinson article in *Three Bank Review*, March 1953, p. 8.

PART THREE

Reactions : India and Abroad

I. *India*

I. *GOVERNMENT OF INDIA*

I. Prime Minister Jawaharlal Nehru's Views

PRIME MINISTER NEHRU said here today (13 July 1961) that the Commonwealth may be weakened by Britain's entry into the European Common Market. Mr. Nehru was answering a question from a pressman, soon after his 60-minute meeting with the British Aviation Minister, Mr. Thorneycroft. Mr. Nehru answered in the negative the question whether Britain's association with the Common Market would lead to the disintegration of the Commonwealth.

It is learnt that in the course of his talks this morning, Mr. Nehru dwelt on the adverse and discriminatory effects which Britain's entry into the Common Market may produce. He has pointed out that while French and Belgian territories have been accorded special status in the Common Market, similar facilities may be denied to countries hitherto economically and otherwise associated with Britain some of whom have now become independent. Expression was given to the apprehension that with Britain joining the Common Market there will be a natural tendency to concentrate on the developments of associated territories because of economic advantages that might accrue. Also political association followed economic collaboration. This development might lead to rivalries and conflicts in many regions particularly in Africa.

Mr. Nehru is also understood to have pointed out that the development plans of many underdeveloped countries of the Commonwealth were based on certain assumptions in regard to export trade and foreign exchange earnings and the possibility of continued economic assistance from Britain, at any rate in the first few years. Sudden financial upsets must inevitably lead to the redrawing of development plans and consequent delays and uncertainties in many ways.

Mr. Nehru has emphasised that it is entirely a matter for Britain to decide about joining the Common Market. Mr. Peter Thorneycroft is reported to have given a confident picture of the future even if Britain joins the Common Market. Mr. Thorneycroft's talks in Delhi during the last two days have given the impression here that Britain's joining the Common Market is more or less a certainty.

— Extracts from New Delhi dispatch by K. Rangaswami in THE HINDU (Madras), 13 July 1961.

2. STATEMENT BY THE FINANCE MINISTER ON THE UNITED KINGDOM'S DECISION TO NEGOTIATE FOR ENTRY INTO THE EUROPEAN ECONOMIC COMMUNITY AND THE LIKELY EFFECTS ON INDIA'S TRADE

Mr. Chairman, Sir,

WITH your permission, I should like to make a brief statement on the possible effects on India's exports of the UK joining the Common Market.

2. As Hon'ble Members doubtless know, soon after the signing of the Rome Treaty for the formation of the European Common Market, the United Kingdom, as well as a number of other European countries, began exploring the possibility of joining the new European Economic Community set up thereunder. As no mutually acceptable basis of such association could be found, seven European countries, including the UK, formed separately what is known as European Free Trade Area.

3. At the meeting of Commonwealth Finance Ministers

last year, we were informed that the United Kingdom Government considered that this division of Europe into two economic blocs was not desirable and having regard to the realities of Britain's economic position, the UK should make another determined effort to join the European Economic Community. The United Kingdom Government assured us that this being a matter of major concern to Commonwealth countries affecting their trade with the UK, Commonwealth Governments will be kept fully informed throughout and there will be consultations at appropriate stages. Recently, Mr. Peter Thorneycroft, the United Kingdom Minister of Aviation, was in this country to have consultations with the Government of India on the subject. I place on the table of the House a copy of the Press Communique issued on the subject at the end of these talks. Since then a statement has been made in the British Parliament by the Prime Minister of the UK, indicating that the British Government has decided to open negotiations with a view to join the European Economic Community.

4. Our stand throughout has been that whether the UK should join the European Community is a matter on which the ultimate decision must rest with the Government of the United Kingdom. We have, however, made no secret of our concern over the possible set-back to our export trade. Although we have a much larger trade with the UK than with the Common Market countries, our trade with the UK is nearly in balance, while we run a heavy adverse balance in our trade with the Common Market countries. This is mainly because our exports to the Common Market countries are subject to various restrictions which do not apply in the UK.

5. It is a matter of utmost importance to us to increase our exports to Europe. I need hardly emphasize the importance to our planned development of securing a sizeable increase in our exports. In so far as this trade has suffered because we have ourselves not paid adequate attention to marketing our products in Europe, it is for us to intensify our efforts to seek new contacts and to establish new markets. But our efforts to increase our exports to the Common Market countries cannot succeed without a substantial liberalisation of their tariff and commercial policies.

6. In our trade with the United Kingdom, we have enjoyed three main advantages. Firstly, as members of the Commonwealth, we have throughout had duty-free entry for almost all our products. Secondly, as members of the sterling area, our exports have been free from quantitative restrictions in the UK market. Thirdly, a number of our products enjoy preferential tariffs in the UK, partly by virtue of the Trade Agreement between India and the UK and partly on account of the fact that as Commonwealth products are duty-free, the imposition of any tariffs in the UK on imports from non-Commonwealth countries results in a preferential position for all Commonwealth countries.

7. In the Common Market countries, on the other hand, our principal exports, with few exceptions, are subject to fairly high tariffs as well as other taxes. Even a commodity like tea, which is not produced in Western Europe, is subject to such impositions. In addition, there are quantitative restrictions, often of a discriminatory character, on our manufactured goods, such as cotton textiles, jute fabrics, vegetable oils and coir matting.

8. The result of the UK joining the Common Market will be that the same tariffs and the same commercial policies will eventually become applicable, both in the UK and in other countries of the Common Market. The kind of effect this will have on our export trade will depend upon the kind of tariffs and the kind of commercial policies which are ultimately evolved. It is not possible for me, therefore, at this stage, to attempt any kind of an assessment of the effects of the UK joining the Common Market on our export earnings.

9. The only thing which can be said with certainty is that, if the UK joins the Common Market, all our preferences in the UK market will disappear and, instead in so far as our products will pay an import duty while similar goods from the Common Market or its Associated Territories will be imported duty-free, there will be a reverse preference operating against our exports. Before commenting on this specific problem. I should like to state our general attitude towards preferences. To put it briefly, our attitude in the matter is in consonance with the principles embodied in the GATT to which we subscribed after our Independence, and to which the UK, the Common Market countries,

the EFTA countries, the Commonwealth countries, as well as many other countries in Asia and North and South America belong. The GATT is against any new preferences being created. The GATT has recognised that in order not to disturb patterns of trade established through decades of preferential treatment, the preferential concessions in operation prior to the coming into force of the GATT should be allowed to continue. Finally, the principle has been accepted in the GATT that if preferences are reduced, countries which benefit from the reduction in preferences should offer tariff concessions.

10. It is against this background of internationally accepted principles to which we subscribe that we have to review the matter. We would greatly regret the termination of the preferential arrangements between India and the UK which have led to an expansion of trade in both directions, specially as, through one device or another, new preferential arrangements seem to be growing in the world. But, we would acquiesce in it if we are compensated by a substantial liberalisation of import policies in the Common Market as a whole, provided suitable transitional arrangements are made so that the benefits of preferential treatment disappear only in slow, gradual stages. This is necessary if our trade, specially in items like cotton textiles, is not to be disrupted with consequent damage to our export earnings and disturbance of international trade in such products. I am happy to say that the UK delegation fully agreed with our view on this point. As a long-term measure, we would view the disappearance of preferences in the UK market as a challenge to our industries to adjust themselves to face competition provided such competition is on equal terms and our exports do not encounter unreasonable restrictions.

11. I would emphasise the point about competition being on equal terms. It is our considered view that the less developed countries of the world should not rely on preferential treatment in industrialised countries as a basis for the development of their industries and exports. Such dependence can undermine the political independence of the countries concerned. What is necessary is that all industrialised countries should give access on specially favourable but non-discriminatory basis to their markets to products, whether they are raw materials like metallic ores

and rubber or beverages like tea, coffee and cocoa or simple processed goods like tanned hides and skin, vegetable oils and grey textiles which the developing countries produce economically.

12. As I have said earlier, no assessment of the effects of the UK's joining the Common Market can be made without knowing on what terms the UK will accede and what would be the resultant tariffs and commercial policies of the European Common Market. In accordance with GATT principles, when UK joins the Common Market, the common tariffs will have to be re-adjusted. There should be, therefore, a general lowering of common market tariffs having regard to the fact that such a large volume of UK's imports of products in which we are interested went duty free. Secondly, we shall expect that all quantitative restrictions affecting our exports will be abolished. These are contrary to the GATT, since the Common Market countries are no longer in balance of payment difficulties.

13. The United Kingdom Government is fully sympathetic to these ideas. We propose to impress these points on the Common Market countries also. They are helping developing countries with loans. We shall emphasise the importance of trade in reducing the dependence on aid.

14. We cannot, of course, predict what the ultimate response will be. International trade today is at the cross roads. We can either move in the direction of more liberal trading policies calculated to achieve a balanced exchange of goods and services between the developing countries and the industrialised countries on a fair, non-discriminatory basis; or, we can go in the direction of groupings, regional and of other kinds. While I have indicated the kind of solution which we ourselves would welcome, we shall always have to be ready to review our policies including our commitments under the GATT in the light of the developments that take place.

(11 August 1961)

3. Indian Finance Minister's Stand at the Accra Conference

INDIA today served notice on Britain that she would approve of the United Kingdom's plunge into Europe 'if and only if the basic principles underlying Britain's trade relations with the Commonwealth nations would be preserved' even after her accession to the Rome Treaty.

In a speech described by delegates to the Commonwealth Finance Ministers' Conference as 'a lucid and convincing exposition' of the problems of underdeveloped countries within the Commonwealth consequent on Britain's proposed link with the Common Market, Mr. Desai rejected any possible proposal that India might become an associate member of the Rome Treaty.

He declared : 'We will not touch even with a barge pole such an offer.' In a hard-hitting speech, the Indian Finance Minister referred to Britains's oft-repeated promise that she would bear in mind the peculiar interests and problems of the various Commonwealth countries when she embarks upon detailed negotiations with the European Six in Brussels early next month. Mr. Desai commented : 'The history of past negotiations between the UK and Europe gives us little encouragement that this would happen.'

Mr. Desai laid down four cardinal principles that should be accepted by Britain as the basis for discussions with the Rome powers.

They are :

(1) The range of products to which duty-free entry will be accorded by the customs unions as a whole should be as large as possible.

(2) Suitable safeguards should be devised to ensure that trade hitherto dependent on preferences is not abruptly disrupted.

(3) Quantitative restrictions on goods at present being maintained by certain members of the European Economic Community should be eliminated.

(4) The common tariff should be the average of tariffs of member-countries and full weight should be given to the fact that Commonwealth goods entering the United Kingdom have been free of duty in most cases.

