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*Agric. - Econ. aspects - Europe*

UNIVERSITY OF NOTTINGHAM

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JUNE

1961



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**THE IMPACT OF  
EUROPEAN ECONOMIC INTEGRATION  
ON BRITISH AGRICULTURE  
AND THE COMMONWEALTH**

by

T. K. WARLEY, M.Sc.

PRICE 2s 6d

THE IMPACT OF EUROPEAN ECONOMIC INTEGRATION  
ON  
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T.K. WARLEY, M.Sc.

BASED ON A PAPER GIVEN AT THE  
ANNUAL CONFERENCE  
OF THE  
N.F.U. GROUP SECRETARIES,  
SUTTON BONINGTON, 1961.

THE IMPACT OF EUROPEAN ECONOMIC INTEGRATION  
ON  
BRITISH AGRICULTURE AND THE COMMONWEALTH.

Introduction.

Mark Twain observed in "Life on the Mississippi" that

"There is something fascinating about science.  
One gets such wholesale returns in conjecture  
from such a trifling investment of fact."

He might have made much the same comment in respect of the modicum of fact and the plethora of speculation surrounding the political and economic problems posed for this country by the linking together of West Germany, France, Italy and the Benelux countries in the European Economic Community.

It is inevitable that most of the discussion and comment should be of a conjectural nature, simply because no-one knows what sort of a group the Six will, in the fullness of time, turn out to be. No-one, including the member nations themselves, can be certain whether, at the political level, we are witnessing the formative years of a powerful new "super-state", or whether the history books will record the ratification of the Rome Treaty as marking the formation of yet another loose political confederation of European states. Only time will tell whether the economic development of the Community will result in an inward or outward looking trading group: whether the spirit and letter of the Rome Treaty will be rigidly or freely implemented: whether the Six will be anxious to find a modus vivendi with third countries in the near future, or choose first to work out their own problems over a lengthy transitional period.

The area for speculation is especially vast - and inviting - in connection with the agricultural provisions of the Rome Treaty. The proposals for a common agricultural policy are known only in broad outline, and it is impossible at this stage to predict with confidence exactly how the general proposals will be implemented and what their consequences will be. No one in the Six is sure about such key variables as the levels at which farm prices will settle: the relative rates of growth of the demand for, and the supply of, agricultural products: and how the balance will finally be struck between the competing demands of farmers and consumers and high and low cost producers.

Hence it is not surprising that even informed debate, on the consequences for farmers in Britain and the Commonwealth of an association between this country and the European Economic Community,

is conducted less on the basis of objective analysis of agreed facts than at the level of the "best guesses of the best guessers". And although this essay attempts to collate some facts relevant to the debate, the illusion is not held that this is sufficient for farmers to arrive at an unequivocal answer to the problem of whether they should support or oppose an association between the U.K. and the Six.

On one fact, however, there will be general agreement. Namely, that however relevant and legitimate the economic problems forced on this country by the formation of the European Economic Community, the political issues are much more fundamental.

To the architects of European unity the Community is more than a customs union. True, the expectation that the creation of a unified market of 170 million people would benefit their collective economic development was, and remains, a powerful motivation. But to "the Europeans", the removal of barriers to internal trade and the unification of external tariffs is only a part of a larger design, albeit an important part.<sup>(1)</sup> In the establishment of supra-national bodies to govern first the economic and eventually the political affairs of the Community, and in the unification of their commercial, social, transport and agricultural policies, they also see an end to the rivalries which three times in the last hundred years have soaked Europe in blood, and the opportunity of regaining for European nations a position of independent power and influence in a world increasingly dominated by the American and Sino-Russian blocs.

From this essentially political design of the Six has stemmed Britain's protracted dalliance over whether she should join the Community. At the time the latter was first mooted we could not, (and may at the eleventh hour still not) accept the political implications of so doing, namely, the eventual surrender of a considerable degree of national sovereignty : diluting our independent influence as a great power : diluting our special relationship with the U.S.A. as joint leader of the free world alliance : and, to the extent that the link with the Commonwealth was weakened, sacrificing status and influence as the head of that institution.

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(1) "We are not in business to promote tariff preferences, or to establish a discriminatory club to form a larger market to make us richer, or a trading bloc to further our commercial interests. In fact we are not in business at all, we are in politics."

Professor Hallstein, President of the E.E.C. Commission in an address at Harvard, 21 May 1961.

Although, these political issues stand at the core of the problem of Britain's relations with the movement towards European integration, and although they are the reasons for the "feet-dragging" which has gone on throughout the past decade, and lately for the defensive formation of the European Free Trade Association, debate has focussed less on the political issues per se than on the economic aspects of three problems which would arise if the political decision to join the Community were once made. These problems are the need to honour our obligations to our partners in the E.F.T.A., to reconcile our present system of supporting agriculture with that proposed by the Six, and to avoid doing economic harm to Commonwealth countries, should it be necessary to discontinue their existing preferential trading arrangements with this country.

The remainder of this essay is primarily concerned with some economic aspects of the last two of these problems, but it should be clear from the preceding paragraphs that the belief is held that these are not the substance but the shadow of the basic political issues which have so far prevented the U.K. seeking to join the Six in the European Economic Community.

It is proposed to look first at the position of the agricultural sector in the Six : second to outline the essential features of the common agricultural policy proposed by the Commission : third to appraise in broad terms the likely consequences the price and structural policies followed by the Six will have on their aggregate agricultural production and trade balance : and finally to separately assess the impact of developments in the agriculture of the Six on British and on Commonwealth farmers, should the U.K. choose to join or stay out of the Community.

#### Agriculture in the Six.

Three points stand out as being of prime importance in considering the position of the agricultural sectors in the member countries of the Community.

The first is that agriculture plays a much more important role in the economic life of the Community as a whole, and in the economies of the constituent member states, than is the case in the U.K. Almost a quarter of the population is still engaged in agriculture as opposed to one twentieth in this country, (Table 1). Their farmers produce about 90 per cent of the Six's total food requirements, whereas half Britain's requirements are imported, and the export of farm products bulks large in the economy of some members of the Six - agricultural exports accounting for around 11 per cent of their total exports, with

the Community as a whole supplying rather more than one eighth of total world agricultural exports, (Tables 2, 3, 4 and 5).

IMPORTANCE OF AGRICULTURE IN THE E.E.C. (1958).

TABLE 1.

	Percentage working population	Percentage gross national product
Belgium	10.4	7.0
Holland	11.3	11.2
Germany	16.8	8.4
Luxembourg	21.8	8.8
France	25.7	14.1
Italy	32.4	20.8
E.E.C.	22.8	13.0

SOURCE : Report on the Economic Situation of the Community; E.E.C.; September, 1958.

IMPORTS AND EXPORTS OF AGRICULTURAL PRODUCTS BY E.E.C. AND U.K. (1957).

TABLE 2.

Country	Imports		Exports	
	\$ Mill.	%	\$ Mill.	%
Germany	2,058	41.6	176	7.0
Belgium-Lux.	477	9.6	121	4.8
France	1,327	26.8	755	29.9
Italy	510	10.3	604	28.9
Netherlands	580	11.7	869	34.4
E.E.C.	4,952	100.0	2,525	100.0
U.K.	4,190		577	

SOURCE : E.E.C.; Basic Statistics on the Agricultural Situation in the E.E.C.

