

Britain, the Commonwealth, and the European Common Market

I. THE STRUCTURE OF BRITISH FOREIGN TRADE

1. Trade Flows Between Industrial and Nonindustrial Countries

Among present-day industrial economies, Britain is the only country whose foreign trade fits the classical pattern: exports of manufactured goods are exchanged against imports of primary products. Manufactures provide 85 per cent of Britain's export earnings, and primary commodities account for 73 per cent of her imports (1). British trade-relations are further characterized by the large proportion of trade conducted with the countries of the Commonwealth. Whereas the Continental member countries of the O.E.C.D. carry out 7 per cent of their trade with the Commonwealth, the corresponding ratio is 42 per cent for Britain (2).

A more accurate picture is obtained if we consider trade between industrial and primary producing areas in a geographical breakdown, distinguishing between countries which do or do not have specific ties with Britain. The industrial country group is defined to include the United States, the European Economic Community, the European Free Trade Area and Japan, while the countries of Latin America, Africa, the Middle East, Asia (3), Oceania, and Canada are classified as primary producers. Within each primary producing area, further distinction is made between sterling and nonsterling countries, while Canada constitutes a group by itself (4).

(1) Manufactured goods have been defined to include sections 5-8 of the Standard International Trade classification less unwrought metals which are classified as primary products.

(2) All data referring to the Commonwealth include three former member countries, Burma, Ireland, and South Africa. These countries continue to participate in the Commonwealth preference system and have remained members of the Sterling Area.

(3) Excepting the countries of the Soviet Bloc.

(4) All Commonwealth countries with the exception of Canada are members of the Sterling Area, whereas a few sterling countries such as Ireland, Libya, and Jordan do not

In Tables 1 and 2 actual figures on trade have been compared with hypothetical figures calculated under the assumption that the geographical distribution of exports (imports) according to destination (origin) was identical for all industrial countries. For each primary producing area, actual British exports to and imports from countries having special links with the United Kingdom are shown to be substantially higher than exports and imports calculated under the assumption of a uniform distribution of trade (5). Conversely,

TABLE 1

IMPORTS OF INDUSTRIAL COUNTRIES FROM PRIMARY PRODUCING AREAS, 1961
(millions of dollars)

Imports to Imports from	United Kingdom		United States		Common Market		EFTA less U.K.		Japan		Industrial Countries
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	
	S Asia	924	541	608	875	540	849	114	123	484	
NS Asia	165	380	637	614	455	598	80	86	539	198	1,876
S Africa	1,012	474	314	757	742	745	143	108	130	247	2,341
NS Africa	150	541	193	877	2,141	849	136	123	31	281	2,671
S Middle East	566	316	134	511	563	497	34	72	264	165	1,561
NS Middle East	401	515	261	335	1,483	811	141	118	262	269	2,548
S Latin America	220	96	197	154	22	149	29	22	3	50	471
NS Latin America	343	1,356	3,494	2,192	1,963	2,128	415	310	478	707	6,693
S Oceania	969	486	316	787	569	764	42	111	506	254	2,402
NS Oceania	0	14	3	20	39	22	0	3	24	7	66
Canada	979	1,010	3,107	1,632	481	1,586	152	230	266	527	4,985
TOTAL	5,729	5,729	9,264	9,264	8,998	8,998	1,306	1,306	2,987	2,987	28,284

Source: UNITED NATIONS, *Direction of International Trade*, February-June 1962.

Note: Hypothetical imports have been calculated under the assumption that the geographical composition of imports according to origin was identical for all industrial countries and country groupings.

S - Sterling.
NS - Nonsterling.

participate in the Commonwealth preference system. But the latter countries account for less than one-half per cent of Sterling Area trade.

(5) Canada presents a special case inasmuch as actual exports (imports) of the United Kingdom in trade with Canada were lower than hypothetical exports (imports) although Canada is a member of the Commonwealth. It appears that Canada's close economic ties with the United States due partly to location, partly to business connections, overshadowed the effects of membership in the Commonwealth.

TABLE 2

EXPORTS OF INDUSTRIAL COUNTRIES TO PRIMARY PRODUCING AREAS, 1961
(millions of dollars)

Exports to Exports from	United Kingdom		United States		Common Market		EFTA less U.K.		Japan		Industrial Countries
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	
	S Asia	1,022	658	899	1,321	753	936	201	189	537	
NS Asia	186	525	955	1,054	600	747	110	152	873	246	2,724
S Africa	1,103	445	312	893	562	633	128	129	203	208	2,308
NS Africa	115	545	286	1,095	2,145	775	159	157	122	255	2,827
S Middle East	220	126	141	250	199	179	29	36	61	59	650
NS Middle East	448	446	589	895	928	633	201	129	145	208	2,311
S Latin America	258	109	200	218	60	155	34	32	13	51	565
NS Latin America	494	1,284	3,486	2,577	1,849	1,825	499	371	329	600	6,657
S Oceania	934	354	387	710	266	503	117	102	130	165	1,834
NS Oceania	2	11	13	25	38	16	1	3	6	5	60
Canada	639	918	3,614	1,844	309	1,307	86	265	116	430	4,764
TOTAL	5,421	5,421	10,882	10,882	7,709	7,709	1,565	1,565	2,535	2,535	28,112

Source: UNITED NATIONS, *Direction of International Trade*, February-June 1962.

Note: Hypothetical exports have been calculated under the assumption that the geographical composition of exports according to origin was identical for all industrial countries and country groupings.

S - Sterling.
NS - Nonsterling.

actual figures are below hypothetical figures in the trade of the United Kingdom with the nonsterling countries of each area.

Preferential arrangements other than the British have also contributed to the observed trade patterns. These are of importance in Africa where three Common Market countries — France, Belgium, and Italy — trade intensively with their former colonies. But even for Africa, Britain's trade with sterling and nonsterling countries shows considerably larger discrepancies than that of the Common Market. Thus, the conclusion remains that the economic relations existing between the United Kingdom and the Commonwealth provide the main explanation for the observed "skewness" of the matrix of world trade.

2. Changing Trade Relations with the Commonwealth

British-Commonwealth trade relations date back to the XVIII century when Britain endeavored to obtain food and raw materials from her then colonies. An example of this trade is given by John Stuart Mill: "The West Indies... are the place where England finds it convenient to carry on the production of sugar, coffee, and a few other tropical commodities. All the capital employed is English capital; almost all the industry is carried on for English uses; there is little production of anything except staple commodities, and these are sent to England..." (6).

But already in Mill's time Cuba and Brazil were competing with the West Indies and, also, colonies that had surpluses over the needs of the British market traded with other areas. Trading ties were further loosened during the period up to the depression of the nineteen-thirties as several of the former colonies acquired independence and Britain, too, shifted her purchases of food and raw materials whenever cheaper outside sources of supply were available. Still, the countries of the present Commonwealth remained the principal buyers of British manufactured goods; in 1928 they took a little over 40 per cent of U.K. exports while supplying about 30 per cent of British imports (Table 3).

Trade-patterns underwent substantial changes during the thirties. After the depression had reduced international trade flows, the Ottawa Agreement (1932) provided preferential treatment for nearly two-thirds of the trade between Britain and the Empire. The new preferences benefited primarily the Empire countries since the drop in world demand affected mostly the price and volume of trade in primary products and, also, British exports acquired relatively smaller concessions. A substantial proportion of manufactures of British origin enjoyed preferential treatment already before 1932, whereas goods produced in the Empire had few preferences at that time (Table 4).

Correspondingly, the share of the Empire in British imports rose from 29.7 per cent in 1928 to 39.7 per cent in 1938 while the Empire took 41.4 per cent of British exports in 1928 and 45.8

(6) *Principles of Political Economy*, Ashley, ed., London, Longmans, Green and Co., p. 686.

BRITISH-COMMONWEALTH TRADE, 1928-1961

TABLE 3

Year	U.K. Exports to Commonwealth			U.K. Imports from Commonwealth		
	\$ Million F.o.b.	As a Percentage of		\$ Million C.I.f.	As a Percentage of	
		U.K. Exports	Commonwealth Imports		U.K. Imports	Commonwealth Exports
1928	2,859	41.4	31.3	2,940	29.7	32.6
1935	1,033	44.1	34.4	1,374	36.8	39.3
1938	1,192	45.8	32.1	1,786	39.7	41.4
1948	3,423	51.6	28.8	3,902	46.6	28.8
1949	3,729	54.6	28.5	3,972	47.1	30.2
1950	3,237	51.2	26.3	3,250	44.5	24.4
1951	4,046	53.4	25.8	4,599	42.1	26.3
1952	3,873	50.7	26.0	4,766	49.0	29.1
1953	3,891	51.7	27.1	4,879	52.1	30.3
1954	4,055	52.2	27.3	4,876	51.1	30.2
1955	4,364	51.5	26.4	5,264	48.4	28.9
1956	4,516	48.6	24.3	5,152	47.3	27.3
1957	4,721	48.8	24.4	5,200	45.6	25.1
1958	4,600	49.0	24.2	4,724	44.7	25.1
1959	4,415	45.6	22.6	4,919	44.0	24.7
1960	4,665	45.3	22.0	5,294	41.5	26.1
1961	4,624	43.0	22.2	5,100	41.4	24.3

Sources: 1928 and 1935: ESTIMATED FROM LEAGUE OF NATIONS, *The Network of World Trade*, Geneva, 1942.

1938-1961: UNITED NATIONS, *Direction of International Trade*, Various Issues.