Mr. Desai spoke with considerable vehemence and effect on the attempts to rope in a few countries, especially in Africa, as associate members of the Common Market—a practice favoured by France and some of her former possessions in West Africa.

So far as this applies to the Commonwealth, Mr. Desai declared: 'This is a move dangerous not only politically but also economically.' It would tend to create a bloc within the Commonwealth itself, he added.

So far as India was concerned, if she were to be offered membership of the Association of Overseas Territories, she would not accept it.

As in his opening speech yesterday, Mr. Desai dwelt at length on the possible adverse effects on India's export trade of Britain's link with the Rome Treaty.

He said that more than the problem of the relative strength of the sterling and the dollar, the most important and perhaps critical problem before countries like India is the growing imbalance of trade between the more or less advanced countries. Britain's entry into the Common Market, unless accompanied by effective guarantees, would have the effect of widening this alarming gap.

There should be no market disruption, said Mr. Desai yesterday and today. He listed it as one of the four main principles which Britain should persuade European nations to accept in regard to Commonwealth trade during the Brussels talks.

— From the TIMES OF INDIA (Delhi), 14 September, 1961.

4. PARLIAMENT SECRETARIAT

AT this stage nothing definite can be said about the probable consequences of UK's joining the Common Market except that our advantages in terms of the Indo-UK Trade Agreement would be very much impaired. In the extreme case—viz., if UK joins without any reservations, the entire advantages would be abolished. There would be loss on two accounts; there will be loss because of the abolition of preferences and there will be loss because of the creation of new preferences in favour of the existing Common Market countries.

On a rough estimate, a 7 per cent or Rs. 10 crores reduction in exports can be feared as the direct consequence of the abolition of preferences. Another Rs. 10 crores may be lost because of the creation of inverse preferences in favour of the E.C.M.

countries. This may be more in view of the fact that the competition would be mainly in manufactures where the margin of preferences enjoyed by India is 14 per cent according to the PEP study. Though manufactures comprise only about 24 per cent of India's exports to the UK, there are some possibilities of increasing the export of light engineering goods which are coming up in India. This estimate does not take account of other factors such as the normal growth of exports through rise in national income in the USA and the E.C.M. countries.

— Extracts from a paper prepared by the Research Section of Parliament Secretariat and circulated to MPs on 'The European Common Market and Implications of the UK's Joining It on India's Foreign Trade'.

II. POLITICAL PARTIES

1. Communist Party of India

THE Communist Group in Parliament had given notice of the following motion, which came up for discussion in Lok Sabha on 8 September, 1961:

'This House, having considered the situation created by the decision of the UK Government to join the European Common Market, regrets that due to the Government's past policy of keeping our trade mainly dependent on the so-called Commonwealth preferences, India is now faced with the threat of a serious setback to her exports.

'This House further deplores the consolidation of the closed-market structures of the E.C.M. in violation of the recommendations of GATT and as the economic counterpart of Nato, designed to intensify the exploitation of the underdeveloped countries constituting colonies and dependencies of the E.C.M. members.

This House urges upon the Government to take the following urgent steps in order to protect India's national interests and to achieve the export targets of the Third Five Year Plan :

(a) a thorough re-examination of our trade policy and energetic steps to diversify it;

(b) nationalisation of the export trade in such major export commodities as tea and jute goods through the State Trading Corporation;
(c) channelising of our export trade through Indian banks;
(d) elimination from all foreign collaboration agreements, present and future of any manner of restrictions placed on the export of Indian manufactures; and
(e) reorganisation of the work of the Export Promotion Council in the light of the above-mentioned requirements.

2. PRAJA SOCIALIST PARTY

(Speech by Asoka Mehta, Chairman, P.S.P., in the Lok Sabha, 8 September 1961)

WE must recognise the fact that the concept of Common Market has come to stay. We have to live in a world in which the Common Market will be spreading from the continent to another. We have this Common Market in Europe. Efforts are being made to organise similar common markets in Latin America, in Central America and the Africans are profoundly concerned about fostering a common market in Africa. The European Common Market has shown that by pooling part of sovereignty, by creating economic institutions wherein a set of economic policies are harmonised, one is able to impart a new dynamism to economic life and economic growth. With this shining example before the world, it is inevitable that this idea of Common Market will prove to be contagious....

I have no doubt that if the UK joins the European Common Market, a certain amount of difficulties initially, perhaps even a considerable amount of difficulties, will be initially caused to our export trade. But let us view this problem, not in a static context, but in an unfolding context.

The UK, outside the European Common Market, is likely to be caught in economic doldrums. The Government and the people of the UK were averse to the whole idea of European Common Market. They kept out of the European Coal and Steel Community. If they have been compelled today to take cognisance of these developments, it is because pressure of events and hard facts of life are driving them in that direction. Those hard facts of life should be kept before us also. Because, as we know, if the UK remained out of the Common Market, its capacity to provide an expanding market for us may not be there....

Another consideration that I would like to bring to your attention is that so long as Europe is divided between the Six and the Seven, there are bound to be sharp differences, sometimes acute tensions in Africa also. A number of countries of Africa are associated with the Six. There are other countries which are associated in one form or other with the Seven. Any one who has any familiarity with the economic and political problems of Africa knows it and let us recognise it straightaway that the basic malaise from which Africa suffers to-day is terrible balkanisation. As Africans put it, the Balkan countries are very large compared to the States of Africa ! It is a kind of aggravated balkanisation. This aggravated balkanisation can create a political and economic explosion. If these African countries are to be brought together in economic matters, if not in political matters, it is absolutely necessary that this conflict that exists between the Six and the Seven is resolved....

If the United Kingdom joins the European Common Market, and if it is infected by the dynamism of growth that has characterised the European Common Market, the result will be that by 1966, that is, by the time our Third Plan completes its course, the gross national product of the United Kingdom may be larger by anything up to $10 billion. By joining the European Common Market, therefore, it is quite possible that United Kingdom's capacity to provide markets for us will grow in a marked manner.

Then, again, there will be tariffs, but I believe that the tariff rates will not be very high. It has been suggested by experts with whom one had had the opportunities of discussing that ultimately the tariff walls may be about 12 per cent; no one can prophesy what the height of the tariff walls be, but looking at the way the European Common Market is evolving and developing these walls should not be difficult for us to cross. We should have in us the capacity to reduce our cost of production and to face such limited tariff barriers....

The next suggestion that I would like to make is this. Already, at the Inter-American Conference that was held some time back in Latin America, a suggestion was thrown out by competent persons, that the developed countries should be prepared to have what is now called one-way free trade. This idea has been taken up and has been supported by a number of eminent experts, including some of the high-ranking authorities in the United Nations Secretariat. Just as in our own country, certain lines of manufactures are reserved for particular sectors—for instance, we say that dhotis and saris of certain counts are more or less reserved for the handloom industries, and the organised industry will not move into them....

The third suggestion that I have to make is that we shall have to concentrate more on producing and exporting such industrial goods in which the capital intensity is somewhat limited and where we make up for the somewhat low component of capital by high dexterity of our labour. Agricultural exports for India are not going to be easy. I hope, and we are all very anxious, that we increase our agricultural production. Even if we increase our agricultural production, as we have planned, I do not know to what extent it will be possible for us to have surpluses which we can export at profitable prices.

It is true that we have in recent years tried to develop the export of minerals, and one of the satisfying developments of recent years has been the growth in the export of iron ore. But, here, may I sound a note of caution and a note of warning? In Africa, a good amount of new mineral resources is being discovered. Take Liberia alone. In Liberia, recently, geologists have been able to discover what are called mountains of iron ore. The iron content in these mountains of ore is 70 per cent, which is fabulously rich ore. In the next three or four years, perhaps in a shorter time, Liberia will be in a position to export up to 200 million tons of iron ore of this richness. Africa is an unexplored Continent. Any amount of natural wealth is there. These resources are being opened up, and because of the geographical situation and because of political and other reasons, it is possible that these resources may be tapped and may be utilised earlier than our own resources. Here again, we shall have to face competitive markets.

So while I am all for developing our mineral export trade, our future ultimately, industrial exports lies in developing industrial exports not of those kinds where the highly developed countries, inevitably, have an advantage and edge over us, which one might call the capital-intensive industrial goods; we have to think in terms of such industrial goods as cotton textiles—it is a good example—or many others. We shall have to think of industrial goods wherein we shall be able to substitute capital by the dexterity of our labour. If we are going to be conscious about the needs and requirements of our foreign trade, our economic planning and organisation of production here will have to be seriously reviewed and seriously reoriented. Nothing will be gained by gnashing our teeth against the emergence of this Common Market....

It is argued that it may create certain political difficulties. That is possible. It is also possible that it may help to relax tensions in the world, because the European Common Market will ultimately move towards some kind of political integration also, and here it is conceivable that a third giant might emerge and perhaps help to maintain peace in the world....

Let us realise that it was the thinking, powerful original thinking of a man like Monnet that brought into existence this Common Market. Everybody laughed at him at first. Was there any man in the world who thought that France and Germany could ever be brought together? Was there anyone who ever thought economic sovereignty could ever be pooled together? Here was this wise man, a *gyan yogi,* who was prepared to believe that ideas are powerful and ideas could ultimately change the shape of the world.

The last point that I would like to make is that we must think in terms of having some kind of similar regional arrangements in our part of the world also. I know this question is riddled with difficulties. But I will request the Finance Minister to set up a Study Group to explore the possibilities, to find out what the difficulties are. I know, as you know, that the Prime Minister of Burma and the late Prime Minister of Ceylon, whose policy the present Prime Minister in that country follows, have both been very anxious for this kind of economic cooperation and regional cooperation. It is India that has so far not shown enough interest. I think that this question also needs to be explored with an open mind and with a certain amount of urgency. We must realise that we are slowly, but inevitably moving towards a world in which we must think in terms of regional cooperation and not purely in terms of national development.

— LOK SABHA DEBATES, 8 September 1961.

III. TRADE AND BUSINESS ORGANISATIONS

1. FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

A press communique issued by the Federation of Indian Chambers of Commerce and Industry after talks (on 3 July 1961) with senior officials of the Government of India stated that its delegation conveyed to the Government 'the grave concern of the Indian industry and trade' at the prospect of Britain joining the European Common Market.

The communique stated: 'It is well known that the treatment accorded to imports from India by countries of Common Market has not been such as to generate confidence of greater absorption of India manufactures in the future.' The Common Market has continued to maintain high rates of tariff and imposed quota restrictions on imports from India despite Indian protests at GATT meetings. It is to be feared that if the United Kingdom joined the E.C.M., India's exports of manufactured and semi-manufactured goods would come down.

