

BRITAIN AND EUROPE'S MARKET

FREE TRADE SAFEGUARDS

It is now just over a year since the Federation of British Industries sent the first reactions of its members on the proposed free trade area in Europe to Mr. Thorneycroft. They had been pressed to act quickly, and their judgments were thus provisional. But a canvass of members and of trade associations showed a considerable majority which was either positively in favour of the Government carrying on negotiations for a free trade area, or, less emphatically, which was not opposed to the Government's doing so, in both instances with the proviso that proper safeguards were worked out.

Rome Treaty

There were inevitably opponents of the idea, together with others who could not make up their minds, and some of the majority of firms whose associations favoured negotiation hardly thought it was likely to succeed and were not committed to the policy of a free trade area. Nevertheless, the attitudes revealed were encouraging to the Government. For a variety of reasons, however, among them that Continental countries have also been considering on what conditions the British proposal would be acceptable, real negotiations have only just started.

If a new survey of industrial opinion were now taken, the balance of opinion would possibly not be very different. But in the interval the nature of what is proposed has been more fully understood. The signing of the Rome Treaty by the "Six"—Benelux, France, Germany and Italy—has posed firmly and squarely the question of what will happen if Europe unites and Britain remains outside. The form of the treaty has brought new complications and difficulties into the discussions. Over the past year individual firms and industries have been able to look at their own problems, their special risks and opportunities, and the processes of adaptation which will be required of them. Some have begun to make plans for their participation in the wider market. There are now, in consequence, much more precise views on the safeguards that British industries would desire, though the categories were all set out in general terms a year ago. The sharpened emphasis on safeguards in detail gives the impression that the balance of

opinion in British industries is now slightly more alarmed or less favourable than it was. But this may simply be the outcome of a year's discussion in advance of negotiation.

The obvious starting point in the discussion is necessarily the size of the European market. In 1955 the member countries of the Organization for European Economic Cooperation took 34 per cent. of the total of the world's exports of manufactures. In 1951 they had taken only 30 per cent. The market thus proved a very expansive one. True, much of the trade—about two-thirds—was between the member countries, but that scarcely detracts from its economic significance. The European market for manufactures is much larger than the North American, and, while both have grown fast since 1951, the European has grown faster—by 38 per cent. between 1955 and 1957. It is, indeed, a valuable and thriving market (or rather group of markets), with a population of 275 million, to which Britain sent a quarter of her exports of manufactures in 1955 to a value of £585m. During the same period Britain imported from O.E.E.C. countries manufactures worth £374m.

Common Tariff

As things are at present, however, the O.E.E.C. countries do not represent a stable group of markets, since by the Treaty of Rome the "Six" will become a single market by progressive stages from 1959 onwards and other countries may become affiliated with them. How will this affect the area as a market for Britain? And is this an area in which British industrialists can afford to sell at a disadvantage in face of competition from the members of the "Six" and whatever other countries are prepared to join them in the Common Market? For—unless there is also a free trade area—when the Common Market comes into operation the six members (and any others who may come in) will sell manufactures to each other in one market without tariff or quota barriers, while at the same time there will be a common external tariff against imports from other countries of substantial proportions. It will be based mainly on the average of existing tariffs of the "Six" (although the Treaty of Rome left much detail still to be settled). For tractors, for instance, it would be 17.5 per cent.; for

machine tools, 10 per cent. for woollen fabrics, 18 per cent. and motor cars, 25 and 29 per cent. respectively. To sell across these markets in competition with German, Italian and French industries when the tariff handicap would create formidable difficulties.

This in itself is so powerful an argument in favour of Britain being in the larger market that other arguments, though they may be more profound, really should press on with the free trade area. The more positive arguments tend sometimes to be overlooked. The more positive arguments largely explain why the "Six" have formed their common market. A European free trade area of the kind of large market which modern techniques can be worked which also the impact of competition is felt (the large size of many enterprises notwithstanding) is more attractive than in a market which is as Britain. Structurally, these arguments. They do not apply to all industries, because to lose by wider competition. Nor do the arguments apply, to all sectors of industry, since to gain greatly by an increase in production. But the opinion that the net effect of the free trade would be beneficial to Britain, always provided, that is, that the gains would not be offset by greater losses.

The British Government has kept this last point in mind. The point was posed in the joint report of the Committee (representing the F.B.I., the Federation of British Industries of Commerce, and the National Association of Manufacturers), which was published in October, have the same objective.

A cornerstone of the Government's policy is that Imperial preferences are not to be disturbed by any new arrangements. The advantage given by the existing preferences is reciprocal. For the six members they represent an average of 5 per cent. on an average in the value of manufactures going into their markets. Such preferences are not to be given up—there are, for example, no preferences for exports to Ghana and in other Commonwealth countries where they have no preferences. It has been persuasively argued that preferences are not only a secondary factor, but a common language and mutual understanding are the basis of British success in world trade. Nevertheless, the loss of preference is valuable and few would be prepared to sacrifice it. It is widely regarded as an asset of great value. No one on the Committee expects Britain to surrender this part of a reciprocal arrangement of preferences for Commonwealth countries. In Britain limit the market for exports from Europe and provide the main reasons why the Government is reluctant to give up the free trade area. It is, as it were, the industrial

