

Great Britain and the Common Market

A Short Resume of the Present Situation

In a talk to members of the Reinforced Concrete Association at the Carlton Tower Hotel, London, SW, on September 27, Commander Kenneth Cohen, CB, CMG, RN, European adviser to the United Steel Companies, gave a short resume of the present situation, preceded by a brief account of events leading up to the formation of the European Economic Community (the Common Market) and the European Free Trade Area. He also referred to a number of sectors of economic life which would be affected by the treaties, such as right of establishment, labour and restrictive practices. Extracts from Commander Cohen's talk are given below.

THE FIRST ESSAY in creating a Common Market goes back to the early post-war years, but was limited to coal and steel. The six countries concerned (Germany, France, Italy, Belgium, Holland and Luxembourg) formed the Coal and Steel Community with a high authority, governing its activities, at Luxembourg. There is no doubt the chief protagonists of this experiment—MM. Schuman and Monet—had already a good deal more than economic federation in view and were looking forward to the eventual setting up of some sort of United States of Europe.

There is no time or purpose here in entering into the checkered history of Europe which followed this treaty and of the reasons for Britain's abstention, but in 1957 the Rome Treaty was signed creating a similar Common Market for all commodities other than coal and steel, and creating a secondary body known as Euratom, which would deal in a rather analogous way with the problem of nuclear energy for peaceful purposes. On January 1, 1959, the first reduction (of 10 per cent) in the trade barriers between the six countries was effected. The creation of such a body containing some 170m. potential customers with a high average standard of living cut drastically across British conceptions of multi-lateral trading. Adhesion would have involved drastic alterations in our traditional arrangements with the Commonwealth. As you well know, various expedients were attempted to square this particular circle, but they finally broke down at the end of 1958 in conditions of little concealed mutual disapprobation.

The Treaty of Stockholm

By November, 1959, under the leadership of the United Kingdom, the Treaty of Stockholm was signed in which the Seven (Great Britain, Norway, Sweden, Denmark, Switzerland, Austria and Portugal) formed a rather heterogeneous collection of countries, adhering to a Free Trade Area. A Free Trade Area is defined as a group of states who have undertaken to remove all (or most) trading barriers between them, but do not aim at setting up a common external tariff. Little central direction is involved. Such an arrangement has the advantage or disadvantage (depending on your point of view) of allowing each country to retain its own external tariffs and, to a large extent, its individual commercial policy. This, of course, fitted in well with Britain's Commonwealth preferences (which could be left untouched).

Up to date both groups have gone ahead with their reductions, and in the case of the European Economic Community (the Common Market) these are now down by 30 per cent and will probably be down by 40 per cent or possibly even 50 per cent at the end of the year. The Free Trade Area has also reduced its tariffs by 30 per cent, but may find some difficulty in keeping up the pace. The Common Market countries in addition have moved a third of the way towards establishing a common-tariff around their six countries. Quotas in any case are well on their way out, although this does not, of course, necessarily mean that in some cases other practices are not restricting the free flow of goods. Until the Prime Minister's recent announcement that this country will now endeavour to negotiate its entry into the Common Market, no major step had been taken to bridge the gap between the two groups. As it has been put, both groups were therefore marching smartly in step, but in the opposite direction!

The Premier's Announcement

The situation, of course, has been dramatically changed by the Prime Minister's announcement in August that Great Britain proposed to apply for entry into the Common Market providing she could obtain what appeared (here) to be reasonable conditions to cover issues such as Commonwealth preference, the system of support given to British agriculture, and our obligations to our partners of the Seven. Many influences have doubtless led to the taking of this new step, which we have apparently shrunk from hitherto. Among these could be included probably a greater realisation here of the political issues involved and of the dangers of isolation.

The economic statistics of the Six are impressive. These countries between 1953 and 1960 have advanced their gross national products from an index of 100 to 171 and a great part of the spurt has taken place since the formation of the Common Market (which is, of course, no proof that its advent is the primary cause). For this period the British figure has only advanced to 128 and progress among the Seven has only been slightly greater. Between 1955 and 1960 our exports to the Commonwealth have declined from a percentage of 48 to 41 of our total, whilst those to the Six have increased from 12.6 to 14.5 and this trend shows every sign of continuing.

