

ET machine tools, 10 per cent.; for radio and for woollen fabrics, 18 per cent.; for bicycles and motor cars, 25 and 29 per cent. respectively. To sell across these tariffs in competition with German, Italian, Benelux, and French industries when these are free from the tariff handicap would clearly often present formidable difficulties.

This in itself is so powerful an argument in favour of Britain being associated with the larger market that other, and in some ways more profound, reasons why Britain should press on with the plan for the free trade area tend sometimes to get obscured. The more positive appeal, which indeed largely explains why the "Six" have themselves formed their common market, is that a European free trade area would provide the kind of large market in which the economics of large-scale production by modern techniques can be exploited and in which also the impact of competition can be felt (the large size of many modern industrial enterprises notwithstanding) much more effectively than in a market which is only as large as Britain. Structurally, these are the imposing arguments. They do not appeal with equal force to all industries, because some stand to lose by wider competition and still more feel uncertain how cold the winds will prove. Nor do the arguments apply with equal force to all sectors of industry, since not all stand to gain greatly by an increase in scale of production. But the opinion is widely held that the net effect of the freer trade to be derived from the free trade area proposal would be beneficial to British industry—always provided, that is, that the gains are not offset by greater losses.

The British Government's policy keeps this last point in mind. The safeguards proposed in the joint report of the Palmer Committee (representing the F.B.I., the Chamber of Commerce, and the National Union of Manufacturers), which was published in October, have the same object.

A cornerstone of the Government's policy is that Imperial preferences shall not be disturbed by any new arrangement with the Continent. The advantage given by these Imperial preferences is reciprocal. For British manufacturers they represent an advantage of about 5 per cent. on an average in the tariffs charged on manufactures going into Commonwealth markets. Such preferences are not universal—there are, for example, no preferences in Ghana, and yet British exports thrive in Ghana and in other Commonwealth countries where they have no preferences. It is persuasively argued that preference is now only a secondary factor, that contacts, a common language and mutual understanding are the basis of British success in Commonwealth trade. Nevertheless, the small margin of preference is valuable and few industrialists would be prepared to sacrifice it, even though it is widely regarded as an asset of diminishing value. No one on the Continent would expect Britain to surrender this asset. But it is part of a reciprocal arrangement; and the preferences for Commonwealth foodstuffs in Britain limit the market for some food exports from Europe and provide one of the main reasons why the Government excluded agriculture from the free trade area negotiations. It is, as it were, the industrial reason. In one important respect the free trade area

subjected shall be "fair." Among the safeguards sought is security from any form of subsidy for Continental industry. Many industries fear competition based on lower wages; but, although wage levels vary considerably in European countries, it is recognized that some (notably the Scandinavian) are higher than in Britain, and when the cost of social charges of various kinds is taken into account the differences in the price of labour are not great. To the economist this is not, in theory, a matter of great relevance, since the process of competition would have its equalizing effect. But to the industrialist it is a matter of supreme importance that wage levels in Europe are thought to be fairly uniform. This comforting reflection is not accepted by all industrialists. Some industries—cotton, for instance—think there is a danger that their rivals may get specially cheap raw materials through special arrangements—including, for instance, cheap cotton grey cloth from low wage areas for printing and finishing in Europe. There are fears on this score on both sides of the Channel. They are typical of the issues which must be dealt with by a system of "certificates of origin." The free trade area proposals involve a difficulty in that the external tariffs of participants will not be the same, and there is a danger that goods will enter some of the free trade area countries from outside over low tariffs or no tariffs, whereas other free trade area countries impose relatively high duties. Free trade in these goods within the area, either unprocessed or lightly processed, would frustrate the purpose of the higher tariffs of countries in the second category.

Coal and Steel

Among the "Six" there is a strong urge to ask Britain to "harmonize" her social legislation so that the burden which falls on employers is fairly uniform. The aim, indeed, is to secure uniform cost of labour (including in this the cost of the social services) throughout Europe. The British criticism of this view is that it seeks to effect by agreement what might be more or less expected to follow as a result of competition. Here, perhaps, it is possible to recognize the conflict of method and approach behind the Continental movement for Europe: a conflict between competition and planning, between securing the advantages of a common market by free trade and by *dirigiste* methods. The British approach is closely linked to the former aim.

The future of the Council of Association between the United Kingdom and the European Coal and Steel Community presents an interesting problem in the context of the free trade area proposal. Should coal and steel continue to be governed by separate institutions and, in effect, by separate principles? Should there be a possibility of subsidy here? Should dual pricing continue? That the spirit of the free trade area policy should be in a measure reflected in the actions of the Council of Association has seemed fairly obvious, and a decision was announced in October that duties on steel imported from the E.C.S.C. countries would be reduced to 10 per cent., the duties charged in the E.C.S.C. countries being governed by their common external tariff when they fall below this. But this was an interim step only. Further consideration is being given to the problem, since