



# What happens to the Commonwealth if the UK enters the Common Market?

The British Government's decision to apply for membership in the European Economic Community has aroused a vigorous public inquiry both into the nature of British economic interests and into the value of the Commonwealth. The British are called upon to assess the potential value of Commonwealth trade as compared with that of the Common Market; they have to inquire whether Britain can afford to endanger the basic structure of the Commonwealth for the sake of uncertain, and perhaps illusory, economic advantages. If Britain decides to join the European Community, her commercial relations with the Commonwealth will have to be radically readjusted and adequate arrangements will have to be secured to safeguard the vital trading interests of the various countries of the Commonwealth.

## Differences of Opinion

All these difficult problems are characterized and bedeviled by wide differences of opinion, even amongst so-called economic experts. Various emotional reactions and patriotic prejudices are also called into play, and so many unknown factors are involved that statistics can be recklessly employed to substantiate any eccentric point of view. Politicians of the British Labour Party and little Englanders who, for one reason or another, want to stay out of Europe have no difficulty in finding a stock of plausible arguments and convenient excuses ready to hand. Since economic experts offer no positive guidance, and public opinion is hopelessly divided, statesmen responsible for taking the final decisions can only weigh the possibilities, and for the rest, fall back on intelligent guess-work. They can only estimate what economic advantages Britain can hope to gain by entry into the Common Market. No one can tell how Commonwealth trade will develop in the next decade or so, or what effect a decision to remain outside the European Community would have on the British economy.

Everyone in the British Isles is agreed that if the standard of living is to be raised, Britain must have an expanding market for her exports. Some Englishmen believe that it would be very rash to assert that in future years the rate of growth of demand in the European Community, to which the United Kingdom now sells only about 15 per cent of total exports, will continue to be markedly higher than the rate of growth in the countries of the Commonwealth, to which Britain sends almost 40 per cent of her exports. In fact there has recently been a noticeable decline in the exceptionally high rate of economic growth of the six members of the European Community. The most that can be said is that Britain's entry might perhaps mean association with a more rapidly growing market; it would certainly mean association with what is at present a much smaller area. Furthermore, there is a distinct danger that the Community will become a selfish, closed trading block, whose relations with the rest of the world will represent nothing more enlightened than economic imperialism.

The supporters of the Common Market maintain, however, that even in the most advantageous circumstances, the Commonwealth does not offer anything like as fruitful a potential market for Britain as Western Europe. Neither in total buying power, nor in the structure of its demand, does it offer Britain a comparable opportunity. Membership of European Economic Community would remove barriers to British exports in the more fruitful market; conversely, the pattern within the Commonwealth has, with very few exceptions, tended towards the maintenance, and even the extension, of high tariff obstructions to British goods. In the past the Commonwealth countries have not done

as much as they might to help in the solution of this major problem, and they are certainly not now disposed to grant increased preferences to British goods.

## Complementary Economics

Thirty years ago the Commonwealth could with some justification have been regarded as an area of complementary economies which solved its own commercial difficulties and which could well afford to be segregated by a system of tariffs and preferences from the rest of the world. The pattern of trade which the Ottawa Agreements recognized was a simple, almost bilateral system, under which the dominions exchanged raw materials and agricultural produce for British manufactured goods. Since 1932, however, considerable changes have taken place both in the value of the preference margins and in the pattern of intra-Commonwealth trade. It would now be shortsighted policy to allow the supposed sanctity of the Ottawa Agreements to obscure the current realities of world trade or the changing structure of Commonwealth economic interests.

It has been made quite clear that in 1962 few Commonwealth countries want to negotiate new and stronger preferences. They rightly want to diversify their economies, and in most instances they have already developed manufacturing industries of their own which they intend to protect and foster by tariffs. More and more the dominions meet their requirements of consumer goods, and even some capital goods, out of domestic production, with the result that their overseas buying becomes more diversified and more selective. The result of these changes in the pattern of demand can be seen in the declining importance of Britain's export trade with the Commonwealth, which has fallen from around 50 per cent of total exports in 1957 to below 40 per cent in 1961. At the same time the preferences granted to British goods have declined in overall importance, until they are now enjoyed by as little as 20 per cent of total British exports. Many Commonwealth countries accord Britain no concessions at all, and in the case of manufactured goods, preference generally takes the form of lower and not zero duties. But while preference margins have thus declined in recent years from 15 to 11 per cent, they still consti-

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from country to country, and from commodity to commodity. New Zealand sends over 56 per cent of her total exports to the United Kingdom, but India only 27 per cent, Australia 25 per cent, Pakistan and Canada 17 per cent. Roughly half of these exports receive preferences, which now average 4 per cent as compared with 10 per cent in 1937, and which vary from 2 per cent on raw materials to 12 per cent on manufactured goods. Nevertheless, while the United Kingdom is still the best single customer for all Commonwealth countries except Canada, the proportion of their exports to Britain has been steadily declining. Only a minority of these countries still regard the United Kingdom, in the long run, as their most promising market.