Turning to the Common Market where

a potential 170m. consumers await us the relevant tariffs are at present as follows: Cement—ranging from 11.2 per cent in Italy to 2.1 per cent in the Benelux countries; bricks—10 per cent; tiles—15 per cent; and steel—7 to 8 per cent. If we come in, these barriers would, of course, all be removed either directly or by steps. The changes involved would not be very dramatic.

I might here also take the opportunity of dealing with 'dumping.' During a transitional period the Treaty provides for a body which would deal with complaints and subsequently if necessary authorise protective action by the member state concerned. Eventually, when the barriers have been completely removed each country would have the right to return the offending goods unimpeded to the country of origin.

Right of Establishment

By 1963 large contracts are to be open to tenders from all members of the Six, although it is realised that smaller projects must inevitably remain influenced by local conditions. Firms after 1963 would automatically have a right to set up subsidiaries anywhere in the community and there is certainly no reason why we might not ultimately find ourselves tendering for some major contract, say a bridge, in Italy. Having only last week savoured of their recent achievements along the Autostrada di Sole this might be a tempting bait.

By 1965 it is claimed that the main bulk of industry will have been brought into line, and by 1967 the more knotty problem of the free interchange of professional services will, in theory at any rate, also have been tackled. It is realised that for a long time to come there will be exceptions to these rules, but it is hoped that these will be markedly reduced as the Treaty approaches its final phase. Great Britain, whose rules and practices are liberal, should tend to gain by these developments.

There is certainly no sign of an inrush of foreign labour, but it is planned that the gates within the community should be gradually opened. The first step will be that if a vacancy in a member state has not been filled within three weeks, the employers concerned will have the right to apply for labour from other member states. Immediate application to another state can only be made on the basis of a named individual. After a qualifying period the 'foreigner' working in another country within the Community will have the right of regular renewal and after four years this right will become permanent. In fact a sort of 'second priority' for foreign labour will have been established, which is, of course, not the same as equality.

The Treaty also aims at the gradual establishment of equal pay for men and women and the harmonisation of the social services. These processes are

likely to be gradual, a fact which has already been amply demonstrated during the life of the coal and steel community. Discussions concerning the introduction of a 40-hour week are only in the exploratory stage.

The question of restrictive practices is a very complex subject because the relevant legislation (or its absence) varies considerably among the member states of the Six and is different again in this country. All that I can say at this stage is that an attempt to harmonise the various national procedures is being undertaken by the European Commission and is being watched closely by outside observers, such as the Federation of British Industries. If we 'come in,' there is no doubt that our practices will be in some way affected, but not necessarily to our disadvantage. Perhaps the most unsatisfactory element in the situation is the uncertainty which these new factors are causing. Generally speaking, it might be said that the Treaty as it is being applied today favours rationalisation and mergers (which are already taking part amongst the Six in a significant manner), but that its interpreters will endeavour to prohibit or limit the more blatant forms of market sharing. How effective this opposition will prove remains to be seen.

Transport

It has been always recognised by the 'Europeans' that national systems of transport are in a position radically to favour their own goods to the disadvantage of their neighbours. This, of course,

conflicts with the whole philosophy of the community. The Treaty is reticent on this subject and has left the remedies largely in the hands of the European institutions which have now been created.

Standards

The Six are studying this problem, the Seven have already been asked to cooperate and I understand that a little advance has been made particularly with regard to the electrical industry. Generally speaking, however, the policy has been to avoid any specialisation amongst the Six and rather to leave matters as far as possible to the International Standards Organisation (ISO), taking account of manufacturers' agreements which, of course, cover many aspects of the building and allied trades. Further information on this subject is readily available at the British Standards Institution.

Any attempt to assess the effect of those developments, before the negotiations for British entry have even begun and before we have any clear idea of what derogations in the Rome Treaty as it stands today can be obtained for this country, must be precarious and without factual basis. It seems possible, however, that the eventual protocols which would cover this country's entry might include for a number of important sections of industry, provisions for the establishment of a transitional period. In other words there is probably the best part of a year of hard negotiations and after that a period of perhaps two or three years before the full impact of joining the Common Market will be felt.