IMPORTS AND EXPORTS OF AGRICULTURAL PRODUCTS BY E.E.C. AND U.K. AS PROPORTION OF TOTAL IMPORTS AND EXPORTS (1957).

TABLE 3.

Country	Percentage	
	Imports	Exports
Germany	27.4	2.1
Belgium-Lux.	14.0	3.8
France	21.7	14.9
Italy	14.1	23.7
Netherlands	14.1	28.1
E.E.C.	20.0	11.3
U.K.	36.7	6.2

SOURCE : E.E.C.; Basic Statistics on the Agricultural Situation in the E.E.C.

E.E.C. IN WORLD TRADE (1958) (1)

TABLE 4.

	E.E.C. Imports as percentage of world total	E.E.C. Exports as percentage of world total
Total world	28.3	28.7
Total agricultural	31.0	13.4
Total food and feed	29.2	16.2
Bread grains	15.1	10.6
Coarse grains	36.9	1.4
Beef and veal	21.5	5.3
Mutton and lamb	2.4	1.4
Pork	46.2	20.0
Poultry	60.5	31.3
Milk, condensed and powdered	7.1	32.1
Butter	4.4	10.5
Cheese	38.5	32.4
Eggs in shell	68.1	34.9
Sugar (raw)	5.9	4.2
Wool (clean)	31.0	4.2
Animal fats	35.0	9.3

(1) Including intra-trade.

SOURCE : F.A.O. Trade Year Book 1959.



PROPORTIONS OF AGRICULTURAL EXPORTS FROM E.E.C. CONSIGNED TO COUNTRIES OF E.E.C. (1957).

TABLE 5.

Exporter	Percentage of agric. exports exported to E.E.C.	Importers				
		Percentage of total agricultural exports to E.E.C. consigned to				
		Germ.	Belg-Lux.	Fran.	Italy	Neths.
Germany	32.5	-	24.0	26.4	21.3	28.3
Belgium-Lux.	55.0	35.4	-	21.0	8.6	35.1
France	26.4	50.3	26.9	-	10.1	12.7
Italy	37.8	75.8	4.8	15.4	-	4.1
Netherlands	47.9	58.3	23.1	10.2	8.3	-
E.E.C.	38.6	54.9	18.0	11.3	7.8	8.0

SOURCE : E.E.C.; Agricultural Statistical Information No.1.

Secondly, farmers in the Community suffer the same malaise as do farmers in this country. Their average incomes are lower than those in all other occupations considered as a whole, and farmers have not shared equally with other groups in the general prosperity of recent years. Per capita incomes from farming average only half those in the non-agricultural sector, a quarter of the population generating only just over an eighth of national income, (Table 1). Thus, the disparity between farm and non-farm incomes is even greater than in this country, and for the reason that while British agriculture has a surplus labour problem - too many people trying to make livings on farms which are too small - on the Continent the extent of the problem is infinitely worse. European agriculture is typically one of small-holdings; 60 per cent of all farms in the Six have less than 12 acres of land, only one holding in seven is over 50 acres in extent, (Table 6). Excessive fragmentation is an additional structural weakness; the typical German farm, for instance, consists of a total of 21.7 acres split into 11 separate parcels of land.(2)

Thirdly, because of their numerical importance, constituting as they do almost one in four of the population, the farmers of the Six

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(2) KROHN, H. and SCHMITT, G.; The European Economic Community, Part III, The Common Agricultural Policy; Chap. 3, Table 20, p.71.

AGRICULTURAL STRUCTURE IN E.E.C. AND U.K.

TABLE 6.

	Average size of holding	Percentage holdings over 50 acres	Percentage land on holdings over 50 acres
E.E.C. <sup>1</sup>	24	14	48
U.K. <sup>2</sup>	69	36 <sup>3</sup>	86 <sup>3</sup>

<sup>1</sup> Holdings over 2½ acres.

<sup>2</sup> Holdings over 1 acre.

<sup>3</sup> Great Britain, 1957.

SOURCE : Various O.E.E.C. statistical series.

occupy a position of considerable political importance. The agricultural vote constitutes the backbone of support for the Christian Democratic and other moderate right wing parties in each member country, and parties to the left are also careful not to antagonise the rural vote.

The consequence of their small size of business, high cost production and low average incomes, is that farmers of the Six need protection and support; the consequence of their large numbers and political importance is that they get it. And it was clear right from the onset of negotiations leading to the signing of the Rome Treaty that though the Six might adopt completely free internal trade and a liberal external trade policy in respect of raw materials and industrial goods, it was the last thing they would contemplate for trade in agricultural products, even though the agricultural sector could not be excluded from the general movement towards economic integration. That the expectation that farmers of the Six would not be left exposed to any significant degree to the unpalatable consequences of overseas competition and unregulated internal markets has been amply borne out by events, is evident from the proposals for a common agricultural policy which the Commission laid before the Council of Ministers in July 1960.

Common Agricultural Policy. (3)

The objectives of the common agricultural policy are broadly comparable to those embodied in the 1947 and 1957 Agriculture Acts. They are :

- (i) to ensure a fair and stable standard of living for those who live by the land :
- (ii) to promote agricultural productivity :
- and (iii) to guarantee regular supplies to consumers at reasonable prices.

The mechanisms by which these objectives are to be achieved fall under two heads, those concerned with the regulation of markets in order to influence supplies, prices and producer incomes, and those embodied in a policy of structural reform designed to improve farm incomes by raising productivity through changes in the basic productive structure of agriculture.

Marketing Intervention : It is proposed to set up European Marketing Boards to regulate the marketing of cereals, sugar, dairy products, meat and eggs. Essentially, the Boards will have the duty of manipulating the total level of supplies on the market so as to maintain producer prices at predetermined levels. These so-called "target" prices will be set annually by the Council of Ministers, acting on the advice of the Commission.

For cereals, dairy products and sugar, the target prices will be maintained by controlling both the volume and price of overseas supplies, and by support buying on the domestic market. The volume of overseas supplies will be regulated by licensing imports, and their price by the imposition of variable import levies which will bring their c.i.f. price up to the level of the ruling target price. Additionally, it will be mandatory on the various Marketing Boards to intervene in domestic markets to support prices by purchase and storage operations should domestic market prices fall 5 to 7 per cent below the target level.

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- (3) Excellent short accounts of the Six's proposed common agricultural policy are contained in Agriculture in the Community; N.F.U. Information Service, Vol. 16, No. 2, 1961.  
European Common Market Agricultural Proposals; U.S.D.A. Foreign Agricultural Circular; 26 August, 1960.

The mechanism for supporting producer prices for beef, pig and poultry meat and eggs lies in the control at the common frontier of supplies from non-member countries. Imports of these commodities will be subject to the common external tariffs and to two kinds of variable levies. One levy is calculated to offset the competitive disadvantage of domestic producers resulting from the high prices of coarse grains inside the Community, and a second levy will be imposed if the landed cost of imports - after bearing the common external tariff - is still lower than the current target prices. The latter will likewise be set annually for each of the commodities concerned. Hence, imports of meat and eggs will effectively be subject to minimum import prices.

For the above two groups of commodities it is proposed to establish a European Adjustment and Guarantee Fund. This will have commodity branches, e.g. a Cereals Fund, Dairy Products Fund, etc. - and the monies in the Funds will be used to :

- (i) finance the internal purchase and storage operations needed to support prices of cereals, sugar and dairy products at the target levels,
- (ii) subsidise exports to the extent necessary to
  - (a) compensate exporters of livestock products for the fact that grain prices inside the Community will be higher than world prices,
  - and (b) secure the Community a "fair share" of world trade in agricultural products.