It would therefore be broadly true to say that in recent years the overall value of intra-Commonwealth trade had been gradually shrinking. Moreover, the volume of trade between primary producing countries and industrial nations, into which category much Commonwealth trade still falls, is expanding at a much less vigorous rate than that between industrialized countries. But whatever the precise current value of imperial preferences, Britain has some moral, if not commercial obligation to secure equivalent concessions. For without the negotiation of special arrangements, British entry into the Common Market would mean much more than simply the abolition of imperial preferences: Commonwealth trade would be faced with severe discriminations in favour of the Six and their associated

have specifically requested the complete removal of duties on these commodities. But the European Community are much more likely to agree to some form of tariff quotas—that is, the temporary exemption from duties of an agreed volume of imports.

The tropical products of Africa, Asia and the West Indies create a special problem, since European tariffs might be used to protect the old colonial territories of France against Commonwealth producers. Under the Treaty of Rome a form of associated membership has been devised whereby the exports of these French African territories, such as Morocco and Tunisia, are admitted duty-free into the Common Market. Association might similarly be granted to certain individual members of the Commonwealth in Africa and the Caribbean whose tropical products would not seriously compete with those of existing associated territories. But many nations with recently-won independence from British rule are sufficiently jealous of their international integrity to be profoundly suspicious of the political implications of the political economic status might seem to imply.

Temperate foodstuffs, such as Canadian wheat and New Zealand dairy produce, present the most intractable problem since these agricultural commodities are already produced by members of the European Community. Unless Commonwealth countries can be assured of comparable outlets to those which they now enjoy in the United Kingdom, their economies will be very seriously affected by existing rate of European tariffs. In the extreme case of New Zealand, whose economy is almost entirely dependent on its exports of dairy produce, the effect might well be disastrous. But Canada, too, is concerned to secure further concessions for her vital exports of wheat, which to Britain alone are worth \$140m a year. Otherwise the level of European duties on imported wheat will be sufficiently high to exclude a large proportion of Canadian wheat from the British Market.

## Particularly Difficult

Negotiation on these foodstuffs is particularly difficult because the six members of the Community must enforce Britain's adherence to their common agricultural policy. Both in absolute quantities, and also as a percentage of total

than lower duties and specific guarantees.

Most Commonwealth manufacturers are admitted duty-free into the United Kingdom. The volume of import from the more industrialised dominions to Britain is relatively small, except in the case of Canada which supplies over half of these imports, valued at \$132m a year. Canada alone would therefore feel the loss of preference in the British market and the full effect of the European tariff of up to 25 per cent on manufactured goods. Manufacturers from the less developed countries of Asia give rise to a more precise problem. The future economic development of these backward areas depends upon an expanding export trade, because it is only by this means that they will be able to buy capital equipment, foodstuffs and raw materials from the more developed countries. This is a desirable object of international politics, as well as a strictly economic problem. Some agreement has already been reached on trade relations between an enlarged European Community and India, Pakistan and Ceylon. The existing tariff of 18 per cent on tea, for example, will be eliminated, and the tariff on textiles will be applied in four stages. Even more comprehensive agreements, to be negotiated before the end of 1969, might result in further trading concessions, as well as an increased supply of capital and technical assistance.