The Federation stated that what India's export trade desired was not so much preferential treatment but a fair opportunity to compete on equal terms in the world market. This will be denied to her in the case of gooods like cotton textiles, jute manufactures and engineering products as these will now bear import duties even in Britain while trade between countries of Common Market will be gradually duty free. India is now emerging as an exporter of manufactured and semi-manufactured goods. Hope was being entertained that with the growth of industrial development in the country, India's export trade would broaden itself in order to meet the mounting adverse trade balance with the Central European countries.

The Federation's representatives pointed out that Britain's entry into the Common Market would offer a setback to this prospect. The Federation also pointed out that Britain's membership of the Common Market will not be in the interest of expansion of world trade inasmuch as the Commonwealth represented a trade system much more liberal than the arrangements at present being implemented by the Common Market countries.

— From THE HINDU (Madras), 4 July 1961.

2. INDIAN COTTON MILLS FEDERATION

In a statement on 10 July 1961, Ramnath Podar, Acting Chairman of the Indian Cotton Mills Federation stated that India will rapidly lose its foreign exchange earnings to the extent of Rs. 172 million from cloth and Rs. 9 million from yarn it had exported to the UK in 1960, if Britain joins the E.C.M., without arranging for continuance of duty-free imports.

He said that 'considering the matter purely from an economic angle, the interests of the developing Commonwealth countries could best be preserved if these countries could consider the possibility of becoming something like associated countries of the E.E.C.'

He added: 'Such status has been accorded to many sovereign African countries some of which were formerly linked with the E.E.C. countries. There is no reason why, on the same analogy, countries like India, whch have a similar link with UK, should not become associated with the E.E.C., on UK entering the E.C.C.'

'The associated countries are allowed to export to the E.E.C. countries on the basis of the internal tariff of the E.E.C. while they are permitted to maintain their own import tariff to protect their growing industries,' the statement noted.

If India enters into such an arrangement, out only will she continue to have the present advantages in UK, but the markets of the E.E.C. will also be available to her on a preferential basis. Mr. Podar, however, said that 'if for any reason, economic or otherwise, the developing Commonwealth countries are not to become associated with the E.E.C., the UK must preserve the Commonwealth links by making provisions for tariff-free imports on a quota basis for commodities which she has traditionally imported from the Commonwealth countries.'

He pointed out that in the E.E.C. such relationship already existed in some form or the other between France and Belgium and their overseas territories.

'Under such an arrangement, there might be provisions of what is known as "carli-type", to offset the difference in the UK tariff and the E.E.C. tariff. If, for example, an overseas product is allowed duty-free into the UK and E.E.C. tariff for that product is 15 per cent, then the re-export of that product from the UK to the E.E.C. would be liable to a duty of 15 per cent....

'Quotas should be fixed for piece-goods and yarn on the basis of the average Indian exports to UK in the last three years, with provisions for a gradual increase in the quotas in the years to come on the lines of the proposal made by President Kennedy.

'As regards re-export of yarn and cloth from the UK, if due to processing in the UK, the export value is at least 50 per cent higher than the import value, the goods should be treated as originating in the E.E.C. territories.

'From India's point of view, whatever happens to the position vis-a-vis UK, the Commonwealth preferences existing at present between other Commonwealth countries such as Australia, Canada, New Zealand, Hong Kong, Pakistan, India, etc., should remain unimpaired.

'Otherwise, the considerable volume of Commonwealth trade, which has been built up between Commonwealth countries would receive a jolt and it will be extremely difficult to establish a new pattern of trade, once the present set up is seriously disturbed. Mr. Podar said.

— From HINDUSTAN TIMES, 11 July 1961.

3. How Much Harm to India's Trade?

RECENT discussions officials of the Union Finance and Commerce and Industry Ministries had with trade and business interests have led to certain broad assessments of the effect on individual items of export in the event of the UK joining the Common Market.

The exports of cotton fabrics will be affected most seriously. India's exports of cotton piece-goods in 1960 were worth Rs. 70.82 crores as compared to Rs. 60.49 crores in 1959. Of this, exports to the UK amounted to Rs. 16.51 crores. Imports to the UK from Commonwealth countries are allowed without duty while an average duty of 7½ per cent *ad valorem* is applicable to all other countries. Even now there is a voluntary agreement restricting exports to 175 million yards, but once the duty-free treatment is abolished there will be serious competition on equal terms from Japan and China. The Common Market rate for this item is expected to be fixed between 17 and 19 per cent.

India is also a large supplier of cotton yarns and woven fabrics to the UK. The standard rate in the UK is 7½ per cent *ad valorem* although Commonwealth products are allowed duty free.

Similarly, India's total export of tea in 1960 was Rs. 120.06 crores of which Rs. 75.40 crores went to the UK. India, along with Ceylon, the other major supplier, was given duty-free treatment against the standard rate of duty of 2d. per lb. The Common Market rate is likely to be fixed at 18 per cent *ad valorem* for loose tea and 23 per cent *ad valorem* for package tea.

Jute cloth (hessian) exports from India during 1960 were for Rs. 70.62 crores of which Rs. 6.37 crores went to the UK. India also exported Rs. 18.18 crores worth of jute bags in 1960, of which Rs. 2.03 crores went to the UK.

The UK levies 20 per cent import duty on jute fabrics and jute sacks and bags whereas no duty is levied on Commonwealth countries. However, Jute Control has a monopoly of British imports and in order to protect the Dundee industry, the prices are marked up by 20 per cent before resale to British consumers. Thus there is an effective rate of duty of about 20 per cent.

The Common Market tariff for this item is expected to be fixed at 23 per cent.

Following are other major exports: Coir yarn: total exports in 1960 were for Rs. 5.25 crores, of which exports to the UK were for Rs. 48 lakhs. Indian goods enter the UK market on a duty-free basis whereas the standard rate of duty is 10 per cent.

Coir carpets, floor rugs, mats, mattings: total exports in 1960 were for Rs. 2.88 crores of which UK imported Rs. 1.34 crores. The UK's standard rate of duty is 20 per cent while the Common Market rate will be 23 per cent. At present Indian goods are imported duty-free.

Woollen mats, mattings, carpets, carpetings and floor coverings: total exports in 1960 were for Rs. 4.84 crores of which exports to the UK were for Rs. 3.5 crores. Indian goods enter the UK duty-free whereas the standard rate of duty is 4s.6d. per sq. yard. It is not possible to calculate its incidence on an *ad valorem* but the common tariff is expected to be fixed at as high a rate as 32 per cent for this item.

Tobacco unmanufactured: total exports in 1960 were Rs. 14.54 crores of which Rs. 10.12 crores were to the UK. The rates of import duty in the UK are very heavy at present, amounting to £3 4s. 6d. and £3 5s. 6d. per lb. This works out to over 1,000 per cent *ad valorem*. The preferential rate is lower by less than 2 sh. only.

Oilseed cakes: this is now an important item of export to UK—exports in 1960 being Rs. 10.80 crores, out of India's total exports of Rs. 16.11 crores in 1960. The UK levies a standard duty of 10 per sent but imports from Commonwealth countries are free. Oil cakes are expected to be allowed on a duty-free basis in the Common Market, which will mean that U.K. may also abolish the 10 per cent duty. The other suppliers are Canada and Argentina.

Similarly, Indian exports of spices, coffee, groundnut, linseed and castor oil are also likely to be affected, though exports of these commodities to the UK are not large. Of these, castor oil has a good market in the UK—Rs. 3.39 crores in 1960. While Commonwealth products are allowed free of duty, the Common Market tariff is expected to be 8 per cent.

— From HINDUSTAN TIMES, 4 July 1961.

IV. PRESS

Eastern Economist

... The public has been led to believe that the first-round effects of Britain's possible entry into the Common Market will be very damaging to Indian trade. The fact that the leading elements in our exports to the United Kingdom, predominantly tea, and next, cotton textiles and jute, will come under pressure, has been read in isolation.

The fact that once we jump the initial hurdle of higher duties on our imports into the UK, we are in a vastly expanded market, of which the US is only a small part, has passed unnoticed. Therein lies the danger of a static assessment of the operation set in train by the Treaty of Rome.

This is a continuous and on the whole, a future, rather than a present, challenge. The question for India to consider is whether or not in the longer term, her trade will be better if the United Kingdom is a portion of this market or if it is outside it. In *The Eastern Economist's* view, apart from a transitional stage in which many of our current markets will be disturbed, notably that for tea and cotton textiles, India will reap the benefits of enhanced trade via the United Kingdom, if Britain should join the Common Market.

[The journal is of the opinion that] getting into the European Common Market via the UK might well be one of the most important shots in the arm that Indian exports will receive over the next decade. It is clearly necessary that we should get into this market and build in it since it is likely to be the greatest market in the world, once the UK has joined it, as it is extremely probable that it will.

Within two decades from now, the European Common Market might well be equal to the United States market and the Commonwealth markets combined. Mere safeguards to protect existing trade in this direction might well be a bar to participation in the market.

Secondly, while higher prices will have to be paid for Indian goods in the United Kingdom, it is to be remembered that, once these added duties are paid, Indian processed material can move duty free subject to the clauses of the Treaty of Rome, into the vast potential of the European Common Market.

In other words, what we lose on the swings we may gain on the roundabouts.

II. *Reactions Abroad*

1. *AFRICA*

Africa and the Common Market

WHENEVER the question of African association with the Common Market is raised, it is made out that it will be purely economic in nature and not harmful in any way to the African countries. It is in fact difficult to prove any economic disadvantages because very little has been done to study the problem. The example of the Brazaville group of African countries who have joined the Common Market is often cited in this respect. But behind all this smooth talk, designed to lull the suspicions of the newly-independent African countries, lurks a real danger to Africa. This danger springs not only from the inherent nature of the Common Market but also from the motives which move the European countries to woo the African countries.

The image of the Common Market as an economic union can hardly bear close scrutiny when its leading spokesmen are already beginning to talk of political objectives. On 9 March 1961, *Le Monde* quoted Hans Furler, the President of the E.E.C. Assembly, as 'stressing the importance of reaching a common foreign policy, taking into account the efforts of the US and other partners in the Atlantic Alliance.' Even more revealing is the speech delivered by Professor Hallstein in Harvard recently, wherein he said: 'We are not in business to promote tariff preferences, or to establish a discriminatory club to form a larger market to make us richer or a trading bloc to further our commercial interests. *We are not in business at all. We are in politics*' (Italics added). It need hardly be added as to what kind of politics Professor Hallstein and this colleagues are in.

