



# THE E.E.C. AND THE EXAMPLE OF HONG KONG

By Frank Dupuis

**T**HUCYDIDES, recording the power struggles of 427 B.C., notices that for propaganda purposes "words had to change their ordinary meaning and take that which was now given them." The publicised controversy on Britain's entry into the E.E.C. shows that the political animal has not changed.

It is not surprising that Britain's entry is supported by Big Business. A tariff-ringed area, with bureaucrats controlling markets by a web of regulations, framed by bargaining in councils and committees, presents excellent conditions for monopolists to form pressure groups and check competition. But, advertised as a Common Market, this can be made to look almost like an arena for cut-throat competition. As a further precaution the British citizens' fears can be aroused by telling them that if we do not "go into Europe" we should be "left out in the cold" and become "a mere off-shore island"; as if politicians by signing a treaty can alter the geography of their country and raise its temperature. If one translates these metaphors into terms of trade it is apparent that signing the Treaty of Rome will have the opposite effect to what the metaphors are intended to suggest. Britain depends, far more than any E.E.C. country, upon extra-European markets, and for trading purposes, seaports on the other side of the world are closer to us than most parts of Europe. The cost of sea transport is almost negligible. To send a ton of coal by rail from Cardiff to London costs as much as to send it by sea from Cardiff to Buenos Aires; it costs less to send a pound of butter from New Zealand to Britain than to send an inland letter. As a province of the E.E.C. Britain will be cutting itself off from the ports of the other 3,000 million people of the world, and from their goodwill.

By the simple process of opening British ports freely to all the traders of the world we would necessarily oblige them to take British goods in exchange; and if we went on to the further step of transferring the burden of taxation from industry to the value of land the example of Britain's prosperity would make the German "economic miracle" look like a damp squib. But this answer to the problem of the stagnation of British trade, on which the whole controversy arose, has never been allowed any publicity. And the essential nature of trade itself is entirely ignored.

Trade is barter, facilitated by the use of money:

bartering goods and services for other goods and services. Compulsion apart, it would never take place unless it was to the advantage of both parties in each of the myriad exchanges necessary to modern production. Goods obviously increase in value when transported from where they are abundant to where they are scarce; thus, in a circle of trading nations, in every case the value of imports exceeds the value of exports. Trade is a providential arrangement by which all the varying advantages of the earth tend to be equalised for the benefit of all peoples and to unite them in a peaceful bond of self-interest. Only culpable ignorance can be the excuse of those who profess a desire for international peace and at the same time tolerate any kind of restriction on trade, including the Planned Economy, which can operate only by restrictions.

Owing to confusions arising from the use of money it is possible to conceal the simple principle of trade from educated and intelligent persons. They grow up in a dream world of nations supposed to be dependent for their prosperity upon dumping "surpluses" upon their neighbours in order to keep their own people employed. The natural, spontaneous impulse of barter has been perverted to appear as a destructive force only to be kept at bay by submitting one's freedom to armies of experts, such as those of the E.E.C. In this fantastic atmosphere any reference to the incontestable fact that Great Britain prospered under Free Trade can be dismissed as applicable to conditions that no longer exist, and these conditions can be left conveniently unspecified, as if economic law can be changed by political power.

Perhaps this is the reason why the British Conservative Party, which used to boost colonial achievement as if it were an exclusively Conservative success, says nothing of the truly remarkable administration of Hong Kong since 1946. The striking recovery of this territory, under conditions of unparalleled difficulty, refutes by hard fact the allegation that Free Trade is impossible in the modern world. And the example is especially applicable to Great Britain as an island.

Hong Kong is a small, barren, off-shore island, so precipitous and congested that much of its building land has had to be recovered at vast expense from the sea. Its only natural resource is a good harbour. Before the last war its industries were few and its prosperity de-

pendent upon entrepôt trade with the mainland. After the Japanese occupation, with its industrial equipment in ruins, the population was 600,000, and this minute outpost of the non-communist world was soon to be overwhelmed by a flood of refugees not all of whom were destitute, however. Then as a result of the Korean war the U.N. put an embargo upon the entry of Hong Kong produced goods into China and reduced through traffic to a trickle.