The latter provisions may be judged to have an ominous (if familiar) ring about them.

The monies in the Funds will come primarily from the levies on imports, but should this source prove inadequate - as well it might for those commodities in which the Community is self-sufficient or a net exporter - contributions may be made by member Governments and levies may be imposed on domestic producers.

Protection for fruit and vegetable producers will not involve the setting of target prices. The common external tariffs will be the main protective instrument, and these are generally between 12 and 20 per cent, though seasonally varied so as to afford most

protection during the domestic producers' marketing seasons.(4) However, grades are to be standardised, and both internal and external trade in some grades of produce may be suspended in periods of excessive supply.

On the whole then, the general picture is that the market regulatory mechanisms which have been proposed are potentially sufficiently detailed and powerful to maintain prices to domestic producers at any desired level, and effectively to protect the farmers of the Six from commercial competition from lower cost overseas areas and from third countries' surplus disposal operations. Clearly, should Britain join the Community our farmers are not going to lose completely the protection they presently enjoy. Signing the Rome Treaty is in no way comparable to the repeal of the Corn Laws, as some of the more exaggerated comments might lead one to believe.

Structural Reform : The Community countries recognise that the low average level of their farmers' income stems basically from an out-moded pattern of agricultural holdings and an excessive number of people occupied in the industry. They therefore propose to tackle the income problem at its root - low labour mobility - by accelerating the "drift from the land". A variety of measures will be taken to this end, including rural industrialisation, expanding non-agricultural vocational training, improving the rural infra-structure of roads and schools, and effecting the consolidation and amalgamation of small holdings. The scale of the problem can be judged from the Commission's target of moving 8 million people out of agriculture by the early 1970's (4 million, 2.5 million and 1.5 million in Italy, France and Germany respectively).

The conception of the Commission's structural reform policy is wholly commendable and is, incidentally, an object lesson to our own Government. Although the target appears to be ambitious, in fact it represents a rate of reduction in the agricultural labour force no higher than that currently prevailing in Germany and Holland. Moreover, since the member Governments are already embarked upon their individual policies of improving the structure of agriculture and will in the future have their hands strengthened by a European Fund for Structural Improvements in Agriculture, there is reason to be optimistic about the long-term outcome.

Be that as it may, we may note in passing that should the U.K. join the Community, there is little ground for fearing that the British

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(4) Fruit Intelligence; Commonwealth Economic Committee; April 1960.

system of production grants would have to be completely eliminated. There should be little difficulty in fitting such measures as the Farm and Horticultural Improvement, and Small Farm Schemes into the framework of the Community's structural reform policies. Moreover, these and similar schemes might be expanded should objections be raised to other production grants such as the fertiliser, lime, calf and hill cattle subsidies, the retention of which might be construed by the other members of the Community as conferring an unfair competitive advantage on British producers.

#### Production and Trade Prospects.

It is impossible to make precise forecasts of the consequences of the Community's market and structural policies on the level of its internal production and net trade in agricultural commodities. Even the task of making intelligent guesses is difficult, and will remain so until the Six announce their common target prices. This they seem unlikely to do until after the German elections are held in the Autumn, lest, it is said, the fact that initial target prices will be lower than existing German support prices should alienate the rural vote and harm the electoral prospects of the Christian Democratic Party.

However, it is widely accepted that the common support prices will be well above current world levels, as indeed they are at the present moment in each of the member countries, (Table 7). And further, it is expected that the general level of prices will settle somewhere between the high prices presently received by German farmers on the one hand, and the relatively low prices received by Dutch and French producers on the other, (Table 10).

But whereabouts within this range?

Like Governments in all developed countries, the Council of Ministers is faced with the perennial problem of setting prices which are politically and socially acceptable to farmers but which yet make economic sense.

For example, on economic grounds it is clear that the key question of the level of common grain prices should be resolved by adopting prices approximating the relatively low levels which will be paid to French grain producers in 1961-62; £24. to £25. a ton for barley and about £29. per ton for wheat. For if the common grain prices were to settle much above those now ruling in France, the incentive would be provided for tapping the enormous capacity for expanding French grain production. Such an expansion could be an

ROUGH ESTIMATES OF MARGIN OF PROTECTION<sup>1</sup> IN E.E.C.  
1956-57 TO 1958-59.

TABLE 7.

	Wheat	Barley	Sugar	Cattle	Pigs	Eggs	Milk
Belgium	40	15	22	22	3	30	50
France	15	9	0	19	-	5	34
Germany	38	37	31	24	22	32	36
Italy	40	32	27	25	21	32	54
Holland	23	21	3	30	10	1	32
U.K.	21	25	28	22	24	30	62

<sup>1</sup> The margin of protection is measured by the approximate percentage difference between prices received by domestic farmers and import (or export) unit values, roughly adjusted for differences in average quality between domestic and foreign produce.

SOURCE : Economic Survey of Europe in 1960; Chapter III, Chart 1, p.23; U.N./E.C.E., Geneva 1961.

embarrassment, given that the Six are already net exporters of soft wheats and are having to subsidise exports to clear the existing output. Yet it is by no means clear that it will be politically possible to bring, say, German grain support prices down to these levels from those currently ruling - £31. to £34. per ton for barley and £35. to £40. per ton for wheat.

This situation extends to other commodities and is illustrative of the nub of the agricultural problem presented by the Six; namely, the extent to which the maintenance (for social and political reasons) of prices well above world levels, and in some member countries above existing support levels, will fundamentally alter the Community's production/consumption balance and her pattern of trade in temperate agricultural products.

Nor should it be forgotten that possible price incentives for increasing output in some countries will be reinforced by the technological and managerial revolution which is only now beginning to touch large areas of the Community's agriculture, and by the structural reforms which will be effected in the next few years.

The Community is already 90 per cent self-sufficient in foodstuffs. It is a net exporter of dairy products, soft wheat, sugar, pigmeat and vegetables : is self-sufficient in potatoes, and has not far to go to reach self-sufficiency in eggs, (Table 8).

DEGREE OF SELF-SUFFICIENCY IN E.E.C.

TABLE 8. Per cent

	Prewar	1950-52	1958-59
Sugar	75	90	108
Pigmeat	96	102	106
Vegetables	102	102	105
Butter	104	98	101
Potatoes	98	101	100
Cheese	105	102	99
All meat	96	99	95
Beef and veal	96	95	93
All cereals	81	81	84
Bread grains	86	82	91
Coarse grains	77	80	78
Eggs	101	97	91
Fruit	89	89	88
Fats and oils (excl. butter)	54	55	54

SOURCE : Agricultural and Food Statistics;  
O.E.E.C., Paris, 1959.

In short, there is the distinct possibility that for those temperate agricultural products which they can produce themselves, the Six will become self-sufficient in everything but coarse grains, hard wheats and beef, will have increased export surpluses of dairy produce, sugar, pigmeat, soft wheat and some types of horticultural produce, and will develop exportable surpluses of eggs.

