

# BRITAIN and the COMMON MARKET

## A FREE TRADE POINT OF VIEW

By NEWTON JONES, M.B.E.

**T**HE meeting between Mr. Macmillan and Dr. Adenauer indicates there is nothing definite yet in Europe's future trade and economic policies. It is important, therefore, to get our principles clear so that we may expound Free Trade views on this important matter.

The European Common Market is the economic side of the movement to form an eventual European State which would replace the individual states of France, Western Germany, Belgium, Holland, Italy and Luxembourg, in their dealings with the outside world. Other European countries would be accepted as members provided they are willing to accept such terms.

Politically the principal advantage is claimed to be the formation of a Western European bloc which could stand up on more equal terms to the U.S.A. and Russia.

At first sight this seems incontrovertible but there are doubts which we may legitimately raise. Firstly, the Common Market, particularly if enlarged by the joining of the Seven, will mean that there is a single large bloc on each side of the Iron Curtain. This will lead Russia to consider merging Poland, Czechoslovakia, Hungary and Roumania, more fully with the U.S.S.R. As things are at present it must surely be easier for the West to form contacts east of the Iron Curtain and there is room for bringing influence to bear on these individual states, e.g. Yugoslavia. The existence of individual states on both sides of the curtain does act in some measure as a buffer and without this the risk of incidents leading to armed conflict might be much higher.

A further disadvantage appears to be in future relations with the independent states of Africa, Asia, South and Central America, etc. At present these states have relations in large or small measure with all the European states so that in the event of a disagreement with one there remain all the other European states with whom friendly relations may be maintained. If there were only one European state then a quarrel or disagreement would be complete and such countries would then find themselves perforce looking to U.S.A., U.S.S.R., or China to solve their problems. This is not attractive.

**H**OWEVER, it is on the economic side that Free Traders feel most strongly. The principal economic advantage claimed for the Common Market is that it affords a large home market in which the benefits arising from large-scale enterprise may be reaped. If these advantages are correct then there is quite definitely a corresponding disadvantage accruing to all states outside the Common Market. It is in fact a discriminatory trading bloc. Apart from the whole of the British Commonwealth, Russia and China

these "outside" countries would appear to consist mainly of countries, many of them in the tropics, who in the course of history have been successful in retaining their independence or in regaining it from former European colonial powers. It seems unfortunate that ability to retain an independent position in the past should result today in being placed at a disadvantage with regard to trade.

Furthermore, trade discrimination places a powerful weapon in the hands of any country which cares to trade more freely with adversely affected countries. The Russians could make immense propaganda in such places as far apart as Japan, Africa, and South Africa by suggesting that Britain and Europe regard their peoples as second-class citizens of the World, only to be traded with on disadvantageous terms. Propagandists could represent this as a form of economic *apartheid* and this would be immensely damaging to our endeavours to show emerging nations that their true friends are the nations of the West rather than Russia and China.

The "Big Home Market" offered by the Common Market is of advantage only in a world divided by protectionist policies which are a hangover from the 'twenties and 'thirties. If European countries reduced restrictions on trade they would achieve practically all the economic advantages of the Common Market without having first to create it. Advocates of the Common Market tell us that eventually the external tariff barrier will be reduced. The position then arrived at is merely what the adoption of free trade policies could give us now. It seems a pity to wait ten or fifteen years. Surely the thing that needs doing is to break down existing trade barriers rather than to create new ones which may prove more durable. If members of G.A.T.T. and U.N.O. were to concentrate on that we might see some real advances made rapidly.

Dr. Jagan of British Guiana recently addressed members of the London Chamber of Commerce and at the top of his list of requirements for emerging peoples he placed "Availability of Markets" where they could sell their products. He particularly emphasised this and referred to the U.K. as the only market at present available for British Guiana where they could sell their products without having to overcome the handicap of tariffs and duties. If Britain joins the Common Market, British Guiana and other tropical countries will have the external tariff to surmount.