Today we are asked to believe that the "underdeveloped" countries are incapable of providing for themselves without subsidies from wealthier nations; but could any of them ever have been in such desperate straits as Hong Kong, which has no natural resources to develop? And the Hong Kong Government did not ask for vast quantities of aid. Instead it tried the experiment of freedom; and this has proved of far greater value, materially, politically and morally, than any dole.

The government dispensed justice, kept good order, maintained as far as possible an honest currency, and it protected complete freedom, internally and externally, for the inhabitants to engage in any trade or industry at their own risk, making no distinction between the original settlers and immigrants. These measures in themselves restricted the expenses of administration. And the resulting prosperity has been phenomenal. In fifteen years the population has doubled to nearly 3½ million — an astounding increase. Although housing conditions for some are still very poor they are accepted because of the opportunity to work, live and get on. The cost of living is now stable and wages are steadily rising. In some industries wages have risen as much as sixty per cent. in the last two years. Hong Kong balances its budget and pays off its debt instead of increasing it; income tax is on higher incomes only, and the rate is 12½ per cent. And all this has been achieved with negligible help from outside. All that went last year from British taxpayers' pockets was a Colonial Grant of £25,000 — though British taxpayers provide the armed forces.

Yet the British Government, to whose Colonial Service's liberating policy (in this instance) this result is due, now tells the fifty million people of the British Isles, with their immeasurably greater resources and advantages, that they are incapable of relying on themselves as the Hong Kong Chinese have done with such resounding success!

Surely no great country is ever beaten except by itself.

And how have the anti-communist, peace-loving, freedom-professing, subsidy-granting, Christian nations shown their practical sympathy with the Hong Kong people in their struggle? Great Britain, the protecting power, imposed a "voluntary" limitation on textile exports to herself. And South America, the Central African Federation, Ghana and Nigeria all imposed tariffs discriminating especially against Hong Kong. However, Hong Kong still enjoys imperial preference and it is this which it fears to lose when (or if) Britain goes into the Common Market.

Perhaps the United States, Hong Kong's largest trading partner, wins the prize for the Planned Economy. After granting subsidies to cotton growers—no doubt to help cotton exports—the American Government then levied a special export duty on cotton destined for Hong Kong in order to protect the American textile industry!

It was during the late eighteenth century that the principle of Free Trade began to be recognised by all the enlightened statesmen and philosophers of Europe; and this period is known to historians as the Age of Reason. Perhaps a hundred years hence when it is safe to do so, historians will refer to our own time as the Age of Humbug.

Protectionists in Ghana and Central Africa will no doubt think up a different theory to explain away Hong Kong's free trade "miracle", but British and American protectionists will almost certainly console themselves with the moss-grown fallacy that the prosperity is due to low wages. On this hypothesis the poorest nations in the world would be the richest. High-wage countries like U.S.A. and Great Britain could not export to any free market. Yet U.S.A. exports considerably more to Hong Kong than the territory exports to U.S.A.; and the same balance occurs with the United Kingdom. Moreover, Hong Kong imports textiles from Great Britain to half the value of the textiles Great Britain imports from Hong Kong. Insofar as Lancashire influence reduces the prosperity of Hong Kong, so Lancashire reduces its export market.

Hong Kong trade figures should interest those experts who for so many years have struggled with the problem of exporting without importing, of giving foreigners goods for nothing. The Communist Chinese, though importing no Hong Kong goods, allow their people to export to Hong Kong on a large scale. Hong Kong welcomes these "gifts"—and no catastrophe ensues. But before our professors of economics enrol themselves as students at the University of Canton they might apply to the Henry George School or to any free trader for an explanation. This explanation would also reveal that although an E.E.C. tariff would



hamper British trade with the Continent—probably to no greater extent than at present—provided Great Britain opened its ports to all goods, including E.E.C. goods, British exports would directly or indirectly, still find a market in the E.E.C.

*(Continued on inside back cover)*