A recent study commissioned by the Community lends support to this view, (Table 9). The projection of the Community's trade balance in 1965 is not exhaustive or beyond dispute in as much as it covers only a few commodity groups (albeit important ones) and, even on the "most likely" or median assumptions shown in Table 9, probably over-estimates the rate of growth in per capita incomes, income elasticities of demand and, hence, consumption, and under-estimates the rate of increase in domestic agricultural production. Nevertheless, it indicates that the degree of self-sufficiency will have risen by 1965 for each commodity, that the Six will have substantially increased export surpluses of dairy products and sugar, and that the net import needs of beef and coarse grains, though still large, will have fallen by 15 and 20 per cent respectively. Furthermore, the projection may understate the fall



in net import requirements of beef, since it is highly probable that the Six will be forced to raise the beef/milk price ratio in order to stem the mounting flood of surplus milk.

E.E.C. AGRICULTURAL TRADE BALANCE 1955-58 AND FORECAST 1965.

TABLE 9.

Commodity	Net trade		Units	Degree of Self-sufficiency	
	1955-56 to 1957-58	1965 <sup>1</sup>		1955-56 to 1957-58	1965
Wheat, all types	(+) 3,175	(+) 164	'000 tons	89.3	99.4
Coarse grains	(+) 6,280	(+) 5,390	'000 tons	84.3	88.8
Milk and milk products	(-) 0.6	(-) 5.4	Million tons milk equiv.	100.9	108.7
Beef	(+) 213	(+) 170	'000 tons	92.6	95.7
Sugar	(+) 137	(-) 535	'000 tons refined	97.6	110.1

<sup>1</sup> Consumption estimates based on median projections of average annual rates of growth in per capita incomes ranging from 2.3 per cent for Holland to 3.4 per cent for West Germany.

(+) net imports : (-) net exports.

SOURCE : Trends in Production and Consumption of Food Products in the E.E.C. 1956-65; E.E.C. 1960.

British Agriculture Outside the Community.

Should Britain decide to stay outside the Community the dangers facing farmers in this country are manifest.

Since this is the only remaining sizeable, freely open market in the world for exports of agricultural products, it seems more than probable that the U.K. market will bear the main brunt of the increased export surpluses of butter, cheese, condensed milk, pigmeat, soft wheat and sugar for which the Six will have to find an outlet. Depending upon the relative rates of growth of consumption and internal production, the Six may also have exportable surpluses of eggs

and some horticultural produce, though the latter would continue to have to hurdle substantial protective tariffs to enter the U.K. market.

Additionally, to the extent that the net import requirements of the Six for beef and coarse grains fall over the next few years, the British market would probably be the major recipient of the supplies from third countries of these commodities which were diverted from Europe.

Moreover, faced with a contraction of their market in the Six, it is possible that our partners in the E.F.T.A. would be led to exert pressure on the U.K. to extend the agricultural tariff concessions already granted on bacon, blue veined cheese, tinned pork products and cream, to such additional commodities as hard pressed cheese, butter and frozen vegetables.

When it is further remembered that exportable supplies of temperate agricultural products are growing in Australasia and North and South America, that export subsidies are already being paid by many of the world's major exporters, and that provision for so doing is written into the common agricultural policy of the Six, it is difficult to foresee any prospect for a British agriculture outside the Community other than of drastic reductions in market realisation prices and, by the same token, a substantially increased total subsidy bill.

Just how far the cost of deficiency payments might rise is, of course, indeterminate; but, having regard to the low price and income elasticities of demand for most of the commodities involved, it is difficult to see how even the operation of the 1957 Agriculture Act could prevent a very substantial rise in the costs of supporting farm prices.

#### British Agriculture Inside the Community.

In face of these probabilities, it might have been expected that the agricultural industry would have ranked amongst the keenest proponents of Britain joining the Community and embracing its common agricultural policy. Such is not the case; the policy of the National Farmers Union is one of qualified opposition.<sup>(5)</sup>

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(5) "Agriculture in the Community". N.F.U. Information Service; Vol. 16; No. 2; 1961.

If one were to attempt to summarise the British farmers' attitude in one phrase it would be in "Better the devil you know than the devil you don't". It is clear that the N.F.U. has no wish to alter the existing system of agricultural support practised in this country, nor to erode the unique relationship between farmers and Government embodied in the annual review procedure. It has no desire to have to bargain in Brussels rather than in Whitehall, where it would be but one voice and one interest amongst many. The existing bargaining machinery and system of support have served it remarkably well in the past, and are a frame in which its leaders are practised, and to which they owe their influence.

This attitude is wholly understandable and, moreover, farmers are fully justified in adopting a cautious attitude to the alternative presented. The common agricultural policy of the Six is still very much an unknown quantity. It is not yet known at what levels target support prices will be set, and time alone will tell whether the support mechanisms proposed will in practice be sufficiently effective to enable the target prices to be maintained. The industry is justified in looking askance at provisions in the common agricultural policy for imposing levies on producers should the main source of monies for the various Equalisation and Stabilisation Funds - the variable levies on imported supplies - dry up as a high degree of self-sufficiency is reached. Furthermore, the provision in the proposals for imposing physical controls on production and marketings should aggregate supply outstrip demand, have an all too familiar and unpleasant ring for an industry whose output of potatoes, sugar and milk is already, or may shortly be, so constrained. And nowhere in the common agricultural policy proposals can anything be found which would still the fears of the horticulturists, to whom the lowering of tariffs would mean the removal of their sole source of protection from their main competitors.

Nevertheless, although the choice facing British farmers is obviously a difficult one, it is believed that they may on balance have chosen badly in not recommending the extension of the Community's common agricultural policy to British farming, thereby facilitating an association between Britain and the Six. Several considerations support this view.

The first, and probably least important, is that under the European system of supporting farmers' prices through the maintenance of high food prices to consumers, British agriculture would be spared the stigma which presently accompanies the annual publication of the cost of agricultural support. This figure is known under the British system, whereas under the alternative the true cost of agricultural support is much less easily identifiable. This point is one which will have appeal only to farmers!

A further minor advantage is that the lowering of industrial tariffs could exert a downward pressure on the prices of some requisites, notably equipment and fertilisers. And, more important, once the principle of free labour mobility within the Community becomes an accepted practice, British agriculture could expect the price of its most costly single input to rise less rapidly in future years.

Thirdly, as has been pointed out earlier, abandoning the protection of the 1947 and 1957 Agriculture Acts in favour of the common agricultural policy of the Six, does not involve a reversion to 19th century liberal economic principles or practice. The Six's agricultural policy can be, and undoubtedly will be, highly protectionist.

If current prices are any guide, the prices U.K. farmers can expect to receive in a common agricultural market would be as high or higher than those they now receive for some products; wheat, barley, fat cattle, sheep and pigs would fall into this category, (Table 10). Even for those commodities for which some farmers in the Six now receive lower prices, notably milk, eggs, potatoes and sugar beet, the possibility will exist for British farmers to make representations to the Commission and attempt to secure favourable terms in the context of a wider settlement. Moreover, for milk, the most important of this group, it would be possible for the Milk Marketing Board to continue to exact high prices from liquid milk consumers, by reason of its ability to practise market discrimination on the one hand, and to operate behind the protection of the high costs of transporting fluid milk from Europe on the other. Hence, it is by no means apparent that milk prices would have to fall to the levels ruling in some European countries.