COMMONWEALTH PREFERENCE

TABLE 4

	U.K. Exports to Commonwealth				U.K. Imports from Commonwealth			
	1929	1937	1948	1957	1929	1937	1948	1957
Percentage of imports enjoying preference	35-36	55-57	49-51	n. a.	7	60-61	54-56	49-50
Average margin of preference on goods enjoying preference	13	19-20	14-15	n. a.	29-49	17-20	11-13	10-11
On all goods	5	10-11	7	n. a.	2-3	10-12	6-7	5-6

Sources: 1929, 1937, 1948: MACDOUGALL, G.D.A., and HURT, R., "Imperial Preference: A Quantitative Analysis", *Economic Journal*, June 1954, p. 237, 1957; POLITICAL AND ECONOMIC PLANNING, *Commonwealth Preference in the United Kingdom*, London, Allen & Unwin, 1960, p. 9. The figures have been appropriately adjusted to achieve comparability with those referring to previous years.

Note: Preferential margins calculated as the difference between the full and the preferential rates of duty on an *ad valorem* basis and weighted by import values.

per cent in 1938. The divergence of trends is even more apparent if we consider developments from the side of the Empire countries: although Britain's share in their exports rose from 32.6 to 41.4 per cent in this period, Britain accounted for only a slightly higher proportion of the imports of the Empire in 1938 than she had had in 1928 (32.1 and 31.3 per cent, respectively). Among individual countries, Australia and New Zealand especially increased their dependence on the British market, benefiting from preferential treatment accorded to their meat and dairy products at the expense of Argentine and Danish producers.

Various factors influenced British-Commonwealth trade in the years following World War II. The general rise in prices reduced the value of preferences in cases where specific duties applied, but in the first postwar decade the introduction of exchange restrictions, quotas, and long-term purchase agreements more than counterbalanced the lessening of preferences. Immediately after the war the Commonwealth countries increased their purchases from the United Kingdom in order to make use of accumulated sterling balances. The pooling of foreign exchange, the agreement to sell dollar and gold surpluses to the Bank of England, and the control of dollar expenditure through import licensing systems had similar effects. As a result, in the first half of the fifties over 50 per cent of British exports were sold in Commonwealth countries.

After some fluctuations during the Korean War, the share of the Commonwealth in U.K. imports also increased and it stood above the 50 per cent level until 1954. Up to that year a substantial — though decreasing — part of British food imports was supplied under bulk-purchase agreements from Australia, New Zealand, and Canada. Furthermore, Britain endeavored to rely on non-dollar sources of minerals and rubber, and contributed to the development of new sources of supply, e.g., tobacco production in Southern Rhodesia. The largest increase of imports occurred in trade with tropical Africa which supplied Britain with increasing quantities of copper, oils, tobacco and tropical beverages.

The expansion of British-Commonwealth trade came to a halt in the mid-fifties. After sterling had become de facto convertible in 1955, Commonwealth countries were able to increase their purchases of manufactured goods from non-British sources. The shift from imports of consumer goods to capital goods, the decrease of Britain's share in long-term financing, and the decline of British competitive-

ness had a similar effect. At the same time, the termination of bulk-purchase agreements and the decrease of discrimination against the dollar led the United Kingdom to shift some of her purchases of food and raw materials to nonsterling sources, and the expansion of British agricultural production, as well as the general decline in the prices of primary products, had a further adverse impact on Commonwealth exports to the United Kingdom.

3. The Present Pattern of U.K.-Commonwealth Trade

Despite recent developments, the Commonwealth countries account for a larger proportion of British exports and imports than they did in 1928, and they also increased their share in the U.K. market as compared to 1938. On the other hand, given the declining importance of the United Kingdom in world trade, Britain's share in the trade of the Commonwealth countries decreased.

Various influences contribute to the existing pattern of British-Commonwealth trade-relations. To begin with, the United Kingdom is the largest single food-importing unit in world trade. In 1961, Britain imported temperate zone foodstuffs in the value of \$3.0 billion as compared to Common Market imports of \$2.7 billion. About 45 per cent of British imports came from the Commonwealth. On the one hand, Commonwealth countries are low-cost producers of several foodstuffs; on the other, they often possess certain advantages in the U.K. market.

Although the postwar bulk-purchase agreements came to an end in 1954, special marketing arrangements on wheat and meat are still in force, and Commonwealth producers benefit from long-standing commercial ties and catering to British tastes. Further, the United Kingdom grants preferences to Commonwealth suppliers on all temperate-zone foodstuffs with the exception of live animals, mutton and lamb, and wheat. Altogether, temperate-zone foods in the value of about \$800 million receive preferential treatment, averaging around 10-11 per cent.

Preferential margins are small in the case of tropical beverages, and appear to have had little effect on trade patterns. Among other tropical products, sugar imports are regulated under the Commonwealth Sugar Agreement (beet-sugar from Australia and South Africa also comes under the agreement), bananas receive a relatively

high preferential margin of about 15 per cent, and oilseeds and oils about 10 per cent. The preference on tobacco is approximately 27 per cent of the value before duty and 3 per cent after duty. In addition, until 1961, Commonwealth tobacco benefited from mixing requirements imposed upon British tobacco manufacturers.

Preferences on most agricultural materials (cotton, wool, rubber, etc.) are negligible or nonexistent although long-term agreements on wool may give some advantage to Australian producers. Among agricultural materials there are tariffs and preferences on tropical timber, hard fibers, and some hides and skins but these represent a small part of Commonwealth trade. Finally, although some crude materials, e.g., asbestos) and metal alloys receive preferential treatment, most ores and unwrought metals enter the United Kingdom duty-free from all sources, and there is no Commonwealth preference on fuel imports.

The highest preferential margins apply to certain manufactured goods which have recently assumed importance in the exports of some Commonwealth countries. Cotton fabrics from India and Hong Kong are not subject to duty while Japanese and Chinese exports pay 17½ per cent; there is a 20 per cent preferential duty on clothing, approximately 18 per cent on footwear, and 10-15 per cent on other items with the exception of newsprint which is imported duty-free from all sources. In 1961, over 13 per cent of British imports from the Commonwealth were manufactured goods and these received an average margin of preference of 13 per cent.

British exports to several Commonwealth countries also benefit from preferential treatment. About 90 per cent of U.K. exports to Australia, New Zealand, and Rhodesia and 80 per cent of exports to Canada and the West Indies are granted preferences averaging between 11 and 15 per cent. However, preferences granted to U.K. exports are small in Asia and non-existent in much of tropical Africa. All in all, approximately 50 per cent of British exports receive preferential treatment in the Commonwealth countries with an average margin of about 11-12 per cent.

It appears, then, that about one-half of U.K. exports to and imports from the Commonwealth enjoy preferences averaging slightly above 10 per cent. Long-standing commercial ties and ownership-relations, British investments in the Commonwealth preferential area, the use of the London money-market by the sterling countries, the existence of the London commodity market, and the favorable envi-

ronment for economic cooperation provided by Commonwealth institutions (Commonwealth Economic Committee, Commonwealth Liaison Committee, Colombo Plan, etc.) further contribute to British-Commonwealth trade-relations.

These relationships would undergo substantial changes, however, if Britain were to join the European Common Market. Entry into the E.E.C. is not compatible with the maintenance of the Commonwealth preferential system, and, too, informal ties between Britain and the Commonwealth countries would be loosened. In the following, we shall examine the possible effects of Britain's participation in the Common Market on the British economy and on British-Commonwealth trade.

II. PROSPECTS FOR AGRICULTURE

1. British Agriculture and the EEC

Mainly as a consequence of the liberal trade policy followed by Britain during the nineteenth century, the proportion of population engaged in agriculture is considerably smaller in the United Kingdom than in the Common Market countries. Whereas 4 per cent of the British labor force was engaged in agricultural occupations in 1960, the corresponding figures are 31 per cent for Italy, 23 per cent for France, 14 per cent for Germany, and 11 per cent for Belgium. But agricultural output in Britain rose at a yearly rate of over 2 per cent during the fifties, as compared to the 0.4 per cent annual increase in population.

The recent expansion of agricultural production can be attributed to the application of the 1947 and 1957 Agriculture Acts. The Agriculture Acts provide for the support of domestic production through deficiency payments which are calculated as the difference between the price freely established on the domestic market and a periodically revised minimum price. In addition, the price of fertilizer and lime is subsidized, and farmers receive grants designed to assist them in improving their production facilities.

A system of deficiency payments raises farm incomes just as protective duties do, but in the former case the cost of protection is paid from the government budget instead of in the form of higher

prices to consumers. In the United Kingdom, the cost of the agricultural program reached \$900 million in 1961, amounting to 45 per cent of agricultural incomes, while food prices were kept at a level considerably lower than in most of Continental Europe. The transition to a system of protective duties in the event that Britain joins the Common Market will thus affect farm incomes as well as consumer prices in the U.K.

