

European Trade Plan Debated

Difficulties and Terrible Dangers, says Minister

THE proposed European Free Trade Area was discussed in the Commons for nearly four hours on March 28 on a motion in the following terms tabled by Mr. Julian Ridsdale, Tory M.P. for Harwich:

"That this House, while recognising the reasons which have led to the formation of the European Economic Community, urges the need for a close association of that Community with other countries who are members of the Organisation for European Economic Co-operation."

The motion was adopted.

MR. RIDSDALE said that for this country, with its old battles of protection versus free trade, the proposed Free Trade Area represented in some degree a challenge to many people. However, in a revolutionary, changing world, the chief question to be faced was whether we could keep pace with, and adapt ourselves to, the changes continually going on around us. Were we always to look backwards? Did we want to go back to the 'thirties in which world-wide tariff restriction policies kept industrial momentum and efficiency at such a low ebb? Merchant ships were being laid up in the Blackwater River. They were a dreadful warning to those who were brought up in the 'thirties. There was a slight tendency nowadays to think in terms of "little Englandism". Some of our neighbours seemed to believe that it might be possible to create a little Europe in an already divided Europe.

The Consumer Always Pays

Mr. Ridsdale rejected those views. He said: "Protectionism might bring a temporary gain, but let us be absolutely clear that in the end, under such a system, *it is the consumer who pays every time*. His inadequate income is unable to match the high cost of living. In such a protectionist structure, it does not matter whether a worker takes 10 hours to produce what someone else can produce in six. What matters is that there should be no possibility of even marginal unemployment. In such systems, a policy of heavy Government spending is embarked upon. There is over-centralisation and an increased burden on public finances. Monetary instability is protected by arbitrary exchange controls, taxes are raised and there is heavy Government borrowing. As a result, we have higher taxation and the costs of production go up. In the end, the result, if such a policy of protectionism is pressed to extremes, is certain economic paralysis. It is because I want to prevent such a situation from coming about that I urge the House to turn its eyes to the proposed Free Trade Area."

Eighteen months ago a considerable majority of the members of the Federation of British Industries and trade

associations was either in favour of, or not opposed to, British Government negotiations to set up a F.T.A. The balance of opinion, though now more informed, was probably still much the same. Certain new industries, such as aircraft, chemicals, a section of the electrical industry and aluminium, and traditional ones, like wool, iron and steel and ship-building stood to gain if the proposals materialised. In other industries, where losses were likely, the reaction in many places had been to concentrate on new items on which a profit could be made.

Entrance Fee

Agriculture must be treated separately from industry, and it must be made clear that Britain could not make a choice in Europe at the expense of the Commonwealth. By throwing open her immensely valuable market to the industries of Continental Europe, the United Kingdom would be paying an entrance fee to enter Europe. If Europe united, and Britain stayed outside, she would lose a considerable number of advantages. It was essential that she should not allow the seeds of trade discrimination to take root, and that she should see that the Common Market was not established as a hostile and exclusive trading system.

More Appropriate Name

Rumours were heard that the French wanted to scrap the Free Trade Area and to replace it by a European Economic Union. Would this new name be so inappropriate for what we had in mind? "Free Trade Area" was a technical term in G.A.T.T.—it had not been invented by Britain. "It certainly does not mean simply scrapping tariff barriers without laying down any rules of competition or of seeing that legitimate interests are not undermined."

Protected Agriculture

Seconding, MR. W. E. DEEDS (Cons., Ashford) said that there was an unfortunate readiness to regard agriculture as a spoiled child. "We are not seeking privileges for our agriculture which anyone else is not seeking [for theirs]." There had been a tendency to create a rather defensive mentality among farmers, who

were not always sufficiently ready to recognise the strength of their position. The very large sums of money which had been pumped into the agricultural industry had not simply lined farmers' pockets and led to a high level of production; they had also constituted a long-term capital investment.

"When we talk about 'fairer' [trade], we do not mean ourselves but the other chap. It is possible that he may mean us. We have said that we shall accept no interference with the obligations to our own farmers and no interference with our commitments to the Commonwealth." He was not arguing that some countries were more or less fair than others in their treatment of agriculture, but he wanted assurance that the arrangements built up in this country during the past ten years would not be changed in principle or detail at the behest of other European countries.

Tory Errors

MR. ROY JENKINS (Labour, Stetchford), said that negotiations were in an extremely critical state. The chances were that the Free Trade Area would not come into force by next January; it was only a fifty-fifty chance that it would materialise at all. On three grounds the Government was to blame. Rather condescendingly it had assumed that the British decision to enter a F.T.A. would be welcomed with loud cheers on the Continent, with everybody saying how good it was of Britain. A major mistake had been to say that agriculture had to be excluded even from negotiation. "After all, nobody in Europe wanted Free Trade in agriculture. To take such a line was, therefore, to attack an entirely fictitious target." But for these mistakes, Britain would have been able to exercise greater influence upon the form which the Rome Treaty took.

Hard Bargaining

During the past seven years "we have progressively dismantled the discriminatory aspects of the Commonwealth and we have nothing in exchange... Undoubtedly, now that it has come to hard bargaining, we should be in a stronger position if the Commonwealth were a more discriminatory trading area."

On both economic and political grounds the case for a Free Trade Area was stronger than ever. "The danger of our position in the European Market being less favourable than that of Germany becomes greater with every day that passes."

If it was necessary to look for new solutions, consideration should be given

again to the possibility of bringing the Commonwealth as a whole into the Free Trade Area—the old Strasbourg Plan.