**T**HOSE imbued with the Free Trade philosophy believe that nothing justifies meting out different treatment to human beings through the mere accident of geographical position or past history. Today much emphasis is placed

upon the virtues of wealthy countries supplying funds for developing the less wealthy areas. Such action, however, makes no sense if we then put these countries at a disadvantage in selling the goods we equip them to produce.

### AGRICULTURE

The declared object of agricultural policies in the European Common Market is to maintain high cost producers on uneconomic holdings in many parts of Europe, and to subsidise them by levies on imports and similar means. This is utterly opposed to all principles of Free Trade and entitles one to wonder whether the Common Market will be an inward or an outward-looking state. It would be disastrous if, for the next ten to fifteen years, the Common Market were to be preoccupied with its internal reorganisation and new institutions and withdraw itself from the great world outside Europe. This could be a very real danger.

In Britain many of those who support the concept of the Common Market and urge that we should seek membership are also known advocates of agricultural protection and farm subsidies. This, in itself, is enough to raise serious doubts in the minds of Free Traders. One writer in the *Liberal News* even regarded the Common Market as the solution to the Liberal Party's protracted internal differences over agricultural policies!

Commonwealth Governments are stated to favour Britain entering the Common Market. This is hardly surpris-

ing as the Governments of the Dominions all practice protectionism and restrictions on trade and are imbued with protectionist mentality.

**T**O sum up, therefore, economically and politically what the Common Market means is that those inside it are at an advantage and those outside it are at a disadvantage. It is a form of economic *apartheid* on a world scale. It must provide a very fruitful source of irritation and trouble with emerging nations whom we are keen to win, ideologically and politically for the free West and it places an immense practical weapon in the hands of the Communists. It gives its members no economic benefit which the adoption of free trade policies would not give them immediately without losing their identity. It is a direct invitation to groups of nations in other parts of the world to form similar blocs. So far as the U.K. is concerned it means that we would be deprived of freedom to purchase our requirements from the cheapest source of supply, wherever that may be, and it would oblige us to impose tariffs on a wide range of imports which at present enter the U.K. duty free. All political parties in the U.K. agree that we are increasingly dependent upon our external trade for our daily bread and anything, therefore, which reduces our competitive power must be examined and weighed most carefully.

What Free Traders, therefore, should demand is the reduction of tariff barriers among many states rather than the setting up of fresh blocs.

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## Why Switzerland Stays Outside

By S. W. ALEXANDER, M.B.E.

Editor of the "City Press" Newspaper

**P**ROBABLY the best summary of the circumstances surrounding the discussions regarding what is called European integration is contained in the latest bulletin of the Swiss Bank Corporation. The writer comes to the conclusion that long before the blueprint of any still more extensive European union has been drafted, practical necessities will bring the Six and the Seven together. He points out that with the merging of the Six into a single entity, at first economic only, but with political fusion as its aim, the creation of the Common Market immediately caused profound repercussions in the economic systems of the Seven. The changes threatened to be serious to them.

In a closely reasoned argument in a document of 70 pages, the Swiss Federal Council explained meticulously why Switzerland could not see her way to join the Six. The decisive reason was that any curtailment of her sovereignty as envisaged by an arrangement with the Six meant loss of control over the management of the Swiss

economy, finances, and currency. For Switzerland, even "association" with the Six would be out of the question. Switzerland, it is explained, is a country of just over five million people who inhabit a region, largely mountainous, hence agriculturally of low productivity, devoid of all natural resources of raw materials, vital to the industries that provide Swiss workers with employment. In 1959 40 per cent. of the total exports of Switzerland went to the countries in the Common Market while 60 per cent. of the imports came from those countries. Those figures show that trade with the rest of the world is more important to Switzerland than trade with the Six.

**D**ESPITE all the handicaps imposed by Nature, the people of Switzerland, per capita, have become one of the most affluent in the world. One reason is that thanks to her low customs tariff Swiss industry has been able to procure industrial raw materials from overseas very advantageously. That is one of the crucial facts of the Swiss economy. Her customs tariff is one of the lowest in the