The future prospects for British farmers in an enlarged Community will depend on the common price level adopted by the E.E.C. and on intercountry differences in farming costs. Although price comparisons are subject to a large margin of error by reason of differences in quality, it can be suggested that, with the exception of milk, the average prices received by farmers in the United King-

TABLE 5

COMPARATIVE LEVELS OF AVERAGE PRICES RECEIVED BY PRODUCERS
FOR SELECTED COMMODITIES, 1960-1961

	Belgium	France	Germany	Italy	Netherlands	EEC Average (Weighted)	United Kingdom	Ireland	Denmark
Wheat	93.0	77.0	102.0	119.6	84.6	94.1	72.4	71.1	72.7
Rye	60.4	60.8	90.3	80.4	70.6	84.5	59.5	n. a.	69.5
Barley	69.2	62.8	107.0	81.2	74.0	78.3	76.3	59.9	55.8
Oats	64.6	56.4	84.0	84.7	72.3	69.7	71.4	59.1	62.7
Potatoes	20.2 ^(a)	30.7	31.3	45.9	25.5 ^(a)	31.4	32.5	45.1 ^(a)	20.0
Sugar Beet . . . (per metric ton of pure sugar)	76.8	81.2	109.1	88.3	90.6	90.8	106.7	108.4	70.3
Beef Cattle . . . (live weight)	445.8	399.9 ⁽¹⁾	497.5	546.4	475.2	455.0	391.8	335.4	359.1
Pigmeat (live weight)	425.2	541	602.5	470.9	491.9	550.6	497.7	476.8	438.0 ^(b)
Eggs (hen)	669.6	620 ^(c)	810.0	785.2	574.7	695.4	729.5	573.4 ^(b)	521.3
Milk (Cow)	66.0	69.9	83.0	67.3	78.7	73.8	89.1	48.4	58.7

Sources: U.N., FAO, *Prices of Agricultural Products and Fertilizers in Europe, 1960-1961*, Geneva, 1962; Excepting the price of pigmeat in France: FAO, *Monthly Bulletin of Agricultural Economics & Statistics*, June 1962.

Notes: (a) for human consumption only,
(b) adjusted from carcass to live weight;
(c) 1959-1960 price.

dom are lower than German prices while they exceed French prices in most instances (Table 5). At the same time, farming costs in the United Kingdom are slightly lower than the Common Market average but will surpass costs in the E.E.C. in the case of entry as a result of expected increases in the prices of various inputs, especially feeding stuffs (7).

It can safely be said that grain producers in Britain will benefit since the price they now receive is lower than prices prevailing in most of the present member-countries of E.E.C. On the other hand, although intercountry differences in beet prices do not adequately reflect relative levels of protection, there is some evidence that British beet-growers will be adversely affected in an enlarged Common Market. Finally, quality differences do not permit reaching definite conclusions in regard to potatoes and, at any rate, high transportation costs would limit a loss to British producers.

As regards animal products, we also have to take into account the expected rise in the price of feedingstuffs which may amount to 17-18 per cent in the event of Britain's entry. U.K. beef and veal producers will still be able to compete with cattle-raisers in France and the Netherlands, but they will be at a disadvantage as compared to beef imported from Denmark and Ireland in a Community including the latter two countries. At the same time, higher feed prices will further weaken the competitive position of producers of milk and milk products, eggs, and pigmeat, who, at any rate, receive higher prices than do the low-cost producers of the Community.

Britain's entry into the Common Market will thus have differing effects on various groups of British agricultural producers. By and large, big farmers producing grains, beef, and veal who account for over 30 per cent of the net output of U.K. agriculture would benefit or, at least, maintain their present position, while the mostly small producers of milk and milk products, eggs, and pigmeat (about 45 per cent of agricultural production) would lose. A substantial proportion of the small and the medium-sized horticultural establishments (15 per cent of net output) would also be adversely affected inasmuch as glasshouse production and the cheaper varieties of fruits

(7) D. T. HEALEY, *British Agriculture and the Common Market*, London, Britain in Europe, 1962, Ch. IV.

are not competitive with the produce of the efficient Dutch farmers or the Italians who are favored by natural advantages. As to the remaining part of agricultural producers, sugar-beet growers would probably lose, but definite conclusions cannot be reached for others.

As regards the impact of Britain's entry into E.E.C. on food prices in Britain, we note that food prices, on the average, are approximately 13 per cent higher in the present Common Market countries than in the United Kingdom if British expenditure weights are used in the calculations, while the difference is 9 per cent at Common Market weights (8). Clearly, for assessing possible future changes in the British price-level, the relevant comparison is that based on the U.K. consumption pattern. Thus, U.K. food prices would rise by about 13 per cent if wholesale prices were equalized in the enlarged Common Market, provided that the marketing margins were also identical throughout the area (9). But Britain being a prospective deficit area, the wholesale prices of foodstuffs will be somewhat higher here than the Common Market average, and differences in the cost of marketing and wholesale and retail markups will also influence the outcome. The necessary information on these items is not available for the participating countries, however.

Approaching the problem in a different way, we note that the wholesale prices of foodstuffs which enter into consumption in the U.K. may rise by approximately 20-22 per cent and the marketing margins on food in Britain is about 45 per cent (10), indicating an 11-12 per cent increase in food retail prices under the assumption that the marketing margin would not change in absolute terms. However, although marketing costs can be assumed to remain unchanged, percentage markups may not be reduced sufficiently to avoid an increase in absolute amount, so that the rise in food retail-prices could amount to 13-14 per cent.

(8) D. T. HEALEY, *op. cit.*, p. 76. The results have been adjusted by taking into account the appreciation of the German mark and the Dutch guilder in March 1961 as well as changes in food prices between 1960 and 1961. Also, we have excluded sugar, tea, and coffee from the calculations since one cannot expect Britain to raise excise taxes on these products to the Common Market level.

(9) The marketing margin is defined as the difference between retail and producer (import) prices, comprising the cost of processing, packaging, transport, distribution, and wholesale and retail markup.

(10) POLITICAL AND ECONOMIC PLANNING, *Food Prices in the Common Market*, p. 17.

British national income statistics indicate that food accounts for about 30 per cent of family expenditure in Britain. Since price increases are not expected in regard to sugar, tea, and coffee (about one-tenth of food expenditure), the primary increase in the cost-of-living would be approximately 3.5 to 4.0 per cent. Further increases would follow as the rise in living costs leads to higher wages and salaries and these, in turn, react on the cost-of-living. Under simplifying assumptions, the theoretical upper limit of cumulated increases in living costs would be 6.8 or 7.8 per cent depending on whether the primary increase was 3.5 or 4.0 per cent (11). But the upper limit of the increase in living costs could be reached only after an infinite number of adjustments and, furthermore, not all wages and salaries are escalated. Hence, the rise in the cost-of-living index may not exceed 6 per cent.

2. The Future of British Food Imports (12)

The Common Market agricultural policy will have repercussions on the British imports of those foodstuffs which are competing with E.E.C. supplies. Competitive imports include some tropical products, too. Sugar and tobacco are produced under tropical and under temperate climate as well, and African oils and oilseeds used in margarine and shortening are competing with European butter and lard. In addition, the association of former French, Belgian, and Italian colonies with E.E.C. will affect the prospects of less developed countries supplying Britain with tropical fruits and beverages.

(11) In arriving at this result we have assumed that (1) all wages and salaries (W) are escalated as the cost-of-living rises and these account for 75 per cent of personal incomes (Y); and (2) wage and salary earners have a marginal propensity to consume domestic goods (C) of .65 from pre-tax incomes. The upper limit of the increase in the cost-of-living is then given as

$$\Delta p = \Delta p_0 \frac{1}{1 - \alpha}$$

when Δp_0 is the initial and Δp the cumulated increase in living costs, and α equals $\frac{CW}{Y}$.

(12) In the following discussion we include tobacco and beverages with food. Oils, fats and oilseeds also come under this heading since food-uses account for over two-thirds of the total consumption of oils and fats. Table 6 provides information on imports of foods and other products. Further breakdown of figures has been based on national and international statistical sources. Unless otherwise noted, all figures refer to 1961.

BRITISH IMPORTS OF PRIMARY PRODUCTS, 1961
 (in millions of U.S. dollars)

TABLE 6

SITC Number	Item	Total Imports	Imports from Commonwealth	Other	Average Preferential Margin
	<i>Temperate Zone Foodstuffs</i>	3,001.1	1,338.3	1,662.8	
001	Live animals	146.9	143.4	3.5	--
011	Meat, fresh, chilled or frozen	390.7	243.2	147.5	6
012	Meat, dried, salted or smoked	267.5	21.0	246.5	10
013	Meat preparations	200.0	49.0	151.0	16
022	Milk	24.3	11.6	12.7	6
023	Butter	297.8	168.3	129.5	5
024	Cheese and curd	88.2	68.6	19.6	15
025	Eggs	29.7	12.9	16.8	7
03	Fish	120.4	17.6	102.8	8
041,046	Wheat and wheat flour . . .	319.4	236.2	83.2	1
042-045,048	Coarse grains and rice . . .	272.4	55.2	217.2	8
051	Fresh fruits except bananas .	240.4	93.6	146.8	11
052,053	Dried fruit and fruit preparation	205.2	100.8	104.4	12
054,055	Vegetables	195.1	19.3	175.8	12
081	Feeding stuffs	151.4	95.8	55.6	12
09	Food preparations	51.7	1.8	49.9	n. a.
	<i>Beverages and Tobacco</i>	413.2	169.6	243.6	
11	Beverages	131.4	34.8	96.6	11
12	Tobacco	281.8	134.8	147.0	27
	<i>Tropical Foodstuffs</i>	742.4	590.1	152.3	
051.3	Bananas	65.0	57.5	7.5	15
061	Sugar	209.4	145.1	64.3	29
071	Coffee	39.9	20.6	19.3	4
072,073	Cocoa and chocolate	96.9	63.7	33.2	1
074	Tea and mate	322.9	297.2	25.7	7
075	Spices	8.3	6.0	2.3	n. a.
	<i>Oils, Fats and Oilseeds</i>	279.1	209.8	69.3	
221	Oilseeds	137.1	117.3	19.8	9
4	Oils and fats excluding butter	142.0	92.5	49.5	11
	<i>Agricultural Raw Materials</i>	1,848.4	758.8	1,089.6	
21	Hides and skins	131.3	48.0	83.3	1
23	Crude rubber	201.6	151.2	50.4	1
24	Timber	496.0	140.2	355.8	5
25	Pulp and paper	330.4	46.4	284.0	--

 BRITISH IMPORTS OF PRIMARY PRODUCTS, 1961
 (in millions of U.S. dollars)

TABLE 6 (Cont.)