A fourth advantage to British farmers lies in the possibility which would be created for the profitable expansion of agricultural output. In recent years farmers' desires to increase their gross output have been frustrated by the Government's aversion to meeting a bigger subsidy bill and its anxiety to still the protests of Commonwealth producers. Should this country join the Community and adopt its common agricultural policy, it is clear that the agricultural exporting countries of the Six will expect the opportunity of supplying the U.K. market at the expense of Commonwealth and other suppliers. By the same token, the partial exclusion (by tariffs, levies and quotas) of supplies from third countries would present an even greater opportunity for British producers, especially producers of grain, beef, mutton and lamb, cheese, sugar and apples. In addition, the removal of trade barriers between this country and the Six would offer some prospects for the development of an export trade between Britain and Europe in such products as

PRICES RECEIVED BY EUROPEAN FARMERS (1959-60)

TABLE 10.

	Wheat(1)		Barley(1)		Sugar Beet(2)		Milk(3)		Fat Cattle(4)		Fat Pigs(5)		Eggs(6)	
	£. s.	%	£. s.	%	£. s.	%	s. d.	%	£. s.	%	£. s.	%	s. d.	%
Belg.	1.14.	125	1. 7.	96	6. 8.	93	2. 0.	65	7.15.	108	1.12.	97	3. 5.	93
					(16.0)									
Fran.	1. 8.	104	1. 3.	82	5.13.	82	-	-	7. 0.	97	-	-	3. 1.	84
Germ.	1.17.	137	1.17.	132	7. 0.	101	2. 7.	84	8. 9.	117	1.17.	112	3. 6.	95
Italy	1.18.	141	1. 9.	104	4.15.	69	2. 4.	76	9. 8.	131	1.16.	109	3.10.	105
Neths.	1. 9.	107	1. 8.	100	5.12.	81	2. 6.	81	-	-	1. 8.	85	2. 5.	66
					(17.4)									
U.K.	1. 7.	100	1. 8.	100	6.18.	100	3. 1.	100	7. 4.	100	1.13.	100	3. 8.	100
					(17.4)									
Denk.	1. 6.	96	1. 4.	86	4.11.	66	2. 0.	65	5.11.	77	1. 8.	85	2. 3.	61
					(18.0)									

- (1) Weighted average price per cwt. all types.
- (2) Average price per ton realised. Figures in brackets refer to average sugar content.
- (3) Average realised price per gallon all utilisations.
- (4) Weighted average price per live cwt.
- (5) Weighted average price per score liveweight.
- (6) Weighted average price per dozen all sales.

SOURCE : Prices of Agricultural Products and Fertilisers 1959-60; E.C.E./F.A.O.

beef, barley, broilers, mutton and lamb and some high quality horticultural products.

The structure of our agriculture is infinitely better than that of any member of the Community. Thanks to the early enclosure movements and the "shake-up" following the repeal of the Corn Laws, Britain has an essentially commercial agriculture. In contrast, much of that of the Six retains a medieval structure. While the vast majority of our farmers are market-orientated, many of those in Europe are peasants operating their farms as predominantly self-sufficient units. British farms average three times as large as those in the Community, (Table 6): fragmentation is not a serious problem: and they are far more extensively mechanised, (Table 11). Crop and livestock yields in this country are generally higher than in the Community as a whole, (Table 12), and the public and private research and extension services at the British farmer's disposal are probably superior to those available to farmers in the Six. In such key services as the provision of farm management advice British farmers enjoy a marked advantage. Clearly, substantial competitive advantages would lie on the side of British producers in any rapprochement with Europe.

MACHINERY IN EUROPEAN AGRICULTURE (1959)

TABLE 11.

	Tractors per 1,000 ha. arable	Combines per 1,000 ha. cereals	Milking machines per 1,000 cows
Belgium/Lux.	36	3.7	32
France	29	4.2	16
West Germany	81	5.9	35
Italy	13	0.5	-
Holland	43 <sup>1</sup>	3.7 <sup>2</sup>	25
U.K.	59	17.0	66

<sup>1</sup> 1958

<sup>2</sup> 1955

SOURCE : Economic Survey of Europe in 1960; U.N./E.C.E. 1961.

YIELDS IN E.E.C. AND ENGLAND AND WALES.

TABLE 12.

	1954-58							England and Wales 1948-49 to 1957-58	1965 Forecast						
	Ger.	Bel.	Fr.	It. <sup>1</sup>	Lux.	Holl.	E.E.C.		Ger.	Bel.	Fr.	It.	Lux.	Holl.	E.E.C.
Wheat (cwts./ac.)	23.1	28.0	17.8	14.4	15.9	29.8	17.3	23.2	26.2	31.1	21.5	17.0	18.3	31.8	20.5
Oats <sup>2</sup> (cwts./ac.)	21.4	26.8	15.4	10.2	20.2	26.1	17.9	19.4	-	-	-	-	-	-	-
Barley <sup>2</sup> (cwts./ac.)	22.1	27.4	19.3	10.0	19.7	33.0	19.9	21.5	-	-	-	-	-	-	-
Potatoes (tons/ac.)	8.8	10.0	6.2	3.4	7.7	10.3	7.2	7.7	9.0	10.6	7.5	4.4	9.0	10.9	8.0
Sugar beet (tons/ac.)	14.1	15.7	12.5	12.5	-	16.7	13.4	11.1	15.7	16.8	13.9	15.1	-	17.5	15.2
Milk (gals./cow)	677	805	484	436	707	871	564	676	772	901	550	462	792	990	625
Eggs <sup>3</sup> (per hen)	130	170	107	89	122	197	136	165 <sup>4</sup>	-	-	-	-	-	-	-

<sup>1</sup> Provisional estimates.

<sup>2</sup> 1956-1959.

<sup>3</sup> 1955-1958.

<sup>4</sup> 1952-1958.

SOURCES : Trends in Production and Consumption of Foods in E.E.C., 1956-65; E.E.C. 1960.

KROHN, H. and SCHMITT, G.; op. cit.

Agricultural Statistics; M.A. F.F.

Dairy Facts and Figures, 1960; M.M.B.

A large element in the N.F.U.'s case against the Community's proposed agricultural policy is that its acceptance would provide British farmers with less assurance of support and stability than that presently enjoyed under the 1947 and 1957 Agriculture Acts. Although this is to some extent true, it is in the essential unrealism of the implied corollary that the status quo under this legislation can be maintained indefinitely should Britain not join the Six, or even if agriculture were excluded from a wider settlement, that the wisdom of the N.F.U.'s negative view of the prospect of the common agricultural policy being extended to British agriculture can finally be called in question.

As pointed out earlier, the prospects over the next few years are for the British market to be under increasing pressure from direct exports from the Community, from supplies diverted from that market, and from the increasing volume of supplies forthcoming from most of the world's major agricultural exporting regions. So long as Britain remains an open market this can only portend falling market prices and growth in the total cost of agricultural price support. While it is true that British agriculture has secured a promise that the 1957 Act will not be modified during the life of the present Parliament, (6) it is by no means certain that existing legislation would not be severely modified in future years if the cost of agricultural support were to rise substantially above the present level. It is said that the present cost of about £250 million per annum is "politically acceptable", but it may be doubted whether farmers could hope to preserve the 1947 and 1957 Acts inviolate should the costs of support rise much above this figure. If producers' incomes were to become dependent upon Parliament voting greatly increased funds for supporting the industry, (and the uncertain workings of the 1957 Anti-Dumping Act), most observers would conclude that the industry could expect, at best, an enforcement of the maximum cuts permitted under the formulae of the 1957 Agriculture Act and an extension of the practice of limiting the volume of production to which price guarantees apply, and, at worst, a complete breakdown of the public commitment to agriculture, both as to scope and to method.