European Intensions

Given the nature of political orientation in Europe and the dependence of African economies upon it, there can be hardly any doubt about the real intention of Europe in Africa. It is, as a report to the Assembly by Western European Union puts it, 'to save Africa from the communist grasp; to protect it from imperialism of every king eager to take over from declining colonialism; to guarantee Africa against a return to tribal struggles; to establish the relations of good neighbours and a lasting and fruitful association... to ensure a reciprocal state of security for both Black Africa and European countries' (Document 198, p. 6). The report also mentions the greater ambition of Germany which does not want to be restricted to Africa but has interests all over the world. As the leading partner in the Common Market, the Germans, the report says, '... believe that the task of Europe is world-wide and personally they feel that they are not incapable of taking no this task. They believe the propagation of Western ideals and civilisation should not be restricted to Africa alone but extended throughout the world" (Document 198, p. 6).

Economic Impact

The German capacity for fulfilling this mission is not to be doubted but whether the world feels gratified and grateful to Germany for so selflessly taking on this task is not so certain. What is certain is a new lease of life to colonialism in new forms if the Common Market grip tightens on Africa. The President of the Gabon Republic, on a state visit to France, is reported to have said, 'Gabon is now independent, but between Gabon and France nothing is changed, everything continues as before.' The truth contained in this remark is greater than the President perhaps intended. After all, as *The Times* remarked recently, 'the French colonial army remains stationed throughout most of these territories by treaty. The arrangement has advantages which are not immediately apparent to the eye. In many cases it ensures stability to what might otherwise be a shaky government.' This may possibly explain why the Brazzaville countries have so hurriedly joined the Common Market as associated members. Moreover these countries signed the Treaty of Rome when they were still colonies.

A report on the impact of West European Integration on African Trade and Development, submitted to the third session of the Economic Commission for Africa, throw the whole propaganda about economic advantages to Africa through association with the Common Market, aside. Its tentative conclusion is that so far the economic groups in Europe have not had any effect on African trade. But, it warns that once the whole system of tariffs and other measures is in full operation, it will have considerable effect on African economies through the change in production patterns. Moreover, the gain by African associated states will be often at the expense of those African states not associated with the Common Market. This will be particularly evident in those countries which produce temperate-zone agricultural-commodities like cereals, sugar, wine, tobacco and citrus fruits. These commodities play an important role in the economy of North African countries.

The E.E.C. tariff regime is unlikely to result in any substantial benefit to any of the associated African territories except the Congo and Ruanda Urundi. If anything, those African countries, which enjoy special concessions of a non-tariff nature with France and Italy, are likely to suffer because these arrangements will be abolished once the Common Market is fully established. In as much as the consumption pattern of certain commodities in the E.E.C. countries is not based upon consumer preference but upon taxation policies, some of the associated countries may benefit from a shift in their favour. This may, however, require new and large-scale investment to meet the demand and most of this kind of development will be of dubious advantage for the African countries in the long run. The danger also remains that many African countries will be tempted by the immediate advantage of tariff concessions to abandon efforts to achieve industrial development. On the all-important question of price stabilisation for primary commodities, there is little evidence to support, that, even the Common Market countries can enforce such a scheme without world-wide coordination in the matter. As such, the membership of the Common Market offers no specific advantage to Africa on this count. Lastly, a new division in Africa will be created between the associated and the non-associated countries, to the detriment of Africa as a whole.

Africa Has Little to Gain

The effect of the Common Market on industrial development in African countries likely to be disastrous. Already the Western powers are biased in favour of agricultural development in Africa. Although they accept the necessity of diversifying African economies, they mean by diversification no more than growing two commercial crops where at present only one is grown. Industrialisation has so far meant investment in mines and other extractive industries. This will perpetuate a situation in which Africa remains a supplier of raw materials, if not Agricultural raw materials, then of industrial raw materials. Needless to say, if the Common Market countries have any choice in the matter, even development of this nature will be completely in the hands of private enterprise, controlled, of course, by the industrial barons of Europe. Thus, planned investment or regulated industrialisation will become impossible within the associated African countries. This has been made clear in the statement of aims of the Development Fund set up by the Common Market countries for aid to Associated Territories, which says that aid, 'can thus be used to develop the economic infra-structure on which private business and private investment depend'. In other words, the Common Market will not only impose its own form of economic life on the Associated Territories but also exercise indirect pressure on other African countries to fall in line. Another effect of these policies will be to carry on the European quarrels in Africa, for it is idle to pretent that after the establishment of the Common Market there will be no differences among the European countries. On the contrary, once the preliminaries are over, the member states will struggle for supremacy over the others and, the Associated Territories will become partners to such disputes.

It is for these reasons, and not because of Black Racialism—the charge commonly made against them by some European countries—that certain african countries refuse to be classified as 'tame niggers', a term used by the British to describe in private the pro-Western African countries. The lead in this has been taken by Ghana, unpopular in the West for its progressive policies. President Nkrumah rightly considers the Common Market as an attempt to make permanent the division between wealthy countries and the 'hewers of wood and drawers of water'. For him, as for many other Africans, the Rome Treaty among the members of the Common Market signed in 1957, signified not an advance towards economic development, but an attempt be establish a collective imperialism of the West European countries. This is a portent, not only for Africa but for all the ex-colonial and underdeveloped countries. Where is the guarantee that if the European countries re-establish their economic hegemony over Africa, they will not attempt to do so elsewhere? Europe does protest too much the innocence of its political motives in Africa.

— 'Letter from Accra' in the ECONOMIC WEEKLY (Bombay), 16 September 1961.

2. *BRITAIN*

A. BRITAIN'S NEW FRONTIER

THE opposition to British entry into the Common Market is mounting; but no serious alternative exists, and the opportunity will not wait.

Frankly, there now seems no likelihood that further hesitation will bring any further narrowing. A year of patient, perhaps excessively patient, British diplomacy has brought a great change for the better in the climate across the Channel, but hope and expectation cannot last for ever. The French in private exchanges have gone as far as they are prepared to go on the Commonwealth problem in advance of a formal negotiation—and that is quite a long way. They have agreed to associate British African territories on the same terms as their own, and to extend free entry arrangements to vital Asian tropical products like tea. They are prepared, it seems, to re-negotiate items of the common tariff; this could presumably take care of the vital Canadian raw materials like aluminium and newsprint. In Geneva, under the auspices of the General Agreement on Tariffs and Trade, a conference is meeting to work out a joint western policy to share the burden of importing Asian textiles. Here, in embryo, is the answer to the problems of India and Hongkong. Finally, the French recognise that New Zealand's agriculture must have special treatment.

There remains the problem of agriculture generally—above all, of meat and grain from Australia and Canada. With French peasants out on the barricades, German ones barracking Dr. Adenaure on the hustings, and the prairies under drought, no one can pretend this will be easy to solve. But here, too, difficulty is not a reason for delay. The common market's agricultural policies (like its African association) are now at a crucial formative stage; it will not help New Zealand and Australia (or Ghana and Nigeria) if Britain waits to try to join until the plans have crystallised, Almost every week, some view feature of the Common Market takes final shape, narrowing the field open to negotiation.

When all the objections have been aired, an alternative to the policy of applying to join the European community, and negotiating to protect the interests of the Commonwealth and the European Free Trade Association, is impossible to find. On their side the Six have made it clear again and again that they are not prepared to accept a looser association with a large power like Britain that will water down the essential institutions and principles of the Rome treaty. Nor, for that matter, will the walls of the community's African association come tumbling down at the blast of the Commonwealth trumpet, as Dr. Nkrumah still seems to hope. Unity in Western Europe remains, at this stage of African emancipation, a condition of unity in Africa.

One other idea that has been resurrected in the past few days—that of a Commonwealth Common Market—merely shows up starkly the limitations of he Commonwealth (for all its reality in other ways) as an economic, or indeed a political, community. Is Mr. Diefenbaker or Mr. Menzies prepared to tear down the tariffs and quotas against British goods behind which Australia and Canada are building up their infant industries? Is Dr. Nkrumah prepared to give up his idea of an

African Common Market for the sake of a Commonwealth one? They are not; their stage of national development is against it. Eighty years ago the Continental countries moved into their era of protection as they built up their infant industries, while Britain enjoyed free access to Commonwealth markets. Today, as mature economies, they are ready to bring the barriers down, while the Commonwealth countries are protecting themselves as they, *in their turn, industrialise.* The health of the Commonwealth itself requires Britain—free and independent just like other Commonwealth countries—to be able to adapt itself to this changing pattern.

— Excerpts from an article, 'Britain's New Frontier', in the ECONOMIST (London), 22 July 1961.

B. A Conservative Crusade

Jenny Lee, M.P.

WILL Britain join the Common Market? A few weeks ago the answer would have been 'certainly. The decision has already been taken.'

But much has happened since then. The question now being asked is 'will Britain be allowed to join?'

It is clear that unconditional acceptance of the Treaty of Rome is now politically impossible. The Government is pledged in the most unequivocal terms to safeguard Commonwealth interests. It has also had to give fairly specific assurance to British agriculture. Things are not working out quite as Mr. Macmillan had planned. It was assumed that a sleepy House of Commons bemused by the complexities of the problem would go into recess early in August leaving the 'experts' to begin negotiations.

Instead the whole pace has had to be slowed down. Angry insistent questions are being asked. It is no longer possible for the fundamental issues involved to be slurred over or treated as if they did not exist.

An unexpected ally has come to the aid of those of us who are opposed to Britain joining the European Economic Community. Dr. Hallstein, Chairman of the European Commission and chief architect of the Treaty of Rome has spelt out what membership involves with pedantic German thoroughness. In a speech to the European Parliament on 29 June he stated that 'whoever wished to scramble on board must not expect this vessel to return to port, change course or slow down.'

The imagery used is hardly complimentary to Britain but the meaning is clear. Other leading European statesmen including Herr Von Brentano, M. Coure de Burville and M. Spaak have also insisted that their organisation must be accepted as it is, that there can be no serious modifications of its aims and objects to accommodate newcomers.

So more and more people are asking what is this Treaty of Rome? Its most widely publicised feature is the intention gradually to remove all trading restrictions between its members thereby creating a customs union with a population larger than that of either America or Russia.

But once again Dr. Hallstein shatters the illusions of those who would like to believe that nothing more than a sensible modernisation of the European economic pattern is involved. 'We are not in business at all, we are in politics,' he has stated meaning by this blunt assertion that E.E.C. is a Holy Crusade of Catholic conservative-led forces in Europe dedicated to fighting the menace of communism.

No sane man or woman would wish to encourage a head on collision between two militant religions—Catholicism and communism. All defense of Commonwealth interests is defense of temperate zone between these two sultry extremes.