SITC Number	Item	Total Imports	Imports from Commonwealth	Other	Average Preferential Margin
262	Wool	404.0	286.5	117.5	--
263	Cotton	174.8	21.9	152.9	--
264	Jute	40.9	40.7	.2	--
265	Vegetable fibres	46.3	21.6	24.7	10
261,266,267	Other fibres and textile waste	23.1	2.3	20.8	--
	<i>Minerals and non-ferrous Metals</i>	1,391.8	685.7	706.1	
27	Crude fertilizers and minerals	115.8	52.2	63.6	7
28	Metal ores and scraps	459.7	204.2	255.5	--
682	Copper	341.4	232.2	109.2	--
683	Nickel	50.9	23.2	27.7	--
684	Aluminum	141.5	74.3	67.2	--
685	Lead	32.8	27.0	5.8	--
686	Zinc	38.3	20.0	18.3	--
681,687-689	Other non-ferrous metals . . .	92.1	15.2	76.9	--
29	Crude animal and vegetable materials	119.3	37.4	81.9	10
	<i>Fuels</i>	1,354.2	672.6	681.6	
32	Coal, coke and briquettes . . .	2.3	2.0	.3	--
331	Crude petroleum	982.2	539.6	442.6	--
332	Petroleum products	369.7	131.0	238.7	--
	<i>Manufactured Goods</i>	3,284.0	674.6	2,609.4	
5	Chemicals	472.9	57.3	415.6	13
61	Leather, leather manufactures n.e.s. and dressed fur skins	77.8	55.0	22.8	12
64	Paper and paperboard	276.4	92.9	183.5	4
651,652	Cotton yarn and fabrics	229.4	92.4	137.0	17
653-656	Other yarns, fabrics, and textile articles	146.5	44.6	101.9	20
657	Floor coverings	34.2	13.0	21.2	12
84,85	Clothing and footwear	181.9	74.3	107.6	18
	Other manufactured goods and miscellaneous	1,864.9	245.1	1,619.8	14
	TOTAL	12,314.2	5,099.5	7,214.7	

Source: UNITED NATIONS, *Commodity Trade Statistics*, Part I. Imports, 1961 and UNITED KINGDOM, *Trade and Navigation Accounts*, 1961.

Temperate zone foodstuffs

Nearly 45 per cent of temperate zone foodstuffs imported into the United Kingdom originate in Commonwealth countries. In 1961, these imports amounted to \$1,336 million and accounted for 27 per cent of U.K. imports from the Commonwealth. By comparison, the Common Market countries imported temperate zone foods from the Commonwealth in the value of \$386 million.

Livestock and meat account for over one-third of U.K. imports of temperate foods. Live animals pay no duty regardless of the country of origin, but imports from countries other than Ireland are practically excluded by British health regulations. Should Ireland join the Common Market, she could count on increasing her exports to the enlarged Community.

Mutton and lamb provide over two-thirds, beef and veal one-fourth of British imports of meat in fresh, chilled or frozen state from Commonwealth countries. There is no duty on mutton and lamb imported from any source and low-cost New Zealand producers have most of the U.K. market. But a shift in British consumption patterns appears likely if the Common Market duty were to raise the relative price of lamb. On the other hand, E.E.C. countries do not have large sheep populations, hence special arrangements on New Zealand imports could conceivably be reached.

The situation is different with regard to beef and veal. Although boned or boneless beef imported from Australia enjoys a preferential duty of 20 per cent and further protection is provided by the Anglo-Australian meat agreement, British imports from Commonwealth countries have been declining in recent years. Much of this decline can be attributed to increased production in Britain. Behind the protective tariff-wall of the Common Market, production in the United Kingdom would expand further or, alternatively, Denmark and Ireland could supply increasing quantities if these countries, too, entered the Community. At the same time, in the absence of Commonwealth preference, Argentina may well provide a larger proportion of the shrinking imports.

Among dairy products (20 per cent of Commonwealth exports of temperate-zone food to the U.K.), butter and cheese are of greatest importance to Commonwealth exporters. Australia and New Zealand send 90-95 per cent of their butter exports to the United Kingdom and receive a preferential margin of approximately 5 per cent.

Entry into the Common Market would mean an increase in the price of butter in Britain with a corresponding shift from butter to margarine and a reduction in butter imports. Given the prospective surplus in milk products in the framework of the present E.E.C., the share of Commonwealth butter in the reduced imports of the United Kingdom would decline even if Denmark and Ireland did not join the Community. Similar conclusions apply to condensed milk and eggs.

Commonwealth preference on cheese is 15 per cent; New Zealand is the main supplier and Britain her only export market. Although this cheese fits the British palate, it would suffer substantial losses in an enlarged Community and would possibly lose a sizable part of its market in Britain even under conditions of free entry and no Commonwealth preference.

Grains account for over 20 per cent of British temperate zone food imports from the Commonwealth, 80 per cent of which is wheat and wheat flour, the remainder coarse grains and rice. There is no duty on wheat but Australian producers export wheat to the United Kingdom under the Anglo-Australian wheat agreement, and there is a 10 per cent Commonwealth preference on wheat flour.

The human consumption of wheat can hardly rise in the future although increases are expected in feed-uses. An increase of consumption will not benefit Commonwealth suppliers, however, since the United Kingdom would have to take the surpluses of the Continental E.E.C. countries and, also, domestic production in the United Kingdom would expand under increased protection. As a result, imports of wheat flour (about one-tenth of the total) and Australian soft wheat could be expected to disappear, while Canadian hard wheat would continue to be imported, although in reduced quantities.

Despite prospective increases in production, the E.E.C. will remain a deficit area in coarse grains irrespective of whether Britain joins or not. But Commonwealth exporters would probably lose some of their British sales to the United States and Argentina if the 10 per cent preference they presently enjoy in the British market were removed. Finally, the small amounts of rice imported by the U.K. from Commonwealth countries would not enter the enlarged Community.

The United Kingdom takes most of the fresh fruit exports of the Commonwealth: oranges and other citrus fruit from South Africa,

and to a lesser extent from Cyprus; apples and pears mainly from Australia but also from South Africa, New Zealand, and Canada; and small quantities of other fruits from several of the Commonwealth countries. In an enlarged Common Market, Italian winter oranges will not compete with the summer oranges of South Africa but the removal of the Commonwealth preference of about 10 per cent will enable U.S. and Brazilian suppliers of oranges (and lemon) to encroach upon the market of South African citrus fruit in the United Kingdom. Moreover, in an enlarged Community, low-cost (and tariff-protected) Italian producers will capture much of the British market in apples and pears which presently receive a 10-11 per cent Commonwealth preference.

Dried fruit imported from Australia, as well as canned and preserved fruit from South Africa and Australia, enjoy a preference of about 12 per cent in the U.K. market. In the absence of this preference, the United States appears to have a competitive advantage over Commonwealth exporters of canned fruits and fruit juices, and Greek producers could also increase their sales of dried fruit to Britain behind the Common Market tariff wall.

The removal of preferential advantages will hurt the chances of Commonwealth exports of vegetables to the United Kingdom too. Finally, as regards the imports of animal feeding-stuffs (mostly the by-products of oil-crushing and grain milling) from India, Canada, and Central Africa, the removal of the Commonwealth preference of 12 per cent would produce a shift in favor of third-country producers and the associated territories of the Common Market.

Beverages and tobacco.

British imports of beverages and tobacco from the Commonwealth totaled \$170 million in 1961, amounting to little over 3 per cent of Commonwealth export earnings in the U.K. market. In the same year, Commonwealth countries exported beverages and tobacco in the value of \$39 million to the European Economic Community. Much of the U.K. imports of beverages from the Commonwealth is Irish ale and whiskey which will not be affected if Ireland joins the enlarged Common Market.

About 40 per cent of British tobacco imports originate in Rhodesia-Nyasaland and India. Until February 1960 these countries

benefited from the limitation of imports from the dollar area to 61 per cent of all tobacco used in U.K. cigarette manufacturing. But the removal of this restriction has had little effect on imports, and the abolition of Commonwealth preference amounting to 3 per cent of value inclusive of revenue duties is not likely to have much effect either, considering that these countries are low-cost producers. Finally, the 30 per cent Common Market tariff is not likely to induce a shift in trade-patterns in favor of Greece, partly because the 30 per cent tariff does not amount to more than 3 per cent of the price including revenue duties, partly because oriental tobacco is not favored in Britain. On the other hand, associated status for Rhodesia-Nyasaland might induce some substitution against Continental tobacco in the Common Market countries.

Tropical foodstuffs.