In short, instead of comparing product prices in this country and the Six in 1959-60, (7) the N.F.U. might rather have concerned itself with a comparison of the prices it can expect its members to be receiving in 1964 or 1965 with those the Six are better equipped to maintain. This longer-term perspective might well have led a majority of British farmers to conclude that their future inside the common agricultural market - with protection from third countries' behind tariffs, quotas

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(6) Conservative Party Election Manifesto, September 1959.

(7) Op. cit. Chapter 2.



and import levies, and protection from internal over-supply through internal market intervention, supply control and subsidised disposal of surpluses - looked far less bleak than their future outside it.

### Consumer Food Prices. (8)

For a number of reasons the Six would be averse to adopting our deficiency payments system of farm price support. They see no reason why "the platoon should change step" for one latecomer, and with some 6 million<sup>(9)</sup> farms in the Community the administrative cost would be high. But more important, the budgetary cost of deficiency payments on 90 per cent of the Community's food requirements would be heavy, and no political party in Europe is going to court electoral disaster by proposing the necessary increase in the burden of direct taxation.

Hence, for Britain to join the European Economic Community would involve the adoption of the Six's method of assisting its farmers through the maintenance of high food prices to consumers.

The view has been expressed that the resultant increase in food prices to British consumers would have three main disadvantages. Firstly, the cost of supporting agriculture would be borne regressively; secondly, consumption would be adversely affected; and thirdly, inflationary tendencies which might result from higher food prices would erode the U.K.'s competitive position in world markets and her rate of general economic growth. None of these prove, on examination, to be serious obstacles to British membership of the Community.

With regard to the regressive incidence of high food prices, the first point to bear in mind is Mr. Graham Hallett's recent pertinent observation that the costs of supporting producers' prices of milk, sugar and horticultural products - accounting for about half the industry's gross output, and including those foodstuffs of special nutritional importance - are already borne directly by consumers through the prices they pay in the shops.<sup>(10)</sup> Additionally, however, it is apparent that the hardship felt by the poorer members of ~~the~~

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(8) The issues discussed in this section are admirably treated in "Food Prices and the Common Market"; Political and Economic Planning; Occasional Paper No. 13; 29 May, 1961.

(9) Farms over 2½ acres; KROHN AND SCHMITT, op. cit.; Appendix Table II.

(10) HALLETT, G.; British Agriculture and Europe; Supplement to April, 1961 issue of "Crossbow".

population could readily be rectified by social transfer payments - such as increased old age pensions, family allowances and national assistance payments - and that the sum available from the suspension of deficiency payments (£150 M) would be more than adequate for this purpose.

In a rich and well-fed country such as Britain the price elasticities of demand for foodstuffs at the farm gate are so low that it is unlikely that a significant decrease in consumption would result from any conceivable rise in retail food prices. Moreover, with large and flexible processing and distributive margins standing between producers and consumers, it does not follow that any increase in the price of raw foodstuffs would be fully reflected in consumer prices.

As to the effect of rising food prices on this country's general economic performance, it is probable that the links between food prices, the cost of living index, wage rates and industrial costs have been generally exaggerated. Mr. Colin Clark has recently estimated that adoption of the Community's common external tariff in place of our existing preferential and general tariffs would add no more than 1s. Od. per week to the average consumer's weekly food expenditure<sup>(11)</sup> - hardly sufficient to cause a wave of industrial unrest and inflationary wage demands. Although Mr. Clark's calculation is suspect - if only because the common external tariff seems amongst the least important of the Six's price protective devices - it is apparent that his orders of magnitude are about correct. Thus transferring the present cost of supporting farm incomes to consumers' food expenditure (methodologically an equally suspect exercise) would raise the cost of living by less than two percentage points, and, at worse, a rise of retail food prices by 10 per cent would add only three per cent to the index. And, given that the shift to the Community's method of farm price support would take place over a five to six year transitional period, the rise in retail prices in any one year would be small. Furthermore, rises in some food prices would be offset by falls in others - e.g. horticultural products and potatoes - as trade barriers between this country and cheaper European suppliers were dismantled. Moreover, the free inflow of manufactures from Europe would tend to hold the general price level down, as would the fact that on many manufactured goods from third countries the Community's common external tariff would be lower than the current British industrial tariff which, to our shame, is the highest of any of the world's major industrialised countries.

On the whole, then, it would seem that too much weight should not be attached to the inflationary consequences of rising food prices. The rises in living costs which could result are small enough for a growing economy to take in its stride, and could be offset by falls in

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(11) Financial Times, 24 May, 1961.

other prices and (not least) taxation. In any event, the high rates of economic growth and success in export markets during the past decade of countries like Germany, is testimony to the fact that the maintenance of a "cheap food policy" is not a touchstone for a high economic performance.

### The Problem of the Commonwealth.

Although the interests of British farmers and consumers do not under analysis seem to present serious obstacles to a full association of Britain with the European Economic Community, the problems caused by the economic and political repercussions on the Commonwealth are much more substantial. Indeed, in the end, it is on the trading and political relationships between Britain and the Commonwealth that the movement to have Britain join the Community may founder.

It is probable that full membership of the Community would involve not only free internal trade with the Six and the loss of Commonwealth supplier's preferential treatment in the British market, but also active trade discrimination by Britain against Commonwealth countries through the adoption of the common external tariff. This portends ill for the trade and economic growth of the Commonwealth countries concerned.

Taking first the question of preferential treatment in the U.K. market, it is apparent that it is easy to over-estimate the economic harm which Commonwealth countries would suffer should they lose it. Commonwealth preference has long been a diminishing asset. Whereas the average margin of preference on all goods of Commonwealth origin entering the British market was 10 to 12 per cent before the war, inflation and trade liberalisation had eroded this by 1957 to no more than six per cent on foodstuffs, and four per cent overall, (Tables 13 and 14). On some major food imports the U.K. levies no tariffs, so that Commonwealth suppliers have no preferential margin to lose; the more important commodities in this group are, wheat, mutton and lamb, (Table 15). On other agricultural commodities the margin of Commonwealth preference is low - cocoa and coffee less than three per cent, beef and butter about five per cent, and barley and bacon no more than 10 per cent. Furthermore, almost half our imports from the Commonwealth are of raw materials, (Table 16), and on quite three quarters of these the common external tariff we should have to levy would be zero or very low.

However, it remains undisputedly the case that Commonwealth suppliers have always valued even the small margin of preference they

PROPORTION OF U.K. IMPORTS FROM THE COMMONWEALTH ENJOYING PREFERENCE AND AVERAGE MARGIN OF PREFERENCE.

TABLE 13.

	1929	1937	1948	1957
Percentage enjoying preferential margins of :				
10 per cent or less	2	27	39	36
Over 10 per cent and not over 20 per cent	1	24	12	10
Over 20 per cent	4	9	4	1
Total percentage enjoying preference :	7	60-61	54-56	47
Average percentage margin of preference :				
on goods enjoying preference	29-49	17-20	11-13	9
on all goods	2-3	10-12	6-7	4

SOURCE : Commonwealth Preference in the U.K.; Political and Economic Planning, 1960.

PROPORTION OF U.K. IMPORTS IN 1957 ENJOYING PREFERENCE AND AVERAGE MARGINS OF PREFERENCE - DISTRIBUTION BY CLASSES.

TABLE 14.