Discrimination Upheld

If any European countries were hanging back on the assumption that with a change of Government in Britain the Labour Party would be softer to deal with than the Conservative Party, they were making a big mistake. The Labour Party was now strongly in favour of the Free Trade Area. "Certain counter measures" would be available to it. "We could go back to a more tightly knit and more discriminatory Commonwealth sterling area. This might be easier to achieve at the present juncture of world economic affairs than would have been the case two years ago."

Discrimination Condemned

MR. DOUGLAS JAY (Labour, N. Battersea), suggested that "just as open windows can let in germs as well as fresh air, so, of course, free trade can spread deflation as well as expansion."

The danger that the Common Market and the Free Trade Area project might end by dividing Europe appeared more serious now than it had in November, 1956. What was called a Common Market could be looked at from another viewpoint and called a "discriminating trade bloc."

The Labour Party would deeply deplore any breakdown in the negotiations if, as a result, there was a relapse into two or more tariff blocs in Western Europe. If, because of French intransigence or for any other reason, Britain was faced with a choice between joining the Common Market or association with the rest of Europe and the Commonwealth, she would have to choose the latter. Political and economic considerations would dictate that choice. Carrying the argument to extremes, it would be extremely unpleasant and inconvenient if Britain was forced to stop trading altogether with Europe. But, "we would be faced with starvation in a few months" if trade with the Commonwealth and the American Continent was cut off. The commonsense solution was to trade with all those areas to the maximum possible extent.

Shrouded in Secrecy

MR. REGINALD MAUDLING, the Paymaster-General, replying on the debate, said that the similarity of the Government's and the Opposition's policy was of the greatest importance to both Britain and Europe. He understood that the Liberal Party also was strongly in favour of the Free Trade Area.

Parliament had agreed that the negotiations should be kept confidential. When negotiating one could not show one's hand completely in public, and to

disclose partial agreements now might cause many Governments considerable embarrassment. The 17 O.E.E.C. countries had unanimously declared their determination to set up a Free Trade Area which would be associated on a multilateral basis with the Common Market (the "European Economic Community") and come into effect simultaneously and parallel with it.

It was most important that there should not be a new outbreak of "discrimination" or, as some preferred to call it "differentiation" in Europe. Under the Common Market "Treaty of Rome", the first tariff reductions—of 10 per cent.—would be made in January, 1959. The degree of tariff reduction might not be large but the principle was of enormous importance.

Support May Dwindle

The Free Trade Area had been under discussion since July, 1956; the French had ratified the Treaty of Rome last July, and it was not unreasonable to want agreement on the main principles of the F.T.A. by July, 1958, otherwise there was a great danger that support for the project would dwindle away in many countries.

On agriculture, Mr. Maudling said that the British Government intended continuing its "liberal policy" [*sic*] of importation and its support policies. It was prepared to enter a system whereby

THIS IS REAL FREE TRADE

PRODUCTION is the handmaiden of trade, and the customer at the shop counter governs and directs virtually the whole of economic activity. In a free society that would be a truism; today it is not, so thoroughly has the obvious been obscured by the spokesmen for privilege.

Economists, politicians and manufacturers, aided and echoed by most of the press, speak and write as though the end and object of economic activity is production.

TRADE has been made subservient to production, a one-way street leading from the factory door to the foreigner whose primary function in life is to receive exports.

The **MANUFACTURER**—particularly if his production is for export—stands supreme, fawned upon by government; while for the shackled consumer and his agent, the importer, scarcely a thought is spared.

It was in this spirit, we believe, that the idea of the **EUROPEAN COMMON MARKET** was conceived. We regard the scheme as being essentially a mere rearrangement of protectionism, in the supposed interests of the most powerful industrialists on the Continent.

Any benefits which **CONSUMERS** may derive will be entirely coincidental—and negligible.

For the rising class of bureaucrats, on the other hand, the scheme must appear most attractive; it is going to require hordes of experts, economists and planners of every description.

Under **FREE TRADE**, the consumer is supreme. The whole world is his shopping centre. It is of no concern to him whether foreign governments exploit their people in the interests of favoured groups by restraints on imports, whether they are liberal or totalitarian. His **CHOICE** as to quality and price is unlimited. No artificial barrier stands between him and the man from whom he buys, or anywhere along the long chain that leads—often across oceans and continents—back to the producer who stands ready to meet his demand.

The whole, infinitely complex series of transactions is conducted in strict **PRIVACY**. No ships or planes or persons are searched, no goods are delayed, no questions are asked, nothing is done to frustrate or impede the fulfilment of the consumer's desires.

The **TAXPAYER** is not obliged to support armies of Customs officers to interfere with the free flow of goods he has

ordered, or to pay the wages of hordes of clerks engaged in compiling useless statistics showing how he has chosen to spend his money.

Goods flow from where they can be produced cheaply to where they are costly to make; untrammelled **COMPETITION** between producers throughout the whole world keeps to a minimum the price the consumer pays, and leads to constant improvement in **QUALITY**.

The **INEFFICIENT** pull up their socks or go to the wall—the choice is theirs—but they cannot combine to exploit the consumer.

NO TAXES are levied on goods, whether made at home or abroad.

Above all, the whole system is based upon **TRUST**, no incentive to lying or law-breaking is afforded, and the interdependence of nations and the **BROTHERHOOD** of man finds practical expression in the free, unconscious and **PEACEFUL** co-operation which is the hallmark and by-product of true free trade.

And while we would wish to see these benefits enjoyed by the people of every country, it is **AN ECONOMIC FACT** that they may be had in a single free trading country though all the outside world remains protectionist.—Extracts from "The Forgotten Man", article dealing with the Common Market and European Free Trade Area, L & L, March, 1957.