The main tropical foods traded include bananas, sugar, coffee, cocoa, tea, and spices. In 1961, these products accounted for about 12 per cent of U.K. imports from the Commonwealth, and Commonwealth countries supplied about 80 per cent of British consumption. At the same time, sales to the Common Market hardly surpassed one-fourth of sales to the United Kingdom.

The approximately 15 per cent preferential duty and quantitative restrictions on imports originating in the dollar area have contributed to the well-nigh exclusive trading relationship in bananas between the U.K. and the Commonwealth. Nine-tenths of British imports originate in the Commonwealth countries (mainly in the West Indies but also in Nigeria) and the latter, in turn, supply almost exclusively the U.K. market. The removal of the preferential duty would produce a shift in favor of Latin America but the application of the 20 per cent Common Market tariff would have little further effect on U.K. imports given that the present Common Market associates supply hardly more than one half of consumption in the E.E.C. countries. On the other hand, association with the Community may benefit the West Indies and Nigeria at the expense of Latin American producers on the German and Benelux markets.

We have included sugar among tropical products since three-fourths of U.K. imports come from tropical areas. About one-half of sugar imports to Britain is covered by the Commonwealth Sugar

Agreement which provides for a price above the world market level. Additional quantities are imported at a preferential rate which averaged around 28 per cent in 1961. In the absence of the Commonwealth Sugar Agreement and Commonwealth preference, Latin American producers would capture much of the British market, and Britain's participation in the E.E.C. would enable the present Common Market countries and associates to sell their potential surpluses to Britain. The association of the West Indies and Mauritius with the Community would save the markets of these territories in the United Kingdom, but sugar imports from Australia and South Africa would not be maintained.

Only one-fifth of Commonwealth coffee exports go to tea-drinking Britain, accounting for one-half of British imports. For Commonwealth producers, the entry of the United Kingdom into E.E.C. would mean the loss of preferences of about 4 per cent as well as the prospect of paying a 9.6 per cent duty. These changes would restrict exports of robusta from Uganda (about 40 per cent of the total) but the producers of the more flavorful arabica (mostly from Kenya and India) would be hardly affected since the countries associated with the Common Market produce little arabica. At any rate, the smallness of the British market limits the possible losses due to trade diversion. On the other hand, given the possibilities for a rapid expansion of arabica production in British East Africa, the share of Latin American producers and that of the countries presently associated with the Community in the market of the E.E.C. would fall if the British territories were given associated status.

British imports of cocoa beans, as distinct from cocoa powder and cocoa butter, come almost entirely from Nigeria and Ghana. Considering that these countries are low-cost producers of cocoa, the slight Commonwealth preference has no influence on trade patterns, and neither would the envisaged 5.6 per cent Common Market tariff present much of a barrier. But trade diversion would again follow if Nigeria and Ghana were given associated status thereby increasing the share of associated territories from 16 to 67 per cent of world exports. As a result, imports from Brazil and other Latin American countries to the Common Market would be adversely affected.

India and Ceylon are the main suppliers of tea to Britain and they provide about 80 per cent of world exports. Given low produc-

tion costs in these countries and the importance of taste differences in tea consumption, the removal of Commonwealth preference amounting to 7 per cent in 1961 could have little effect on trade patterns. And since it is envisaged to eliminate duties on tea in the enlarged Common Market, the present trade flows are likely to continue. Finally, in view of the negligible amounts of spices produced by the present E.E.C. associates, Commonwealth exports of spices are not likely to be affected under any arrangement.

Oils and oilseeds.

Oilseeds and vegetable oils originating in Commonwealth countries receive a fairly large preference on the British market (about 10 per cent) and benefit also from long-term contracts between the West African Marketing Boards and large users in the U.K. that have taken the place of contracts between the Marketing Boards and the U.K. Ministry of Food. Correspondingly, the Commonwealth countries supply about 75 per cent of the British market. But several of these countries are competitive in the world market which is attested to by the fact that about one-half of their exports are taken elsewhere. Groundnuts from Nigeria, copra and coconut oil from Malaya and Ceylon, and industrial oils and oilseeds from Canada and India find markets in E.E.C. countries. In 1961, the exports of these producers to the Common Market amounted to \$150 million as compared to sales in the U.K. market in the value of \$210 million.

Any discussion of the prospects of Commonwealth oils and oilseeds is highly conjectural. The loss of preferences (and purchase contracts) would expose Commonwealth producers to more competition, especially from American soybeans, but soybean production in the United States is determined largely by the agricultural support-policies to be followed. The Common Market does not have duties on oilseeds, although there is a 10-15 per cent tariff on oils. This arrangement favors the vegetable oil exports of territories associated with the Common Market, but European countries attempt to increase their imports of oilseeds at the expense of oils in order to obtain the oilcake used as animal feed. Finally, although other things being equal the association of Commonwealth countries with the E.E.C. would act to increase their oil exports, the expected surplus in milk products is likely to induce the E.E.C.

countries to reduce the price of butter to the consumer, contributing thereby to the substitution of butter for margarine and shortening that use vegetable oils.

III. THE OUTLOOK FOR TRADE IN RAW MATERIALS AND MANUFACTURED GOODS.

1. Raw Materials in an Enlarged Common Market

Britain's entry into the Common Market would pose few problems with respect to raw materials. With some exceptions, Commonwealth producers of raw materials do not receive preferences in the U.K. market and most of these materials are not dutiable in the E.E.C. British imports of raw materials from Commonwealth countries amounted to \$1,444 million in 1961 as compared to imports of \$1,478 by the European Economic Community. These imports are approximately evenly divided between agricultural and nonagricultural materials.

Agricultural materials.

There is no duty on hides and skins in Britain, excepting split hides and skins and goat skins; in the latter instances, Commonwealth producers receive a 10 per cent preference. But trade in split skins is negligible, and the preferential duty on goat skins has little effect on trade patterns since the Commonwealth countries are low-cost producers. Britain's participation in the Common Market would not result in any changes either, given that hides and skins enter the Community duty-free.

Natural rubber is one of the most important export products of the Commonwealth countries (chiefly Malaya but also Singapore and Nigeria) and they supply much of the market in the U.K. as well as in the E.E.C. countries. In the absence of duties, integration will not affect trade patterns except through stimulating the production of synthetic rubber. But the removal of the 10 per cent preference accorded to the Canadian producers of synthetic rubber is expected to produce a shift in sources of supply, inasmuch as Britain's purchases from Canada would be reduced in favor of the United States and the countries of Continental Europe.

Canada is the main exporter of softwood to the United Kingdom, but the approximately 1 per cent preference she receives has no influence on the pattern of trade. There is no duty on softwood in the Common Market excepting sawn wood and poles of certain sizes that are produced in larger quantities in some E.E.C. countries. But the Common Market being a deficit area in softwood, Canadian sales to Britain would not be affected in an enlarged Community.

The situation is different with regard to tropical hardwood imported mostly from Ghana, Nigeria, Sarawak and Malaya. The United Kingdom levies a 10 per cent duty on all hardwood originating in non-Commonwealth countries, while the Common Market applies a 5 per cent tariff on hardwood logs and a 10 per cent duty on sawn hardwood and veneer sheets. Given the possibilities of expansion in the former French territories in Africa, the loss of preferences and the application of the E.E.C. tariff could lead to a reduction of the share of Commonwealth countries in the U.K. market in the event of Britain's participation in the Community. On the other hand, the association of Commonwealth hardwood exporters with the E.E.C. would mean that these producers could continue to sell to Britain and would also maintain their present share in the German market (about one-half of their sales to the United Kingdom in 1961).

Little over one-tenth of British imports of woodpulp comes from Canada. There is no Commonwealth preference on woodpulp while the Common Market tariff is 6 per cent. U.K. imports from Canada would not be affected by a 6 per cent tariff, however, unless Scandinavian countries entered the Community. In the absence of a large expansion of consumption in Europe, Canadian exports have little chance to survive in the latter case.

Wool, the largest single item in Commonwealth exports (Australia, New Zealand, and South Africa are the main producers), is not dutiable and the Commonwealth's share in British and E.E.C. imports is equally 70 per cent. Thus, the prospects of Commonwealth wool exports will depend on future consumption-trends rather than on integration in Europe. Similar considerations apply to cotton excepting that the Commonwealth exporters (British East Africa, Pakistan, India, and Nigeria) supply only a little over 10 per cent of British imports in this case.

Pakistan provides over 90 per cent of the world exports of jute and faces no duty in Europe. But producers of hard fibers in

Kenya, Uganda, and Tanganyika receive a preference of 10 per cent and are the exclusive suppliers of sisal for the U.K. market while their share in the Common Market is about 40 per cent. Hard fibers are not dutiable in the E.E.C., but the loss of preferences may mean a fall in the share of the East African producers in the British market.

Minerals and Non-ferrous Metals.

There is no duty on ores in the United Kingdom and in the E.E.C. hence the Commonwealth producers of iron ore (Canada, Sierra Leone), zinc and lead ore (Australia, Canada), tin ore (Nigeria) and bauxite (Ghana, British Guiana) have nothing to fear from integration in Europe. Among non-ferrous metals, similar considerations apply to copper and nickel on which no duty is levied in Europe. The present trade patterns based largely on ownership relations (Rhodesia-Nyasaland is the main supplier of copper to the U.K. market while nickel is imported from Canada) are expected to continue if Britain joins the Common Market.