	Total im-ports	Food, bevs., tobacco	Raw matls.	Mineral fuels	Mfrs.	Misc.
Value of imports (£m.)	1,769	722	702	189	146	11
Percentage enjoying preference margins of :						
0.1 to 5 per cent	9	14	6	-	4	-
5.1 to 10 per cent	27	44	18	1	27	-
10.1 to 15 per cent	5	9	2	-	5	-
15.1 to 20 per cent	5	5	-	-	36	-
Over 20 per cent	1	1	-	-	7	-
Total percentage enjoying preference :	47	73	27	1	79	-
Average percentage margin of preference :						
on goods enjoying preference	9	8	8	13	16	-
on all goods	4	6	2	-	12	-

SOURCE : Commonwealth Preference in the U.K.; Political and Economic Planning, 1960.

U.K. AND E.E.C. TARIFFS.

TABLE 15.

	Tariffs		
	U.K. preferential	U.K. full	E.E.C. common
	Per cent		
Wheat (unmilled)	0	0	20(1)
Wheat (milled)	0	10	30(1)
Barley	0	10	13(1)
Maize	0	10(2)	9(1)
Livestock	0	0	15-16
Beef and Veal :			
Fresh, frozen, chilled	0	5(3)*	20
Tinned	0	20	26
Pork	0	10	20
Mutton and lamb	0	0	20
Bacon	0	10(4)	25
Eggs	0	5*	12-15
Butter	0	5*	24(1)
Cheese (exc. blue veined)	0	15	23(1)
Sugar (unrefined)	13(5)*	24*	80
Apples	0	various	
Tomatoes	0	various	
Coffee	1*	3*	16
Cocoa	5*	6*	9
Bananas	0	13*	20

- (1) To be replaced by variable import levies.
- (2) 10 per cent duty on "flat white" maize, but imported only from Commonwealth.
- (3) 20 per cent duty on "boned and boneless".
- (4) Due to be removed in favour of E.F.T.A. countries.
- (5) Lower rate can be granted for colonies.
- \* Estimate based on conversion of specific duties.

VALUE OF IMPORTS IN 1957 (£m.) AND AVERAGE MARGINS OF PREFERENCE (%) BY TERRITORIES AND CLASSES:

TABLE 16.

	Total imports		Food, bevs., tobacco		Raw matls.		Mineral fuels		Mfrs.		Misc.	
	Imports	Margin	I.	M.	I.	M.	I.	M.	I.	M.	I.	M.
	£.	%	£.	%	£.	%	£.	%	£.	%	£.	%
From :												
Canada	315	3	102	4	168	2	-	-	44	8	1	-
Australia	228	4	105	8	117	-	-	-	6	14	-	-
New Zealand	183	4	132	5	50	1	-	-	1	12	-	-
India	157	7	95	6	23	3	1	10	37	14	-	-
West Indies	44	5	21	11	1	3	21	-	1	15	-	-
West Africa	114	6	26	4	85	7	-	-	2	11	-	-
East Africa	30	4	17	5	12	2	-	-	1	12	-	-
Total Commonwealth preference area	1,769	4	722 <sup>1</sup>	6	702	2	189	-	146	12	11	-

<sup>1</sup> Food was £676 m, with average preference of six per cent.

SOURCE : Commonwealth Preference in the U.K.; Political and Economic Planning, 1960.

enjoyed in the British market and, moreover, that countries like New Zealand, Canada and Australia would value their 5, 10 and 15 per cent margins on such commodities as butter, hard pressed cheese and barley even higher in the increasingly competitive conditions that seem likely to prevail in the next few years. The loss of preferential treatment would intensify their already acute balance of payments problems.

But more important that the loss of preference is the possibility that this country may eventually be required to levy the common external tariff and operate the other trade regulatory mechanisms of the Community against Commonwealth suppliers, giving preference in the British market to European countries.

Three types of goods of Commonwealth origin are involved, temperate and tropical agricultural products and manufactures.

Temperate agricultural producers of grain, meat and dairy products are apprehensive at the prospect of their exports to Britain being subject to quotas, variable import levies and/or substantial tariffs on entry. European agricultural protectionism is already presenting them with very real difficulties, and they are justifiably concerned lest the overall problem of the contraction of their market in Continental Europe be exacerbated by restriction of their access to the British market and displacement of their exports by European supplies. Similarly dismayed by the prospect of barriers and discrimination against their exports to the U.K. are the Commonwealth African and West Indian suppliers of such tropical products as cocoa, coffee, bananas and cane sugar.

In addition to their high degree of dependence on the U.K. market as the major importer of their products, (Table 17), all the Commonwealth countries involved share the characteristic of having to make their way in a highly competitive world on what they can earn from exporting a very narrow range of primary products, some of which are already in over-supply in world markets.

Likewise for Commonwealth exports of manufactures. These already account for approaching a tenth of all U.K. imports of Commonwealth goods, and industrialisation could be expected to result in an increasing flow in future years. Exports of manufactures are the growth points of the economies of Commonwealth countries like India, Pakistan, Hong Kong and Canada, and the Asian countries already have troubles enough from low income elasticities, over-supply and discrimination against their trade, for them to contemplate with equanimity the prospect of Britain having to erect barriers against their exports on joining the Community. And Canada would be loath

DIRECTION OF COMMONWEALTH IMPORTS AND EXPORTS (1956).

TABLE 17.

Exports to :	Percentages									
	U.K.	E.E.C.	Other Europe	Total Europe	U.S.A.	Japan	Total indust. countries	Other Commonwealth	All other	Total
From :										
Australia	31	23	1	55	7	13	75	19	6	100
Canada	17	7	2	26	59	3	88	5	7	100
Ceylon	30	10	1	41	8	1	50	26	24	100
Ghana	28	35	5	68	20	-	88	7	5	100
India	31	9	1	41	15	5	61	16	23	100
New Zealand	64	16	1	81	7	1	89	8	3	100
Nigeria	63	21	2	86	9	-	95	1	4	100
Pakistan	16	26	1	43	9	13	65	21	14	100
S. Africa	32	14	4	50	20	2	72	15	13	100
Total Commonwealth :										
including Canada	27	13	2	42	26	5	73	15	12	100
excluding Canada	33	17	2	52	10	6	68	20	12	100
Imports from :										
Into :										
Australia	43	10	4	57	13	2	72	16	12	100
Canada	8	4	1	13	73	1	87	4	9	100
Ceylon	21	12	1	34	2	7	43	24	33	100
Ghana	47	19	2	68	4	10	82	7	11	100
India	25	20	5	50	11	5	66	13	21	100
New Zealand	54	6	2	62	8	1	71	24	5	100
Nigeria	45	17	4	66	4	13	83	8	9	100
Pakistan	18	18	2	38	28	6	72	14	14	100
S. Africa	32	14	4	50	20	2	72	15	13	100
Total Commonwealth :										
including Canada	23	9	2	34	32	4	70	13	17	100
excluding Canada	31	12	3	46	11	5	62	18	20	100

SOURCE : The Commonwealth and Europe, Economist Intelligence Unit.



to see any weakening of her trade links with this country lest this should further increase her economic dependence on the U.S.A.

Thus there is little doubt that, unless special arrangements can be made, the entry of Britain into the European Economic Community could inflict serious economic harm on individual Commonwealth countries. Having regard to the fact that not all of them are as wealthy as Canada, Australia and New Zealand, this would be considered by many observers a most deplorable outcome. And, to the extent that Britain's entry into the Community was motivated by considerations of short term economic expediency - i.e. by the desire to counter the threat of discrimination against our exports of manufactures to Europe until such time as the Six's common external tariff was lowered in step with world-wide trade liberalisation - an immoral one to boot.