In all the exchanges that are taking place it is worth noting how little attention is being paid to the violent controversies raging in the communist camp. One would think there might be some appreciation of the vigour with which Mr. Khrushchov defends his thesis that peaceful coexistence between communist countries and non-communist countries is possible. But no. Instead what clearly emerges is that Dr. Adenauer, General de Gaulle and other leading statesmen of the E.E.C. nations fear the economic challenge of Soviet Russia more than the 'inevitability of a third world war' thesis of a hungry embittered China.

But the same basic philosophy which leads the dominant figures in the Common Market countries to react in this way would inevitably make them the enemies of any future Labour Government in Britain that seriously meant business.

Such a government would want to bring more industries into public ownership, it would require freedom to carry out bulk purchase agreements with other Commonwealth countries, it would most certainly have to control the free working of economic forces where interference was necessary for its over-all socialist planning.

Labour M.Ps. are only beginning to give serious thought to this aspect of the matter. The treaty of Rome insists on what is described as an 'undistorted' market. What precisely is meant by that phrase would be decided not by any one government but by the majority decisions of the Council of Ministers and the European Commission.

It would be straining credulity for instance not to be prepared for the fact that decisions affecting the future of the British Steel Industry would be rather different if determined by the vote of a Krupps-dominated German steel empire than by a British Socialist Minister.

In the main big business in Britain favours our joining the Common Market. We are falling behind, it is argued, in our export drive output per man shift in the elimination of old fashioned business methods. We need a shot in the arm to jolt us out of our easy going ways.

It is true both men and management could be more progressive, more disciplined than is sometimes the case. But again the Labour Party must look searchingly at the means that are proposed to achieve this end. Although management as well as men are castigated there is a very obvious desire on the part of some British employers to find ways of weakening the bargaining powers of their employees.

In spite of all these doubts and criticism will Mr. Macmillan in the end have his own way?

The objective truth is that if the only opposition he had to meet was that of some of us on the Labour benches he would have little to worry about. But his own party is also split. The fact that it is in the main the right wing of the Tory Party and the left wing of the Labour Party that most vociferously defends Commonwealth ties is producing a Mad Hatter's tea party atmosphere at Westminster.

One moment a die–hard Tory will get up to declare that even the monarchy will be endangered if we join the European Community. The next speaker may be a socialist praising the progressive thrust of many of the emerging and recently-independent States and rejoicing in the multi-racial nature of the Commonwealth.

But whatever the means and however odd some of the present alliances, the important gain is that more precise pledges have been given than Mr. Macmillan originally intended. Mr. Duncan Sandys, Mr. John Hare and all our other travelling Ministers are publicly committed to opposing the entry into the Common Market unless we can at the same time guarantee the free entry into Britain of Commonwealth goods, either that or equally adequate alternative markets.

Few Indian goods other than jute, textiles are sufficiently competitive to maintain their footing in the U.K. market, if they have to sell across a tariff on equal terms with the Chinese and the Japanese and meet duty-free competition from the continent. The structure of Indian exports is such that it is unlikely to secure much positive gain from the more rapid economic expansion in Europe. For the time being at least maintaining trade with Britain and strengthening commercial relations within the Commonwealth is of the greatest importance.

— Article in the INDIAN EXPRESS (Delhi), 12 September 1961.

3. U.S.A.

PRESIDENT KENNEDY'S VIEWS

PRESIDENT KENNEDY today (10 August) personally welcomed Britain's decision to negotiate for full membership of the Common Market and expressed his pleasure at its favourable reception by the Governments of the 'Six'.

He told his news conference, in a prepared statement that the US would watch closely developments affecting its own economic interests and those of other friendly states, and went on to hope that an enlarged European Community would adopt outward-looking trade policies.

— Extracts from report in the FINANCIAL TIMES (London), 11 August 1961.

WITH the accession of the UK and other European nations, the Common Market will have almost twice as many people as we (the US) do—it will cover nations whose economies have been growing twice as fast as ours—and it will represent an area with a purchasing power which some day will rival our own. It could be—it should be—our biggest, our most reliable, our most profitable customer. Its consumer demands are growing—particularly for the type of goods we produce best—for American goods not previously sold and sometimes not even known in European markets today. It is a historic meeting of need and opportunity; at the very time we urgently need to increase our exports, to protect our balance of payments and pay for our troops abroad, a vast new market is rising across the Atlantic.

— From speech before the National Association of Manufacturers, New York, 1961.

THE United States President also proposed 'a joint step on both sides of the Atlantic, aimed at benefitting not only the exporters of the countries concerned but the economies of all the countries of the free world. Led by the two great common markets of the Atlantic, trade barriers in all the industrial nations must be brought down. Surely, it will be said that the bold vision which produce the E.E.C. will fall short, if it merely transfers European protectionism from the national to the continental level.

— From COMMERCE, 16 December 1961.

4. CANADA

THE growing Canadian division on Britain's application to join the Common Market reported from Montreal last week has been confirmed by a British commercial mission to Canada which has just returned here.

Mr. A. C. Hey, Secretary of the Mission, which discussed Commonwealth trade with Canadian opposite members told *The Economic Times* that Canadian bnsinessmen not only sympathised with Britain's necessity to woo the Common Market bult are actively exploring closer Canadian association with Europe.

The situation, Mr. Hey reports, is at direct variance with Canadian Government's view expressed at the Accra Finance Ministers' Meeting, of which Canadian commerce is reported to be increasingly critical.

— From a London dispatch in the ECONOMIC TIMES (Bombay), 21 September 1961.

5. *AUSTRALIA*

BRITAIN'S entry into the Common Market without adequate safeguards would mean nothing but havoc for many Australian primary industries. Australia would not be quietly brushed off by trade policies which crippled her markets, strangled her development and frustrated economic growth.

Mr. McEwen, the Trade Minister, gave this warning in Canberra tonight (17 August) when he continued the parliamentary debate on the Common Market.

He engaged in the most outspoken criticisms of the Common Market and US trade policies yet heard from an Australian Minister.

The Minister outlined a plan for the cooperation of the US and 'all countries of good will throughout the world' in solving world trade problems arising from formation of the market.

He proposed that Australia, New Zealand and other exporting countries be allowed to sell reasonable quantities of their primary products inside the Market at prices which the Six guaranteed to their own products. He also proposed that, if Common Market policies added to the world's food surpluses, all countries able to afford it should share the cost of distributing surpluses free or at concessional prices to underfed millions unable to pay a commercial price.

'This is not a matter to be solved between ourselves and Britain. The US must take an interest in this situation. The great Western nations of Europe must see there is an economic survival problem for the free countries outside Europe.'

— From a Melbourne dispatch in the FINANCIAL TIMES (London), 18 August 1961.

6. *BELGIUM*

A call for Common Market precautions against Hong Kong cotton textiles and yarn is made in a memorandum issued by the Belgium Master Cotton Spinners Association, following a request by the Federation of Belgium Industries for observations on possible UK entry into E.E.C.

Duty-free textiles imports from Hong Kong, India and Pakistan bring both political and economic advantages to UK and entitled other British industries to preferential access to Commonwealth markets, the association states. The burden, however, fall on Lancashire.

The Association suggests there is no effective method of distinguishing goods from Communist China passing through Hong Kong in transit with or without intermediate processing. Lancashire cannot expect Europe to help it in absorbing this competition, it is stated.

The declared E.E.C. policy on textile imports from emergent countries submits these to a strict quota, subject to gradual expansion to give the producer a share in the expanding consumption of the six nation market. Such a policy could be ruined by the import into Europe of unlimited quantities of Hong Kong goods or British goods closely derived from them.

One solution might be to subject goods coming from UK to a minimum price regulation. The memorandum welcomes the prospect of British membership of the 'Six'.

— From a Brussels dispatch in the FINANCIAL TIMES (London), 27 August 1961.

7. *FRANCE*

FRANCE seems to think that Britain is at last convinced that the concept of economic integration of Western Europe is workable and its efforts to secure trade and economic safeguards for the Commonwealth are merely a sop for political sentimentalists who glorify the age of imperial trade. These reservations, in the opinion of the French Government, will not endure and Britain will have to give in to the compulsion of economic realities and withdraw its demand for adjustments. It is seen as a 'matter of time' and patience !

According to an authoritative spokesman, it is wrong to say that France is opposed to Britain's entry into E.C.M. In fact, he added, France thinks without Britain there can be no European economic integration. But France cannot possibly agree to Britain's move to water down the Rome Treaty simply because of Britain's political and economic interests in the Commonwealth.

France like other E.C.M. members had to go through a painful process of internal adjustment in agreeing to the Rome Treaty and now that the hurdle had been crossed, 'France will not let a new member wreck the foundations of the treaty and render the regional grouping virtually meaningless', as Britain is thought to be doing, the spokesman emphasised.

— From a Paris dispatch in the ECONOMIC TIMES (Bombay), 15 September 1961.

8. *SOVIET UNION*

IT is widely believed in Britain that the top monopolies, especially concerns closely associated with the European market, impelled the government to take a more favourable attitude towards the Common Market Six.... Entry into the Common Market has been urged, above all, by the big monopoly combines in engineering, iron and steel and chemicals—such firms as John Summers, and Guest, Keen and Nettlefolds (steel), Dunlop (rubber); Imperial Chemical Industries, the Association of British Chambers of Commerce, etc....

There is also the possibility that leading monopolies in Britain and the Common Market countries have already agreed on the establishment of a gigantic industrial cartel embracing the chief West European countries, Britain included. In that case, it would only remain for the British government to give the cartel legal consolidation.

The scheme is not a new one. Its basis was laid a few months before the war, in March 1939, when representatives of Hitler's Reichsgruppe Industries and the Federation of British Industries met at Dusseldorf to found an organisation in which German and British industrialists would be the senior partners. In short, the plan was for an 'economic Munich'. It looks very much as if British manufacturers want to have another try at the Dusseldorf experiment....

A new and important factor in the British position vis-a-vis the Common Market and one that has radically changed official thinking on the subject is the pressure exerted by the United States, Britain's senior war-bloc partner....

What is behind Washington's attitude? Surely, American Big Business must know that the Common Market represents a potential and powerful rival. Nonetheless the United States is prepared deliberately to impair its commercial interests in the hope that this will be more than compensated by political advantages. Washington believes that British membership in the Common Market will strengthen Nato....

The British press is markedly restrained in discussing the difficulties CM membership will present at home.