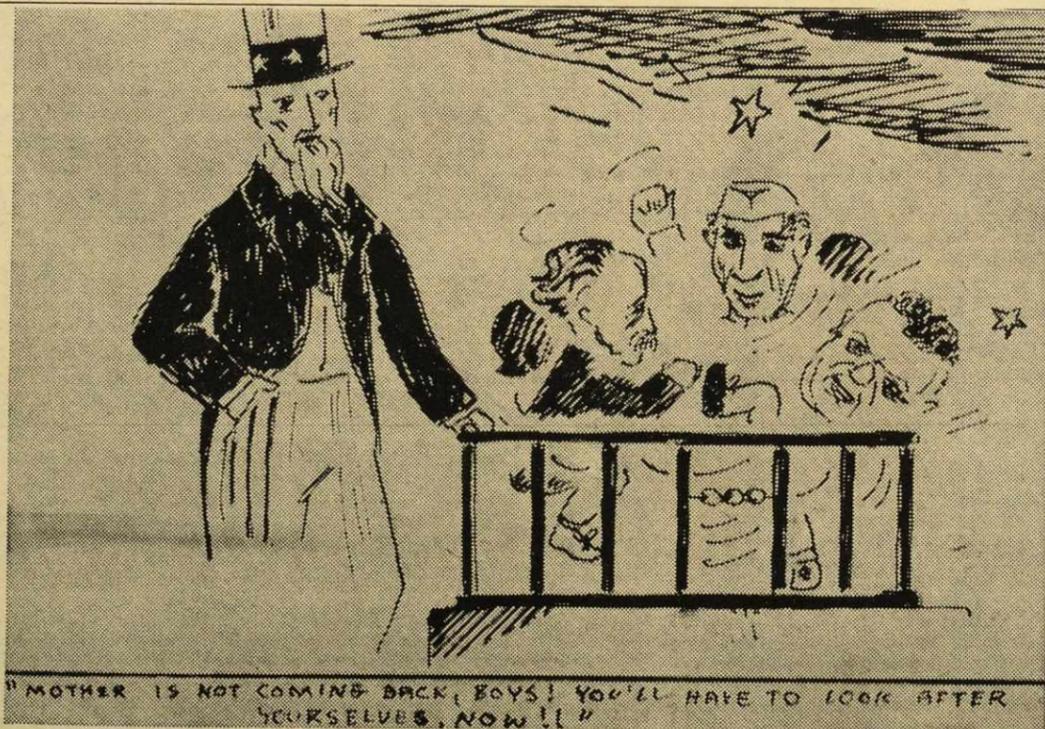
It is not only in terms of quotas and tariffs, however, nor of trade generally, that Britain's entry into the Common Market might deal a blow to the Commonwealth. At present, Britain provides the dominions with economic aid and a steady supply of credits. With the notable exception of Canada, Commonwealth countries have enjoyed almost exclusive preferential access to the London money market. Large sums have been channelled to the overseas territories through welfare funds, through the Commonwealth Development Corporation, and more recently through the Commonwealth Development Finance Company. In these various ways Commonwealth membership has carried with it considerable financial advantages. Although these benefits are not directly at issue in the Brussels negotiations, the Commonwealth can reasonably ask for some assurance that they will not in fact disappear.

Last, but not least, Commonwealth citizens, as British subjects, possess a privileged status in the British labour market. Although the recent Commonwealth Immigration Act has severely limited this privilege, it is still true that Commonwealth citizens enjoy a superiority in status over foreigners. It would do enormous damage to the Commonwealth ideal if, as a result of British membership of the Common Market, citizens of the European Community could travel to Britain to look for work, while Commonwealth citizens could not enter unless they already had employment or some means of support. It is over issues such as this that imperial ties might be seriously weakened, in a way which is not reflected in the simple arithmetical cost of British membership of the Community, measured in terms of tariffs and quotas.

## No Easy Solutions

It is obvious that there are no neat and easy solutions to the Commonwealth's economic problems. Most of them are not in fact simply European or Commonwealth problems; they are world problems of a magnitude that cannot satisfactorily be settled with the small, diverse framework of the Commonwealth, nor even within the European Economic Community itself. These economic difficulties have certainly not been created by the Common Market, nor by Britain's application for membership of it. They have merely been brought thereby into the focus of world attention, where they are at last securing the recognition and consideration they deserve. In the long term, the interests of producers everywhere would be promoted by the conclusion of general trade agreements, and there are indications, as in President Kennedy's recent proposals on American commercial policy, that such agreements are not as visionary as they once appeared. Provided that the trading in-

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tute important concessions, particularly for British chemical and engineering industries, and their present total value has been assessed at around £70m a year. The surrender of these preferences, which is the price of Britain's admission into the Common Market, is undoubtedly being used as a strong bargaining point with which to secure for the Commonwealth commercial advantages that might substantially offset the losses which they will sustain in the British market.

It is the abolition of preferential treatment for Commonwealth imports in Britain, however, which presents the really difficult problem. It is impossible to estimate accurately the value of existing imperial preferences, which vary

overseas territories in the British and European market. In order to lessen the impact of this system of tariffs, the British Government have been trying at Brussels to negotiate special terms for the various categories of Commonwealth products.

## Raw Materials

Commonwealth exports of raw materials, such as Australian wool will not in general be adversely affected because the external tariff of the Common Market on most of these commodities is already zero. But five products which now enter the United Kingdom free of duty—aluminium, lead, zinc, wood pulp and newsprint—would be subject to a small tariff. At the urgent prompting of Canadians, the British Government

domestic consumption, the United Kingdom is a larger importer of foodstuffs than any of the Six. As a member of an enlarged Community Britain would be forced to buy up surpluses of French wheat and Dutch butter at high guaranteed prices before imports from Canada and New Zealand could be admitted. Then again, agriculture within the Community is sufficiently productive to meet the major needs of domestic consumption, and therefore to warrant tariffs that will protect European farmers against Commonwealth producers. Special concessions for Commonwealth countries have still to be agreed, but they are more likely to take the form of world-wide trading agreements, with tariff quotas over a transitional period,