Furthermore, it is difficult to dismiss the possibility that economic discrimination by this country against goods of Commonwealth origin could have serious repercussions on the Commonwealth as a political unit and, by extension, on the role of this country in world affairs as a senior member of the Commonwealth. Of course, the Commonwealth is not bound together solely by preferential trading links and a love of cricket. Nevertheless unconditional entry of this country into the Community would result in one constituent of the Commonwealth cement being dissolved, and nothing could be more easily construed as a sign that Britain was turning away from the Commonwealth and towards Europe than for this country to start discriminating against Commonwealth trade.

Such arguments are clearly speculative in the extreme, but the possibility of, at best, weakening the Commonwealth as an entity and, at worst, its eventual dissolution, is one which must seriously be taken into account. Either outcome would be a high price to pay for economic unity in Europe.

#### Reconciling Europe and the Commonwealth.

The foregoing paragraphs serve to emphasise the imperatives of this country's finding a satisfactory accommodation for Commonwealth trade in any settlement with Europe. And, of course, a good deal of thought is currently being given to this, the major barrier to Britain's entry into the Community.

On the other hand, the frequency with which this central problem is either "played down", or obscured by posing British agriculture or the cost of living as major obstacles, or too facilely dismissed with vague suggestions as to how Commonwealth countries' economic interests

may be protected, is a cause for concern. And a solution is not made easier by the apparent desire of at least some members of the Six to have Britain give hostages to fortune by joining the Community first, and negotiating the Commonwealth trade question later.

The problems of Britain's economic relations with the Commonwealth are clearly substantial, the more so since Commonwealth trade is differentially involved according to area, country and commodity.

The resolution of some elements of these problems may be found, in part, in a wider arena than direct negotiations between Britain and the Six. Thus current American proposals for a concerted enlargement by industrialised nations of quotas on low-cost Asian manufactures would go far to meet the trade aspirations of India, Pakistan and Hong Kong, (though not those of Canada and Australasia).<sup>(12)</sup> Similarly, a partial solution to the problems of Commonwealth countries in Africa might be found along the lines of recent proposals for merging French and British preferences on tropical products and eventually reducing them to extinction, together with the introduction of commodity stabilisation agreements and reductions in excise duties. However, progress along these lines will eventually run up against France's determination to maintain its recently concluded agreements to continue preferential arrangements for its newly independent ex-colonies.<sup>(13)</sup>

Much less confidence can be placed in the solutions which have been canvassed in respect of the problems associated with the Commonwealth's trade in temperate agricultural products. Broadly these take three lines; either that agriculture can be excluded entirely from a European settlement; or that the Commonwealth's interests can be protected by the Six granting Britain the right to liberal tariff-free quotas; or finally, that we can "take the Commonwealth in with us" by securing access to the Community market for Commonwealth agricultural products.

Looking at these possible solutions firstly in economic terms, it is certain that the exclusion of agriculture is a "non-starter". The Commission have always insisted that agricultural sector was an integral part of the Economic Community, and that a common agricultural policy must be accepted by the Six, and by any latecomers. Industrialists in the Six would oppose Britain retaining any competitive advantages conferred by having low food prices, and the agricultural exporting countries of the Six would expect a reciprocal opportunity of expanding their sales in the U.K.

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(12) The Economist; 20 May, 1961; p.761.

(13) Economist Intelligence Unit; "Spotlight"; 12 May, 1961.

The notion that Britain can negotiate liberal tariff quotas on Commonwealth foodstuffs runs into the difficulty that it is unlikely that we can expect to maintain the Commonwealth's share of the U.K. market for those commodities which the Six are, or may soon be, desperately anxious to sell to us themselves, notably, dairy products, soft wheat and sugar. On the other hand, the Commonwealth's share of the U.K. market for coarse grains and hard wheat should not be in jeopardy from Europe, nor should that for beef, mutton and lamb, unless the Six develop larger surpluses of pigmeat.

Similarly, the difficulty about negotiating expanded outlets on favourable terms for Commonwealth products in the markets of the Six, is that the Six either have no need of the things the Commonwealth has to sell because they themselves are more than self-sufficient, (dairy products, soft wheat and sugar) or they may have a diminishing need in future years (coarse grains and meat), or that they have no desire to disrupt existing trade patterns merely to help Britain over its difficulties with the Commonwealth. Illustrative of this last point is the case of Germany who has been most reluctant to endanger her trade with Denmark and Latin America by taking increasing quantities of French meat, (14) and who would doubtless be even more reluctant to take, say, additional Australian beef at the expense of her trade with the Argentine.

These various potential solutions to the problems created by the need to protect the Commonwealth's interests are equally unconvincing when viewed in political terms. The "Europeans" are opposed to the acceptance of any compromise measures which would weaken the cohesion and unity of the Six, and this is how they would interpret a Community from which agriculture was excluded, or in which some members were granted liberal tariff quotas.

#### Britain Outside the Community.

Hence, there is a very real possibility that Britain would find it impossible to negotiate an entry into the Community which would allow her to preserve her traditional trading relations with the Commonwealth, or enter on terms which would recompense Commonwealth countries for the economic harm they would suffer if they should both lose their preferred position in the U.K. market and have Britain actively discriminate against their trade.

If this should indeed prove to be the case, then Britain will finally be brought to the point of choosing between Europe and the Commonwealth.

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(14) Financial Times; 29 May, 1961.

If trade discrimination can reasonably be regarded as a threat to the political cohesion of the Commonwealth the choice will be a difficult one. On the whole though, the author would favour the view that Britain ought to maintain her primary orientation with the Commonwealth. The political fruits of so doing could be considerable, the economic difficulties we should suffer probably minimal, and certainly within our control.

As a political entity the Commonwealth cannot lightly be weakened or dissolved. Smaller and more flexible than the United Nations, it is the only existing international association in which countries from all regions of the earth, and peoples of all colours, creeds and political persuasions are joined by a predisposition to co-operate in the improvement of world relations and the welfare of mankind. As such, and having regard to its renewed vigour and purpose following the withdrawal of South Africa, it has a unique opportunity to play a constructive role in world affairs.

As to the economic harm which this country would suffer should she choose not to join the European Economic Community, it is unlikely that this would be substantial or irreparable. A considerable and growing volume of trade is already successfully conducted in direct competition with the domestic industries of the Six and over existing tariff barriers, and there seems no reason to expect that this would not be continued in the future despite intensified competition from member countries. Furthermore, the adverse effect on our trade with the Community from discrimination in favour of member countries would be minimised if the Six can be persuaded to adopt a low external tariff on industrial goods. There is reason to be hopeful on this score. Except in respect of agricultural products the Commission seems disposed to adopt a liberal external trade policy. Previous steps in trade liberalisation between members have so far generally been extended to third countries, and it appears that the Six will support the current "Dillon Round" of negotiations for general cuts in industrial tariffs.<sup>(15)</sup> Certainly Britain would find powerful support in the Six if she were to throw her weight more firmly behind the G.A.T.T. and work for liberal trading policies. An offer of substantial cuts in our own high industrial tariff would both encourage this movement towards freer trade and, at the same time, by making the home market less comfortable and easy, stimulate the increased productivity and expansion of exports which some see as a main reason for Britain joining the European Economic Community.

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(15) Financial Times; 25 May, 1961.

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