Commonwealth preference on aluminum, lead, and zinc is nonexistent or negligible and a large proportion of U.K. supplies comes from the Commonwealth (aluminum from Canada, lead and zinc from Australia and Canada). In the Common Market, however, these metals will be dutiable: aluminum at a rate of 8.5 per cent, and lead and zinc at approximately 7 and 6 per cent, respectively. As to aluminum, Britain's participation in the Common Market may not substantially affect Canada's chances of selling on the British market during the sixties. Subsequently, however, the former French and Belgian territories can become serious competitors. The share of Canadian aluminum would decline further if Norway also joined the Community.

The Common Market countries are self-sufficient in zinc and supply about 50 per cent of their needs in lead. Behind the protective tariff-wall, Belgium and the former Belgian Congo could increase their zinc exports to the United Kingdom, although the Commonwealth countries would continue to dominate the British market during the sixties. Present trade flows are expected to continue in regard to lead.

Among the remaining non-ferrous metals, imports of silver and tin would not be affected by Britain's entry into the Common

Market, while imports of some lesser metals (e.g., ferrosilicum and ferrochromium) would be diverted to European suppliers. Finally, little change is expected in regard to trade in crude minerals, and crude animal and vegetable materials, since Commonwealth producers who receive preferential treatment are often also low-cost suppliers (e.g., asbestos and graphite).

Fuels.

Petroleum is subject to a specific duty in the United Kingdom but Commonwealth exports (primarily Kuwait) receive no preference. It is expected that the Common Market will follow a liberal energy policy and there will be no discrimination against imports of crude fuel from third countries, although quotas will apply to refined oil. Present British-Commonwealth trade-relations could thus be maintained under any arrangement.

2. Prospects for Commonwealth Exports of Manufactured Goods

With few exceptions, Commonwealth manufactures enjoy a preference exceeding 10 per cent in the U.K. market. The high preferential margin as well as favorable quota-treatment has had a substantial effect on the expansion of these exports in recent years. In 1961 over 13 per cent of British imports originating in the Commonwealth were manufactured goods and one-sixth of U.K. imports of manufactures came from Commonwealth countries. By comparison, little over one per cent of E.E.C. imports of manufactures originated in the Commonwealth.

British imports of manufactures from Commonwealth countries can be roughly classified in two groups each accounting for approximately one-half of the total: labor-intensive products imported from cheap-labor areas (India, Hong Kong, Pakistan) and resource-intensive products originating primarily in Canada and, to a lesser extent, in Australia, New Zealand, and India.

Cotton yarn and fabrics (largely grey cloth) from India and Hong Kong receive a preference of 17½ per cent in the U.K. market. Although textile imports to Britain are limited by informal agreements, these quotas favor the producers of India and Hong Kong over Japanese and Chinese suppliers. Without Commonwealth

preference and quota arrangements, the latter countries would have a competitive advantage as seen by their sales in markets where all compete on an equal footing (Tropical Africa and much of Southeast Asia).

The Common Market tariff on cotton cloth is 17 per cent. In the absence of quantitative restrictions, Hong Kong, and to a lesser extent, India could still export to the enlarged E.E.C. but it is envisaged that the Community would maintain a system of quotas. Given existing quantitative restrictions, in 1961 the E.E.C. countries imported only 2.5 thousand tons of cotton fabrics from India and Hong Kong as compared to 436 thousand tons imported by the U.K. The Geneva agreement provides for raising the quotas of the present E.E.C. countries to 12 thousand tons, and future quota-arrangements will also largely determine the prospects of these exports to an enlarged Community.

Among other fabrics, jute manufactures are of importance. The Jute Control Board, a state monopoly, restricts exports of jute cloth to Britain. The 23 per cent E.E.C. tariff would not provide an insuperable obstacle for exports from India and Pakistan, although the Belgian and French jute industries are dangerous competitors. But here again quantitative restrictions are likely to be imposed. Similar considerations apply to the imports of rayon-fabrics from Hong Kong.

The sale of Indian carpets in the British market is protected by a 4 per cent tariff on hand-made and a 20 per cent tariff on machine-made carpets of non-Commonwealth origin. On the other hand, duties in the Common Market range between 21 and 40 per cent. In the event of the loss of preferences and the application of the high Common Market tariff, India's exports of carpets of the cheaper variety may fall substantially although high-quality hand-woven Indian carpet will be little affected.

Clothing and footwear from Hong Kong enjoy preferences of 20 and 18 per cent, respectively, in the British market. Preferential treatment favored Hong Kong suppliers over Japanese competitors in Britain, although the competitiveness of Hong Kong producers is attested by the fact that they could expand their sales to Germany despite the 15 per cent German tariff. The Common Market tariff will be higher, on the average 21 per cent, which will put Hong Kong producers at a disadvantage in comparison with Dutch and Italian manufacturers. Still, given the low wage-level

in Hong Kong, many items could be successfully marketed in Europe, and future sales are likely to be restricted by quotas rather than by the tariff. Further, despite the loss of Commonwealth preferences, Hong Kong's sales of toys and other cheap and low-quality items could be maintained in an enlarged Community although, at least in the case of toys, Japan is an important competitor (presently, the importation of Japanese toys to the United Kingdom is limited by quota).

It appears, then, that the sales of labor-intensive products by India and Hong Kong and, to a lesser extent, Pakistan in the British market are protected by quotas more than by Commonwealth preference. At the same time, in regard to several items, quotas also limit imports from Commonwealth countries. The situation is different with respect to resource-intensive commodities, the exports of which have often developed in response to Commonwealth preference.

Imports of leather from India and Australia enjoy preferences averaging at 9 per cent in the British market. The removal of the preferential margin and the approximately 12 per cent E.E.C. tariff would mean the loss of much of Commonwealth exports to the U.K., partly because of competition from Argentina, partly because of the expansion of livestock-raising in Europe. Imports of leather made of goat and sheepskins from India would, however, continue.

Newsprint accounts for three-fourths of Canada's exports of paper products to the British market and it is imported duty-free from all sources. But imports of cheaper Scandinavian newsprint are restricted through informal agreements. It appears questionable whether these arrangements would be maintained if the Scandinavian countries also joined the Common Market given that the E.E.C. tariff on newsprint is 7 to 16 per cent. Finally, other paper exports, which have a 10-20 per cent preference in the British market are likely to disappear in an enlarged Community even if Scandinavian countries did not join.

Much of the exports of chemicals from Canada and South Africa to the United Kingdom would also be eliminated if the approximately 13 per cent Commonwealth preference were removed. Exceptions are dyeing and tanning extracts imported mainly from South Africa, and some special chemicals based on mineral deposits in Canada. Finally, Commonwealth sales of iron and steel manufac-

tures, road vehicles, aircraft machinery and scientific instruments in the British market depend to a considerable extent on Commonwealth preference and would suffer substantial losses in an enlarged E.E.C. Exports of ferroalloys and metal manufactures would not be affected, however.

3. The Outlook for British Exports of Manufactures

In 1961, 47.0 per cent of British exports of manufactured goods were destined for the Commonwealth, 6.5 per cent for the United States, and 15.4 per cent for the European Economic Community. By comparison, the Commonwealth took 29.7 per cent of U.S. exports and 10.9 per cent of E.E.C. exports. The contrast becomes greater if we exclude Canada which has close economic ties with the United States; we find that, in 1961, 40.5 per cent of U.K. exports of manufactures, 9.8 per cent of U.S. exports, and 9.3 per cent of E.E.C. exports were destined for the sterling countries of the Commonwealth. In absolute terms, British exports to the sterling area amounted to \$3.4 billion in 1961 as compared to U.S. exports of \$1.2 billion and E.E.C. exports of \$1.5 billion.

Thus, despite the setbacks the United Kingdom suffered on the markets of Commonwealth countries in recent years, the latter are the principal purchasers of British manufactures and, in turn, the U.K. is the largest supplier of the Commonwealth countries except Canada. As Table 2 indicates, about 50 per cent of the imports of the sterling countries of Oceania, Africa, Latin America, and the Middle East that originate in industrial countries come from the United Kingdom. A lower ratio, approximately 30 per cent, is shown for the sterling-countries of Asia. On the other hand, Britain's share in the imports of the nonsterling-countries of these areas does not exceed 6 per cent, the exception being the Middle East where long-standing ties link Britain to Iraq, one of the largest importers in the area.

The preference given to U.K. exports of manufactures, ownership-relations, and informal ties between businessmen in the U.K. and in Commonwealth countries appear to be responsible for the observed trade patterns. Both Australia and New Zealand grant preferences to approximately 90 per cent of U.K. exports ranging from 3 to 35 per cent on duties from 3 to 50 per cent. The West Indies and the Rhodesias give preferences of about 10 per cent

on most manufactures originating in the United Kingdom. Preferences are negligible or non-existent in the African Commonwealth countries other than the Rhodesias and in the Middle East but business ties with the colonies, past and present, favor British exporters. It should be noted in this connection that in these territories a considerable proportion of traders engaged in the importing business are British.

Asian Commonwealth countries give few preferences to British manufactures. The informal ties and traditional trade-relations observed in Africa, the West Indies, and the Middle East are also of less importance here. Finally, preferences granted to British goods in Canada provide an advantage for U.K. producers over their Continental counterparts, but in most instances the relatively small margins fail to counterbalance the competitive advantage of neighboring U.S. producers.