But it can safely be said that the position of the British worker will be worsened. And not only because abolition of imperial preference will result, at least in the initial stage, in higher prices, but also because the Treaty of Rome provides for an exchange of labour power as well as of goods. This may lead to the import of cheap labour from Italy and give British employers a stronger position for an assault on the working class. This, in turn, is bound to evoke resistance from the trade unions.

The British Government has made a decision which, in every respect, is fraught with grave and far-reaching consequences.

— From an article, 'Britain and the Common Market', in New Times (Moscow), 9 August 1961.

9. *HUNGARY*

HUNGARY become the first Communist country to announce new import tariffs aimed against members of two Western European economic organisations—the E.C.M. and E.F.T.A.—when it announced this week that new tariffs would be introduced on 1 September, to protect itself against what it called 'European closed economic communities'.

'According to experience gained so far in the countries belonging to the two economic groups', it declared, 'disadvantageous and discriminatory measures are applied to our exports. Our efforts to increase turnover are also impeded more and more.'

— From a Bonn dispatch in the ECONOMIC TIMES (Bombay), 31 August 1961.

10. *COMMISSION OF E.E.C.*

BRITISH membership of the Common Market would tighten the bonds linking the free world on both sides of the Atlantic, says an official communique issued today by the E.E.C. Commission.

The communique described Mr. Macmillan's statement as a turning point in post-war European politics. It noted with particular satisfaction his recognition that the Treaty of Rome has an important political objective consisting in the promotion of European unity and stability. This is described as 'an essential element in the struggle for liberty and progress throughout the world.'

'The Commission recognises no less than the British Government,' the communique continues, 'the extent and the difficulty of the negotiations now to be begun.... It is resolved to bring its full support to a positive solution of these problems in order to contribute to the realisation of this new step in the economic and political unification of Europe, and thereby to tighten the bonds which link the free world on both sides of the Atlantic.'

— From a Brussels dispatch in the FINANCIAL TIMES (London), 2 August 1961.

PART FOUR

Appendices

APPENDIX I

COMMUNIQUE OF COMMONWEALTH ECONOMIC CONSULTATIVE COUNCIL*

THE Commonwealth Economic Consultative Council met in Accra on September 12 to 14, under the chairmanship of the Honourable D. Goka, Minister of Finance of Ghana.

Ministers representing the following Commonwealth countries attended the meeting: the United Kingdom, Canada, Australia, New Zealand, India, Ceylon, Ghana, the Federation of Malaya, the Federation of Nigeria, Cyprus, Sierra Leone, and the Federation of Rhodesia and Nyasaland. In the absence of its Ministers of Finance through indisposition, Pakistan was represented by the Governor of the State Bank.

The delegations of dependent territories included representatives from the West Indies, Tanganyika, Mauritius and Uganda. Other members of the conference particularly welcomed representatives of the newly-independent countries of Cyprus, Nigeria and Sierra Leone.

The Chairman read a message of welcome from the Presidential Commission of Ghana sent on behalf of the President, Dr. Kwame Nkrumah.

In reply, there were expressions of appreciation of the fact

* The Finance Ministers of the Commonwealth countries who met in the Commonwealth Finance Conference at Accra (Ghana) from 12 to 14 September 1961, discussed mainly the projected entry of Britain into the ECM.

that the Council, in accepting the hospitality of the Government of Ghana, was meeting for the first time in Africa. The Council emphasised the strength and influence of the Commonwealth association.

There was an exchange of views on recent development in world production and trade, with particular reference to the position and prospects of Commonwealth countries individually and collectively, and of the sterling area.

The council noted with satisfaction that measures had been taken by the Government of the United Kingdom to strengthen the position of sterling. It welcomed the determination of the United Kingdom Government to maintain the stability of sterling as one of the world's two reserve currencies.

Representatives of Commonwealth countries heavily dependent on exports of basic materials and foodstuffs stressed the urgent need to reverse the downward drift of the prices of their exports and the adverse movements in their terms of trade.

In this connection, the view was expressed that additional commodity agreements would be useful in providing economic stability and progress. But it was recognised that for success any such agreements should include the major producing and consuming countries.

It was felt that a responsibility rested on the more highly industrialised countries of the world to respond sympathetically to constructive proposals for stabilising commodity prices at reasonable levels. Reference was also made to the importance of stimulating industrial development in the less-developed countries and diversification in countries heavily dependent on a few stable exports.

The need for the industrialised countries of the world to accept imports of manufactured goods from the developing countries was stressed.

In the course of a review of development questions, a report was given on the Special Commonwealth African Assistance Plan, which had been inaugurated by the Council in its previous meeting a year ago.

The Council welcomed the fact that already under the plan substantial technical and education assistance was being provided by several Commonwealth countries and that as the plan gathered momentum this assistance would be enlarged.

During the course of the discussion of finance for development, generally it was urged that funds should be made available to the developing countries on terms which were within their capacity to meet.

The Council meeting provided the first opportunity for a general discussion amongst Commonwealth countries of the situation resulting from the decision of the Government of the United Kingdom to apply for and negotiate towards membership of the European Economic Community.

Representatives of the United Kingdom reviewed the various reasons that had led them to make the application.

All other Commonwealth representatives expressed grave apprehension to the United Kingdom. They reaffirmed the value and importance they attach to traditional Commonwealth trading arrangements under which most foodstuffs, raw materials and manufactures enter the United Kingdom free of duty from Commonwealth countries with, in most cases, preferential advantages and other Commonwealth countries make reciprocal tariff concessions. The benefits of these arrangements accure to the United Kingdom as well as to other Commonwealth countries.

Most of the Commonwealth countries questioned whether the United Kingdom, with its other international and domestic obligations could possibly secure in the proposed negotiations an agreement which would protect Commonwealth interests adequately and effectively.

It was generally agreed that any impairment of these interests would damage some or all Commonwealth countries.

Several representatives stressed the danger that if the United Kingdom succeded in negotiating special benefits in the European Economic Community for only certain Commonwealth countries, the result could be damaging to Commonwealth solidarity.

Certain countries pointed out that major changes in the present Commonwealth trading arrangements would inevitably force realignment of their trading patterns and could lead to the emergence of further trading blocs.

Such a development would undermine the traditional multilateral trading arrangements to which all Commonwealth countries had given their support.

Because of the inseperable nature of economic and political relationship within the Commonwealth and because of the political and institutional objectives of the European Economic Community and the terms of the treaty, it was feared by the other Commonwealth countries that United Kingdom membership in the European Economic Community would fundamentally alter the relationship between the United Kingdom and Commonwealth countries.

It was emphasised by the United Kingdom delegation that there would be continuing and close consultation with all Commonwealth Governments at all stages in the negotiations.

They drew the attention of the Council to the statement of the Prime Minister of the United Kingdom in July 1961, in regard to the calling of a meeting of Commonwealth Prime Ministers on this subject.

— From ECONOMIC TIMES (Bombay), 16 September 1961.

APPENDIX II

DIRECTION OF INDIA'S FOREIGN TRADE

(Rs. in Lakhs)

	1952		1960	
	Import	*Export*	*Import*	*Export*
I. EUROPE				
Austria	1,65	46	2,86	30
Belgium	8,00	6,56	15,99	5,04
Denmark	—	—	1,85	1,80
Finland	2,15	67	2,85	25
France	13,90	6,01	24,48	8,32
Greece	4	52	3	28
Irish Republic	2	2,95	negl.	5,50
Italy	11,86	10,79	112,70	19,59
Netherlands	12,68	10,42	12,64	7,25
Norway	2,90	1,28	2,84	1,11
Sweden	6,16	1,85	11,05	1,56
Switzerland	7,96	1,24	9,78	1,28
Turkey	—	4,96	1	3,07
U.K.	152,04	126,54	201,52	174,39
West Germany	25,15	12,54	112,70	19,59
Total	244,51	186,79	416,73	238,43
II. SOCIALIST COUNTRIES				
Bulgaria	—	1	37	15
China	15,46	3,10	3,26	5,60
Czechoslovakia	1,60	2,90	7,15	6,00
G.D.R.	6	2	2,63	3,97
Hungary	27	3	1,97	1,12
Poland	26	24	2,99	3,35
Rumania	—	2	3,82	1,14
U.S.S.R.	83	2,00	13,27	29,94
Others	8	62	4,40	3,39
Total	18,55	8,94	39,86	54,66

	1952 Import	1952 Export	1960 Import	1960 Export
III. ASIA				
Aden	69	9,02	1,62	5,09
Afghanistan	5,07	5,35	5,02	6,08
Bahrein	17,31	1,49	4,68	2,16
Burma	31,14	23,68	19,51	6,94
Ceylon	4,82	20,23	3,92	18,48
Indonesia	1,56	5,44	3,97	4,32
Iran	3,93	2,13	34,18	4,62
Iraq	1,95	2,71	2,11	3,27
Japan	19,99	25,47	54,20	34,28
Kuwait	8	4,70	6	3,40
Malaya	2,66	3,49	13,66	4,68
Pakistan	29,14	46,34	15,18	10,12
Philipines	—	—	40	1,09
Saudi Arabia	15,81	2,92	19,06	4,42
Singapore	13,82	15,40	11,59	6,92
Thailand	9,15	4,68	59	2,38
Total	157,12	173,05	189,75	118,25
IV. AFRICA				
Egypt	20,14	6,56	17,05	14,23
Ethiopia	—	—	3	2,28
Ghana	—	—	58	1,70
Kenya	19,73	7,06	14,11	4,73
Mozambique	—	—	5,52	91
Nigeria	—	6,48	51	4,99
Sudan	3,53	7,55	9,53	8,14
Tanganyika	—	—	5,75	2,24
Uganda	—	—	1,29	63
Zanzibar and Pemba	—	—	2,32	36
Total	43,40	27,65	56,69	40,21
V. AMERICA				
Argentina	25	4,48	6	6,13
Canada	30,08	12,76	14,91	16,94
Chile	1	3,95	26	1,32
Cuba	—	8,88	8	5,54
U.S.A.	2,76,58	1,17,47	2,40,02	1,01,64
Total	3,06,92	1,47,54	2,55,33	1,31,57

	1952		1960	
	Import	*Export*	*Import*	*Export*
VI. OCEANIA				
Australia	15,10	23,59	22,43	21,72
New Zealand	1,44	2,97	1,47	7,93
Total	16,54	26,56	23,90	29,65
Total of I—VI	7,87,04	5,70,53	9,91,26	6,12,77
Other Countries	34,46	36,17	29,34	22,43
Grand Total	8,22,50	6,16,70	10,11,60	6,35,20

APPENDIX III

Questions and Answers on the Common Market*

What is the Common Market?