Programming of Urban Renewal

Special Agency Suggested

THE POSSIBILITY that an agency might be set up to programme the work of urban renewal was referred to by a chartered surveyor at the conference in London on October 4 of the Industrial Welfare Society.

MR. N. W. BOWIE, FRICS, speaking about investment in property, said there was little doubt that this decade would witness the continuation of a large volume of property development. 'Urban renewal is starting slowly but there is much to be done. Everyone is aware of these sordid areas around our towns sprawling over acre after acre—a relic of the Victorian industrial expansion.'

Town centre schemes were 'merely a scratching at the problem' and the time might well come when some agency was set up to programme the work. This would present an opportunity for private funds to join hands with the authorities in redevelopment.

Mr. Bowie listed these reasons for the continuation of a high rate of property development during this decade:

(1) The urgent need for an urban renewal programme to replace the worn-out centres of many of our towns and cities. The necessity to clear away and replan the so-called blighted and twilight areas around the large older centres of population where industry,

commerce and people lived in a confused mixture detrimental to health and efficiency.

(2) The high rate of family formations and the attainment in the late 1960s by the post-war birth bulge of their marrying age, with consequent additional demand on housing, services and trade.

(3) The continual necessity of replacing the national stock of buildings of all classes, not only because of obsolescence due to age but to meet current methods of production and retailing.

(4) The increasing standard of living, and the increasing volume of production of goods and services, all of which necessitated the provision of new space.

(5) The impact of the motor vehicle and aeroplane on our economy and the community's social life.

Political Developments

Mr. Bowie was optimistic when questioned about the risk of adverse political developments affecting property investment. He said: 'I do not think, because of the vast investment and building programme this country has got to face up to in the next ten years, that there can be rigid political barriers introduced to prohibit private funds going into property. There must be every encouragement for private funds going into it.'

Effects of Public Health Act, 1961

Minister's Circular to Local Authorities

MR. HENRY BROOKE, as Minister of Housing and Local Government, has drawn the attention* of local authorities in England and Wales to various provisions contained in the Public Health Act, 1961. Among these provisions are power for him to make building regulations, new local authority powers over trade effluents and the incorporation in the general law of various provisions included in some private Acts promoted by local authorities. The Ministry of Health is to issue a separate circular on the sections of the Act which are concerned with the prevention and notification of disease.

Mr. Brooke has told local authorities that it will be some time before building regulations which, except in the administrative County of London, will apply to the whole of England and Wales and replace existing local authority by-laws, can be laid before Parliament and before a date can be appointed to bring them into force. For the present, building by-laws will continue.

Charges for Trade Effluents

The provisions about trade effluents extend the powers of local authorities to make charges for such effluents and to attach conditions, or vary existing conditions, to their consent for discharges of trade effluents. They extend the definition of trade effluent to include effluents from land or premises used for agricultural or horticultural purposes or for scientific research or experiment.

The Minister draws local authorities' attention to representations made to him during the Act's progress through Parliament. There has been a strong plea, says the circular, that local authorities ought to make known the basis on which charges for trade effluents are calculated. It continues: 'The Minister realises that in a number of cases local authorities are content with a charge which approximates to or is even less than the cost of treating ordinary domestic effluent and that in these instances there may be little need for detailed explanation. Where, however, they are making a special charge, for an effluent which is difficult to treat, it seems right that they should make their calculations known as plainly as they can to the trader.' By so doing the authorities may well avoid unnecessary appeals to the Minister against the charges they have fixed.

The miscellaneous measures, which have appeared in private Acts and are now incorporated in the general law, are referred to in the final section of the circular.

The Act, with the exception of the part dealing with building regulations and a section on the use of cleansing vehicles on footways, came into force on October 3. Except for one minor provision the Act does not apply to London.

* Circular 46/61. Public Health Act, 1961, HM Stationery Office. Price 6d.