Presently about 50 per cent of British exports to the Commonwealth receive preferences averaging at 11-12 per cent. But the dismantling of the Commonwealth preference system would not necessarily affect the same proportion of trade. U.K. exports of wool textiles would be largely maintained, for example, since British products enjoy great prestige although cheap Japanese exports present some danger. On the other hand, the loss due to the abolition of preferences would not be restricted to the consequences of changing relative prices since the mere existence of the preference system often tends to deter other exporters from competing and reduces the possibility that purchasers would consider alternative sources of supply.

IV. PROSPECTS FOR THE COMMONWEALTH AND BRITAIN.

1. Commonwealth and Common Market

Britain's participation in the European Economic Community will affect the exports of Commonwealth countries to the United Kingdom in two ways: on the one hand, through the abolition of Commonwealth preference these countries will lose their discriminatory advantages over non-Commonwealth producers; on the other, they will be discriminated against in favor of Common Market supplies. In the following discussion of prospective changes, the 1961 trade pattern will be used as a basis of comparison.

Among Commonwealth countries, Canada's trade with the United Kingdom is the largest in absolute amount but Canada is less dependent on exports to the U.K. than are most Commonwealth nations. In 1961, Canada's exports to Britain amounted to \$920 million, 15.6 per cent of total exports and about one-third of her exports to the United States (Table 7). Cereals, metals, and

BRITISH TRADE WITH THE COMMONWEALTH 1961 TABLE 7
(millions of U.S. dollars)

Region or Country	Exports			Imports		
	Value	Percentage in		Value	Percentage in	
		British Exports	Country Imports		British Imports	Country Exports
Canada	638.8	5.9	10.7	978.9	7.9	15.6
Australia	570.0	5.3	31.3	488.5	4.0	19.7
New Zealand	348.8	3.2	41.5	447.3	3.6	49.6
South Africa	423.6	3.9	29.1	320.7	2.6	32.9
<i>Trop. Africa</i>	679.0	6.3	36.9	691.0	5.6	39.0
Ghana	141.1	1.3	27.5	56.0	0.5	26.5
Kenya	81.6	0.8	34.8	34.8	0.3	22.3
Tanganyika	29.1	0.3	37.6	33.2	0.3	34.8
Nigeria	214.3	2.0	39.6	218.0	1.8	42.9
Rhodesia-Nyasaland . .	132.9	1.2	33.0	285.1	2.3	46.4
Others	80.0	0.7	42.6	63.9	0.5	41.9
<i>Middle East</i>	220.3	2.0	n.a.	566.0	4.6	n.a.
India	428.9	4.0	20.4	495.8	3.3	24.5
<i>Other Asia</i>	593.0	5.5	17.7	519.1	4.2	15.5
Ceylon	75.2	0.7	21.3	112.9	0.9	29.2
Hong Kong	124.4	1.2	12.3	126.8	1.0	14.6
Pakistan	123.6	1.1	19.9	82.1	0.7	12.7
Malaya	114.0	1.1	22.6	106.1	0.9	11.9
Singapore	107.1	1.0	n.a.	53.6	0.4	n.a.
Others	48.7	0.5	n.a.	37.6	0.3	n.a.
<i>West Indies</i>	257.8	2.4	29.5	218.7	1.8	30.5
Jamaica	65.6	0.6	33.5	51.4	0.4	26.7
Trinidad	72.5	0.7	24.1	95.2	0.8	25.7
Others	119.7	1.1	41.5	72.1	0.6	25.1
Ireland	390.9	3.6	50.7	408.3	3.3	74.4
Others	732.0	6.8	n.a.	55.2	0.4	n.a.
Commonwealth	4,624.3	42.0	22.2	5,099.5	41.4	24.3
World	10,754.2	100.0	n.a.	12,314.6	100.0	n.a.

Source: UNITED NATIONS, *Direction of International Trade*, February-June, 1962.

wood and wood products account for about 70 per cent of these exports. Upon Britain's entry into the E.E.C., the application of Common Market agricultural policy would reduce but not eliminate Canadian exports of wheat to the United Kingdom, the share of Canadian producers of aluminum and zinc in the British market might also decline, while exports of wood pulp and paper products would be adversely affected only if Scandinavian countries joined the Community. There would be no adverse repercussions on Canadian exports of timber, metal ores, copper, nickel, and lead, but Canadian producers of most manufactures would have little chance to compete on the British market. All in all, Britain's entry into E.E.C. could affect approximately 6 to 8 per cent of Canada's total exports.

Australia's dependence on the British market has been rapidly declining in recent years; in 1961 only 19.6 per cent of her exports were destined for the United Kingdom as compared to 37.1 per cent in 1954. Integration would have no effect on Australian exports of wool and metals (about 35 per cent of the total) but, in the absence of special arrangements, exports of wheat, sugar, dairy products and eggs could be eliminated and sales of fruits and various manufactured goods greatly reduced. Should Denmark and Ireland join the Community, the prospects of Australian beef and veal are not very bright either. Consequently, Australia can conceivably suffer adverse changes from Britain's participation in E.E.C. on about one-eighth of her total exports.

Among Commonwealth countries, New Zealand stands to lose the most if Britain joins the Common Market. New Zealand conducts one-half of her trade with the United Kingdom, two-thirds of which consists of sensitive items. Although she is a low-cost producer of dairy products, the Common Market agricultural policy would reduce her sales of butter, cheese and condensed milk — about one-third of New Zealand exports to the United Kingdom — in the British market. Meat exports, chiefly mutton and lamb, account for another one-third, and will depend to a considerable extent on the special treatment accorded to New Zealand.

South Africa is in a somewhat better position. She sends only one-third of her exports to Britain, about 35 per cent of which is wool, nonferrous metals, hides and skins, and crude mineral or mineral product. But South Africa would suffer losses on much of her food exports, with the possible exception of coarse grains.

Considering also the expected setbacks on exports of manufactured goods and pulp and paper, approximately one-fifth of South African exports would be affected.

Commonwealth countries in Tropical Africa conduct, on the average, about 40 per cent of their trade with the United Kingdom, although the dependence of sugar-producing Mauritius on the British market approaches 100 per cent while that of Ghana and Kenya is around 25 per cent. The main export products of the area, copper and metal ores, tobacco, oilseeds, cocoa, and crude petroleum, would be hardly affected by Britain's participation in the Common Market, although imports of meat preparations from Kenya, sisal from Tanganyika, vegetable oils, bananas, and feeding stuffs from Nigeria, sugar from Mauritius, coffee from Uganda, and tropical timber chiefly from Ghana would probably decline. With the exception of Mauritius, whose entire exports consist of sugar and would conceivably receive special treatment, more than 10 per cent of total exports would be affected only in the case of Nigeria and Uganda. On the other hand, Britain's participation in the Common Market would limit the possibility for these countries to expand their exports of processed food and manufactured products to the U.K. market. A good example is Ghana, whose exports of cocoa preparations would be hampered by the high Common Market tariff on these products, while her prospective aluminum exports would be at a disadvantage as compared to aluminum originating in the former French territories.

The bulk of Middle East exports being crude petroleum, export prospects would not be substantially altered by Britain's entry into E.E.C. Quota arrangements will be necessary in regard to petroleum products, however. Also, Cyprus would suffer substantial losses if she did not follow Greece's example by reaching an agreement for association with the Common Market.

In the absence of tariffs, no changes are expected in regard to trade in tea which accounts for 45 per cent of India's export earnings in the United Kingdom. Yet the loss of Commonwealth preference and the application of quota restrictions would hinder the future growth of India's exports of leather goods and textiles to the U.K. and could also result in absolute decreases in regard to some items (carpets of the cheaper variety and possibly cotton cloth). If we take account of the prospective decline in the exports of feeding-stuffs, about 10 per cent of India's total exports in 1961

would be affected. This comparison is somewhat misleading, however, since the adverse repercussions would be concentrated on those items where India would expect a large expansion in the future, while tea exports could hardly rise above present levels.

Quantitative restrictions in an enlarged E.E.C. may limit Hong Kong's exports to the United Kingdom, that accounted for 14.6 per cent of her export earnings in 1961. On the other hand, the present pattern of exports of the remaining Asian Commonwealth countries would be little affected, since jute, cotton and tea from Pakistan, tea and rubber from Ceylon, and rubber and tin from Malaya enter the Common Market duty-free. Exports of feeding-stuffs and vegetable oils would, however, be reduced and the planned increase in the exports of labor-intensive manufactured goods from Pakistan and Singapore would be checked.

The exports of sugar and bananas from the West Indies, accounting for about 40 per cent of the export earnings of these territories in the U.K. market, would fall to a considerable extent if the West Indies remained outside the enlarged Community. Quota-arrangements would also be necessary in order to maintain present U.K. imports of petroleum products from Trinidad, which account for another 30 per cent of the export earnings of the West Indies in trade with Britain.

Finally, Ireland would suffer a major dislocation of her exports, three-fourths of which went to the U.K. in 1961, if she were excluded from the Common Market. On the other hand, admittance to the E.E.C. would give a boost to Irish exports of livestock, meat and dairy products, although presenting a danger to exports of manufactured goods, which would no longer enjoy Commonwealth preference.

So far we have considered the probable effects of Britain's participation in the Common Market on Commonwealth exports to the United Kingdom under static assumptions. It has often been argued, however, that a higher rate of economic growth in the United Kingdom, which would supposedly follow if Britain entered the Common Market, could erase much of the loss due to changes in preferential arrangements. This argumentation might have relevance in the case of several raw materials inasmuch as a higher rate of growth in Britain would raise especially the imports of metals and fuels and rubber. In the case of aluminum and zinc,

for example, the growth effect would reduce the discriminatory effects of preferential tariffs.