THE basis of the Common Market is the Treaty of Rome signed on 25 March 1957, by the six countries—France, Italy, West Germany, Belgium, Holland and Luxembourg. The first object of the treaty is to remove all barriers to trade between the the six countries, and to set up a common tariff wall around the frontiers of the Common Market. The internal tariffs are to be reduced by stages over a period of twelve to fifteen years. Import quotas and all other obstacles to free trade are to be eliminated within the same period. The internal tariffs have already been reduced by 30 per cent. The next 10 per cent cut is due at the end of this year and the six Common Market countries are considering whether it should be doubled. If that is agreed, the internal tariffs between the Six will then have been reduced to one half the level prevailing at the beginning of 1959.

* These questions and answers were addressed to the British workers. They appeared in the journal, *Labour Research* (London), July 1961.

The first move towards the common external tariff was made at the beginning of this year. This means that the low tariff countries, Germany, Holland and Belgium, who are our best customers in Western Europe, have begun to raise their tariffs against us and all outside countries at the same time as they are reducing their tariffs to France and Italy.

The resulting discrimination against British exports is not yet very large. But at the end of the transition period the external tariff will have reached a level of about 15 to 25 per cent for most manufactured goods (29 per cent for cars). The internal tariffs will then have reached zero. The discrimination against exports from Britain, the United States and all outside countries will then be much more severe than it is now.

Is the Common Market more than a customs union?

Yes it is very much more. Professor Hallstein, former West German Secretary of State for Foreign Affairs and now the first President of the Common Market Commission, has said that it is not:

> Only a customs union with a uniform external tariff. It is the harmonisation, co-ordination, even unification, of major aspects of economic policy and profoundly modifies the economic policy of the six States.[1]

The aim is to create uniform conditions for trading and free competition throughout the territory of the Common Market. With a total population of 170 million, this would be a single market comparable in size to the United States. In addition to the free movement of goods all obstacles to the free movement of capital and labour must be eliminated. This means that all public subsidies to particular industries and any taxation provisions amounting to concealed subsides have to be abolished. A common policy for agriculture, transport and foreign trade must be achieved by the end of the transition period. For economic, financial and labour policy the Treaty speaks in somewhat vaguer terms of a substantial degree of coordination.

The correct title of the Common Market is the European

[1] Statement to the European Parliament Assembly, 20 March 1958.

Economic Community which expresses this goal of economic unification. In order to ensure that the provisions of the Treaty of Rome are carried out a series of powerful institutions have been set up.

What are the principal institutions of the European Community?

A Commission, a Council of Ministers, an Assembly and a Court of Justice. The Commission is the executive of the Common Market charged with carrying its rules into effect. It is subordinate to the Council of Ministers which takes the final decisions on all important matters. Though in the first few years decisions of the Council of Ministers are to be taken unanimously, later on they are to be taken by a qualified majority, which means 12 votes out of a total of 17 distributed as follows:

France, West Germany and Italy 4 votes each.
Belgium and the Netherlands 2 votes each.
Luxembourg 1 vote.

The Court of Justice decides cases referred to it by the Commission or by any of the member governments. If it decides that any government has broken any of the provisions of the Treaty of Rome that government must comply with the Court's judgment. The members of the Assembly are at present appointed by the Parliaments of the six countries but plans are already being considered for direct election.

Thus the institutions of the Common Market have many of the characteristic of a federal government placed over and above the national governments of the six countries.

What is the purpose of the Common Market?

It is often though that this is simply to obtain all the economic advantages that can be expected to flow from a customs union. But in fact the basic aims of the Treaty of Rome are political, not economic. This was made perfectly clear when the first steps towards the Common Market were taken by the French Government in 1950 in its proposals for the establishment of a common market in coal and steel. At that time the Western Allies exercised a strict control over the West German coal and steel industries and in particular German steel output was limited to 11 million tons (compared with nearly 23 million tons before the war) The French Government put forward the plan—which became known as the 'Schuman plan' after the French foreign minister, M. Robert Schuman—for a common market in coal and steel in West Germany, France, Italy, Belgium, Holland and Luxembourg. The pooling of coal and steel production, declared the French Government on May 9, 1950:

> Will make it plain that any war between France and Germany becomes, not merely unthinkable, but materially impossible.

In other words, the political aim of an unbreatable Franco-German alliance was to be achieved by measures which would lay the foundations for the 'economic unification' of France, Germany and the adjoining countries. The *Economist* wrote that:

> The mainspring of the Schuman offer is the straightforward and entirely reputable desire to draw Germany into closer and more confident relations with the West and to counter the drag of the East with its promises of unity and markets (20 May 1950).

The Schuman plan was accepted by all the Governments concerned and welcomed by the U.S. Government and by the British Labour Government, which refused, however, to accept the French invitation to Britain to join the proposed community. The European Coal and Steel Community was eventually established in 1952. All the Allied controls over the West German coal and steel industries were abolished and the limit on German steel output was lifted.

The political basis of the Common Market was recently reaffirmed by Professor Hallstein. Speaking at Harvard on 22 May 1960 he said that any nation which comes into the Common Market is accepting a farreaching political commitment, and went on:

> We are not in business to promote tariff preferences or to establish a discriminatory club to form a larger market to make us richer, or a trading block to further our commercial interests. We are not in business at all, we are in politics. (*Financial Times*, 23 May 1960).

What is the European Free Trade Association?

In 1957 the British Government put forward a plan for a Free Trade Area to include all the seventeen countries in Western Europe. Tariff barriers within the area would be gradually eliminated, but each country would retain its existing tariff towards outside countries, and this would enable Britain to contiue to allow the free import of most foodstuffs and the preferances for Commonwealth countries. Agriculture was to be entirely excluded.

After prolonged negotiations this plan was rejected by the Six towards the end of 1958. Britain then persuaded six countries—Sweden, Norway, Denmark, Switzerland, Austria, and Portugal—to join the European Free Trade-Association which was organised on the same principles as had been proposed for the original Free Trade Area. Agreement was reached in July 1959 and the aim is to reduce tariffs between the Seven at approximately the same rate as the reduction of tariffs between the Six.

Who are in favour of Britain joining the Common Market and who are against?

The issue cuts across normal political divisions. The supporters of the Common Market Campaign, an organisation recently formed under the chairmanship of Lord Gladwyn to urge the Government to join the Common Market, include Tory, Labour and Liberal M.P.s as well as a variety of other personalities such as university done, economists, prominent bankers and industrialists. Labour M.P.s in support include Mr. John Diamond, Mr. Charles Pannell, Mr. Roy Jenkins, Mr. C. A. R. Crosland and Mr. Woodrow Wyatt. Trade unionists include Mr. Sam Watson, Mr. Ernest Jones, Sir Will Lawther and Dame Florence Hancock. On the other hand there are some Conservative M. P.s. (Lord Hinchinbrooke, Mr. R. Turton, Sir John Barlow, etc.) and many Labour M.P.s (Mr. Dennis Healey, Mr. Douglas Jay, Mr. Arthur Creech Jones, Mr. H. Marquand, Mr. E. Shinwell, etc.) who are against our joining the Common Market or will not agree to join if the Commonwealth will suffer. The left wing of the Labour Party, as reflected for example by *Tribune*, is against, and so is the Communist Party.

What are the reasons given by those who think that Britain should now join the Common Market?

Just the fundamental purpose of the Common Market is political, so the main reason for joining it is political, namely, that the division of Western Europe into two rival trading blocs will seriously undermine the unity of Nato and the Western Alliance. Mr. Macmillian has said:

> The consequence of the economic division of Western Europe are only just beginning to make themselves felt in the political field. Yet if this economic division persists, the political rift will inevitably widen and deapen. This most, sooner or later, affect our military coherence and strength. It will be a canker gnawing at the very core of the Western Alliance.'[2]

The Common Market Campaign, makes the same point in its first statement: 'If we are to prevent a dangerous spilt in Europe, time is short and not on our side.'[3]

The second main argument in favour of Britain joining the Common Market is that it provides the most rapidly expanding large market for manufactured goods in the world. In 1959 imports of all types of goods were 77 per cent, greater than in 1953, compared with a world increase of 44 per cent. Imports of manufactures were up by 113 per cent, in terms of prices. There are particularly good opportunities for selling machinery, chemicals, cars and all other durable consumer goods and advanced products generally. During the past five years our exports to the Common Market have increased at nearly twice the rate of our total export trade, and in 1960 it took 15 per cent of our exports.[4] If Britain remains outside the Common Market, so the argument runs, our trade is bound to be seriously affected by the common external tariff and the gradual abolition of the internal tariffs.

[2] Speech on 7 April 1961 at the Massachusetts Institute of Technology.

[3] *The Times*, 26 May 1961.

[4]) The Seven took 11 per cent, the Sterling Area 40, the U.S. 9, Conada 6, Latin America 5, the U.S.S.R. and Eastern Europe 2, other countries 12.

Thirdly, the creation of a vast single market with 170m. population will enable the Common Market manufacturers to obtain economies from largescale production far in advance of the economies British manufacturers can achieve on the basis of an E.F.T.A. market of 90 million. Entrenched behind their common tariff the Common Market manufacturers will offer an increasingly severe challenge to our export trade to the rest of the world.

What are the main arguments against joining the Common Market?

These were summarised recently in a speech by Mr. Anthony Greenwood, M.P.:

> 'First,' he said 'the dubious economic advantages of a free market would in my view be more than outweighed by our surrender of the right to plan our affairs.
>
> 'Secondly, I have no wish to transfer political power from the British man in the street to Dr. Adenauer and President de Gaulle, or to link our national future to such unstable allies.
>
> 'Thirdly, I believe in the Commonwealth and I would deplore any change which weakens our ties with it.
>
> 'Fourthly, the Common Market presupposes the permanence of the cold war and a divided Europe, and that cannot be the starting point for the kind of world I want to see.'[5]

Why are the economic advantages described as 'dubious' by those who oppose our joining the Common Market? They point out that we can only gain from joining the Common Market if its imports continue to grow more rapidly than those of the rest of the world. If this were to happen consistently over the next ten to twenty years the gains from joining it would be substantial. But there can be no certainty that this will in fact happen. The recent rapid growth in imports may have owed something to the once-for-all removal of quantitative restrictions on imports (quotas) in the last few years. Other markets, whether in the Commonwealth, Latin America, Asia, the Soviet Union and China, etc., may grow equally or more

[5] *Daily Worker*, 10 June, 1961.

rapidly in the future. If we join the Common Market we shall have to surrender the tariff preferences we at present enjoy in the Commonwealth and the adverse effects on our exports could be substantial. An economist, Mr. M. F. Scott has written in the *Bulletin of the Oxford University Institute of Statistics* for February 1961 :

> Past experience suggests that the recent rapid growth in the Community's imports is exceptional, and it may not persist... There seems little to be said in favour of, and much to be said against, the United Kingdom joining the Community on the same terms as its present members.

What is the attitude of the U.S. Government?

Mr. Heath, the Lord Privy Seal, said in the House of Commons on 17 May 1961 :

> The new Administration in Washington have made their attitude perfectly clear. The United States is prepared to accept additional discrimination against its goods provided that the arrangement reached can be shown to strengthen the political unity of Europe. It does not feel itself obliged to accept further discrimination from a purely trading arrangement which carried no political advantage.

That explains why the US Government supported the six in turning down the Free Trade Area proposed by the British Government in 1957-58 but favours Britain joining the Common Market so long as this is done in such a way as to strengthen the political unity of Western Europe.

What is the attitude of the Government of the USSR?

It has been critical of the Common Market. It has proposed the organisation of a European regional trading organisation open to all countries. Mr. Mikoyan has written with reference to the new groups of the Six and the Seven :

> They cannot solve the problems of developing world trade, because to one degree or another they are based on trade discrimination against countries which do not belong to the groupings. Those attempts (i.e. the plans of the Six and

Seven—*ed.)* are in contradiction with the intelligent principle of international trade—the most-favoured-nation principle.[6]

If Britain joins the Common Market how much of our national sovereignty will we lose?

A glance at the answers to the second and third questions shows the extensive powers of the Common Market institutions. When the Council of Ministers begin to take decisions by means of the qualified majority, we should presumably have 4 votes out of a total of 21 (or larger total if other countries followed us in). We should naturally lose control from the start of our commercial policy—the fixing of tariffs and quotas for imports. We should not be allowed to have taxation arrangements or public subsidies favouring particular industries, except with the permission of the Common Market Commission (through financial help to depressed areas is allowed). How much more of our national sovereignty we should lose would depend on how far the Common Market (with us inside it) advanced towards economic unification, which is the admitted goal of its most enthusiastic supporters. Even the 'European,' as they are sometimes called, do not know just where the process of economic integration will end.[7]

Lord Gladwyn foresees that it might well end up 'in some form of confederation involving, quite probably, a common currency[8] and considerable freedom of movement of capital and labour.' And he frankly admits that 'certain decisions of great importance affecting us would be taken in some other than Westminster.[9] In fact this is a point on which both the sup-

[6] Article published in the West German newspaper *Handelsblatt* on 20 May 1960. The most-favoured-nation principle means that any tariff reduction granted by one country to another country should be accorded immediately to all other countries as well.

[7] Miriam Camps *Division in Europe* (a P.E.P pamphlet) p. 198. She adds 'for the present, the United States strongly endorses the long-term political objectives of the "Europeans" and will doubtless lend them what assistance it can; this may well be the determining factor.'

[8] The Treaty of Rome does not provide for a common currency, but for a substantiol degree of coordination of financial policies. There is a Monetary Committee for this purpose and the six Finance Ministers hold regular meetings.

[9] The *Observer*, 21 May, 1961.

porters and the opponents of our joining the Common Market are agreed. Speaking in the House of Commons on 25 July 1960, Mr. Harold Wilson, M.P., said that joining the Common Market would mean 'virtually relinquishing control of our own economic policies.'

One example may be given of the kind of difficulty which might arise for a future Labour Government. Complete freedom of movement for capital would seem to conflict with the planning of investment if the Government wanted to proceed on the lines suggested by Mr. Harold Wilson in his 'Four-Year Plan for Britain.[10] The selective tax concessions which he proposes in order to encourage investment in particular industries would be ruled out unless we could obtain permission from the Common Market Commission.

What would happen to wages if we joined the Common Market?

This depends on so many different and unpredictable factors that it is quite impossible to answer. Wages in all the Common Market countries are lower than in Britain, but the social security charges paid by the employers are considerably higher than the national insurance contributions paid by British employers. The result is that the cost of labour to an employer in West Germany, Belgium and France is only slightly less than in Britain, but it is considerably less in Italy and the Netherlands. Low wages do not mean, however, that Italian goods necessarily cost less than British goods. The relative productivity of British and Italian industry must also be taken into account. All that can safely be said is that Italian competition would be most severe in industries where labour forms a high proportion of the total cost, such as heavy electrical engineering.

It is generally thought that engineering, vehicles and chemicals will be the industries in Britain which would gain most from joining the Common Market. Others would lose though it is not easy to foresee which they will be. Large firms would presumably gain most while many firms would suffer from the more intense competition.

[10] *New Statesman*, 24 March, 1961.

If the free movement of labour were established large numbers of unemployed Italian workers might come to Britain.

The Treaty of Rome provides that equal pay for women must be extended from France, where it already exists, to all the other member countries. But France is complaining that the other five countries have not yet carried out this article of the Treaty.[11]

What will be the effect on the price of food?

The Common Market countries normally protect their agriculture by a high tariff which raises the price of many kinds of food well above the world price, thus making the consumer pay the cost of farm support. In Britain food enters duty free on the whole so that we pay much lower prices in general than in the Common Market; and the cost of farm support is borne by the tax-payer through the agricultural subsidies. The common policy for agriculture in the Common Market is only now being worked out but it is certain to be on the same lines as the existing policies of the Six. The common external tariff for food has been announced and will be about 20 to 25 per cent for meat, bacon, butter, cheese and tea. But a 20 per cent rise in the import price of food does not mean a corresponding rise in retail prices since nearly half the final cost of food in the U.K. is made up of processing, packaging, transport and distribution. A report by P.E.P. estimates that, if we joined the Common Market, retail prices would raise by about 9 per cent over a period of six years, causing a rise in the cost of living index of about 3 per cent.[12] Mr. Colin Clark, director of the Agricultural Economics Research Institute at Oxford puts the likely rise in the retail price of food at only 3 per cent[13] These estimates are necessarily extremely tentative because the future level of prices in the Common Market is not yet known.

The rise in the price of food would be accompanied by the abolition of the greater part of the agricultural subsidies now running at about £250 million per annum. The net effect of these changes would depend on which taxes the Government

[11] *Daily Telegraph*, 8 June, 1961.
[12] *The Times*, 29 May, 1961.
[13] The *Guardian*, 24 May, 1961.

chose to reduce—income tax and surtax, for example, or the taxes on beer and tobacco. It seems likely that those who spend a high proportion of their income on food—large families, low-paid workers and old age pensioners—will be the most seriously affected by these changes.

What will happen to British agriculture?

This depends very much on the level of prices eventually fixed when the Common Market agricultural policy has been worked out. The National Farmers' Union has estimated that on balance farmers in this country would not be likely to receive higher prices than they do now, but that production costs would go up. British farmers would be exposed to competition especially from the two main exporting countries, the Netherlands and France. The Netherlands would seek to expand sales of bacon, eggs, dairy products and fruit and vegetables in this country, while France would be provided with an enlarged market for surplus wheat and barley. Britain is the world's largest market for imported foodstuffs, as the produces only about half her total requirements. On the other hand the Common Market is 87 per cent self-sufficient in foodstuffs. Thus opportunities for British Farmers to export to the other Common Market countries would necessarily be more limited that the other way round.

The conclusion of the N.F.U. is that free trade in agriculture would be likely to benefit European producers to a greater extent than those in this country. The President of the N.F.U., Mr. Harold Woolley, has declared his abhorrence of any proposal that we might exchange a system which has served our farmers well enough for 15 years for the 'uncertain and dubious' propositions of the Common Market Agriculture Commission.

The *Economist,* which is strongly in favour of our joining the Common Market, takes exactly the opposite view. It argues that the productivity of British farms and farm workers is higher than that of their potential competitors (the Dutch excepted) and that they are therefore 'well placed to compete anywhere in Europe—provided the market is not rigged against them.' (20 May 1961).

What about the Commonwealth?

The producers of tropical foodstuffs in Africa and the West Indies are not likely to be adversely affected if Britain joins the Common Market, because their products do not compete with those of the European farmers. The greatest problem arises for the producers of temperate foodstuffs—Canada, Australia and above all New Zealand. Their products now enter free of duty into the British market. If we joined the Common Market and no special arrangements were made, their products would face the common external tariff of about 20 per cent, whereas the products of the Common Market farmers would be admitted free. But special arrangements for Commonwealth imports of temperate foodstuffs are certain to be made if Britain enters the Common Market, and it is therefore impossible to say in advance what their effects will be.

New Zealand is particularly anxious about her exports of butter to Britain. The New Zealand Prime Minister, Mr. H. J. Holyoake, has said that it would be a disaster for his country if Britain joined the Common Market without arranging for New Zealand produce to enter Britain and the Common Market. Mr. F. P. Walsh, President of the New Zealand Federation of Labour, has said that proposals for Britain's entry into the Common Market wàs the greatest crisis for New Zealand since the declaration of war in 1939. 'For New Zealand, there is no way out of this deal without severe curtailment of our prospects in the British market,' he said.

Canada is also seriously affected in another way. In the past few years her exports of manufactured goods to Britain, helped by the tariff preferences she enjoys, have been rising rapidly and she has been counting on a continuation of this trend in order to lessen her economic dependence on the United States. The Common Market external tariff would endanger these prospects.

Britain is likely to lose the preferential tariffs she has in the Commonwealth if she join in the Common Market. These preferences do not amount to much now as Britain's share of Commonwealth markets has been declining. But they must still have some importance, and their loss will tend to cause a further weakening of our trading links with the Commonwealth.

APPENDIX IV

ECM Council Agreement on Farm Policy

Brussels, April 5: The Common Market's Council of Ministers agreed early today on the final text of the common agricultural policy adopted after 200 hours of debate here in January.

It took the Ministers more than 12 hours to settle the last two points, the lower and upper limits for cereal prices from July 1, 1962, to July 1, 1963, and the application of escape clauses when internal markets are disturbed by imports.

On the first issue, the Italian and Dutch view prevailed over the French and German. It was agreed that the upper limits of target prices for cereals during the period in question should be based on the price prevailing in the highest consumption zone, while the lower limits should be based on the price prevailing in the highest production zone.

A compromise was reached on the question of escape clauses between Holland on the one hand and the five other members on the other.

Under the agreement reached in January, escape clauses were applicable to a wide range of products. But for fruit and vegetables, a special provision was made that customs duties would never be raised to a level higher than that prevailing when the common agricultural policy came into effect.

Today's compromise maintains the escape clause for all these products with the insertion of the phrase that the six-member countries would 'take care not to increase protection between the member States.' The particular guarantee for fruit and vegetables remains.

(*Times of India,* 6 April 1962)