Yet, the income elasticity of demand for wool being approximately zero in the United Kingdom, wool consumption would hardly rise and neither would imports of temperate zone and tropical foods be much affected by a higher rate of growth of incomes. On the one hand, the income elasticity of demand for most foodstuffs is low; on the other, much of the increase in food consumption is likely to be taken up by an expansion of production in an enlarged Community and its associates. Finally, it is questionable to what extent a higher rate of growth in Britain would benefit the present Commonwealth exporters of manufactures while, at the same time, the planned expansion of the exports of processed foods and labor-intensive manufactured goods from Africa and Asia to the United Kingdom would encounter obstacles if Britain joined the E.E.C.

It appears, then, that while the "growth effect" could reduce losses suffered by Canada and might benefit countries such as Rhodesia-Nyasaland and Kuwait whose exports have a high income-elasticity, the adverse repercussions of Britain's entry into the Common Market on the economies of most Commonwealth countries would be hardly mitigated by reason of a higher rate of growth in the United Kingdom. Special arrangements would thus be necessary if these countries are to be compensated for prospective losses.

The Common Market offered associated status in the event of Britain's entry to all African and Caribbean members of the Commonwealth. Pronouncements made by the officials of these countries indicate, however, that while the West Indies would choose association most African countries would decline such an arrangement. On the other hand, Ireland and Cyprus would certainly join in some form and several of the smaller colonies could also receive associated status. For the remaining members of the Commonwealth, cash-compensation, quotas (dutiable or duty-free), worldwide commodity agreements, and over-all tariff reductions have been proposed as possible compensating measures.

It is not our purpose here to evaluate the alternative compensatory policies to be followed, but mention should be made of the repercussions of these policies on third countries. With the possible exception of commodity agreements and tariff reductions benefiting all suppliers, such measures would increase existing discrimination against the United States, Latin America, Japan, and those under-

developed countries in Asia and Africa that do not have links either with the Common Market or the United Kingdom. It would be necessary, therefore, to take account of the interests of the latter countries in negotiating any kind of arrangement.

2. Britain in the EEC

Under the assumption of unchanged technology and resource endowments, the economic gains and losses Britain may derive from participation in the Common Market follow from the reallocation of resources and changes in the terms of trade. Gains from the reallocation of resources are the familiar benefits of free trade: the resource cost of goods consumed will be reduced after the removal of tariff barriers since resources are transferred from inefficiently producing import substitutes to efficiently producing export goods which, in turn, pay for increased imports. But integration also brings losses in resource allocation inasmuch as the elimination of tariffs among partner-countries leads to discrimination against non-members; goods that have been purchased from third countries at lower cost will now be bought at a higher cost from partner countries whose products are not subject to duty. Finally, the dismantling of the Commonwealth preference system, attendant upon Britain's entry into the Common Market, can be regarded as integration *in reverse* with the benefits derived from Commonwealth preference being lost for the former partners.

Gains and losses from the reallocation of resources will depend on the amount of trade created (diverted) and the gain (loss) per unit of trade. An estimate of this kind would require a detailed econometric investigation in a general equilibrium framework and will not be attempted here. Still, the magnitude of possible changes can be indicated by reference to the present British trade pattern.

In 1961, British imports of manufactured goods from the Common Market countries amounted to \$1.2 billion and U.K. exports of manufactures to E.E.C. totalled \$1.3 billion, while the average tariff levied on manufactured goods was approximately 12-13 per cent in the Common Market and 14-15 per cent in the United Kingdom. Harry G. Johnson estimated that, as of 1970, the gain Britain would derive from the reallocation of domestic resources upon entry into the European Economic Community could hardly exceed 1 per cent

of the British G.N.P. (13). Against this gain we must set the losses incurred as a result of the removal of Commonwealth preferences. In 1961, the United Kingdom received preferences averaging at 10-11 per cent on exports of \$2.3 billion and gave preferences on imports of \$2.6 billion. Given the amount of trade and the rate of preferential duties, it can be suggested that, under static assumptions, the loss in resource allocation due to the abolition of present preferential arrangements may offset the gain Britain would derive from entry into the E.E.C. This conclusion is strengthened if we consider that preferences on part of the \$1.0 billion trade with the E.F.T.A. countries may also be lost (14).

In addition to gains and losses from the reallocation of resources we also have to consider possible changes in the terms-of-trade. A certain asymmetry appears in this regard which points toward a deterioration of Britain's terms-of-trade upon entry into the E.E.C. Whereas an expansion of trade with the Common Market would take the form of a reallocation of resources from import-competing to export industries, the resources presently employed in producing export goods for Commonwealth markets could not be used to replace imports from these countries. Rather, a decrease of the imports of food and other primary products from the Commonwealth would be accompanied by increased purchases from the Common Market, its associates, the United States and Latin America, while the decline of exports to Commonwealth countries would not be automatically compensated for.

Balance-of-payments equilibrium would then require a deterioration of the British terms-of-trade through disparate changes in export prices or devaluation. Note also that in view of the Common Market agricultural policy, Britain would pay higher prices for its food imports than beforehand. The price-differential on imports of grains, meat, eggs, and dairy products may amount to 25-30 per cent on an import value of \$2.0 billion, although initially only the higher prices paid for Common Market produce would burden the British balance-of-payments. However, one-third of the levy paid by third

(13) H. G. JOHNSON, "The Gains from Freer Trade with Europe: An Estimate," *Manchester School of Economic and Social Studies*, September, 1958, pp. 247-255.

(14) Changes in trade with third countries have been neglected here, considering that the losses from trade-diversion upon entry into the Common Market may be offset by gains derived from the removal of discrimination against third countries inherent in the Commonwealth preferential system.

country exporters would be contributed to the Common Market agricultural fund by the end of 1963 and one-half the year after. And, at any rate, higher food prices would adversely affect British competitiveness through increases in wages.

It appears, then, that the standard argument for gains from resource allocation and terms-of-trade changes would not speak in favor of Britain's entry into the E.E.C., and, on economic grounds, Britain's participation in the Common Market could be considered desirable only if the dynamic effects of an enlargement of the market and the "impact-effect" of integration offered substantial benefits.

The dynamic effects of integration include large-scale economies, increased competition, and a lessening of risk and uncertainty (15). Large-scale economies can take the form of an increase in the size of the plant, an increase in the length of the production run in individual plants, and vertical specialization. Although Britain, with a population of 50 million and reasonably free access to the markets of several Commonwealth countries, can provide sufficient outlets for optimum-size plants in most industries, economies of scale can possibly be appropriated in the framework of the European Economic Community in the industrial application of atomic energy (e.g., fuel fabrication and chemical processing plants), in some branches of electrical engineering, and in machine-tool manufacturing. Further benefits are derived from integration if plants that hitherto manufactured a great variety of commodities specialize in a few lines of production, thereby increasing the length of the production run (horizontal specialization). Lastly, a widening of the market leads to vertical specialization: various processes and services that have been carried out in the framework of the firm can now be undertaken in specialized enterprises.

It appears that even a market as large as the British does not permit fully exploiting the advantages of specialization. In reference to several U.K. industries, Carter and Williams noted that "there are a number of cases in which the size of the British home market is apparently too small to encourage rapid progress... In certain industries the British market has not been big enough to encourage the growth of specialist producers of equipment — who themselves

(15) For a detailed exposition, see B. BALASSA, *The Theory of Economic Integration*, Homewood, Ill., Irwin, and London, Allen and Unwin, 1961, Part II.

might have created new possibilities of progress" (16). Also, an investigation of intra-E.E.C. trade has shown that much of the expansion of trade between 1958 and 1961 took the form of intra-industry exchange, indicating increased specialization within rather than between commodity groups (17).

It has further been argued that the uncertainty related to the possibility of changes in restrictions in export markets would diminish in an integrated area, and the existence of large and stable markets, in turn, would reduce the risk of experimentation for individual firms and can speed up the process of innovation. This argument may be objected to on the grounds that integration also increases the risk of innovation to the firm by opening the national markets to a greater degree of competition. But, on balance, the stick and carrot of competition can be expected to contribute to economic progress, inasmuch as the competition of large firms of efficient size would take the form of increased research activity and technological improvements.

The beneficial effects of increased competition will not necessarily be uniform throughout the integrated area, however. Rather, future developments in any particular member-country will greatly depend on governmental policies as well as on the response of entrepreneurs to the removal of national protective measures. In this connection, reference should be made to what we have called, for want of a better expression, the impact-effect of integration. In some writings favorable to Britain's entry into the E.E.C., participation in the Common Market appears as a "cure-all," in others as a "challenge" or a "salutary jolt" which would bring about a change in the outlook of business and labor and contribute to faster growth. There is no certainty, however, that a stimulus would bring forth the desired response. So far, the establishment of the Common Market has brought little improvement in the performance of the Belgian economy, and the example of Southern Italy or that of Northern Ireland indicates that integration can have differential effects on the participating economies.

These considerations should warn the reader from placing too much stock in psychological arguments, although they should not

(16) C. F. CARTER and B. R. WILLIAMS, *Industry and Technical Progress*, London, Oxford University Press, 1957, p. 155.

(17) BELA BALASSA, "European Integration: Problems and Issues," *American Economic Review, Papers and Proceedings*, May, 1963 (forthcoming).

be interpreted as a pessimistic appraisal of Britain's prospects in an integrated Europe. The described dynamic effects of integration can be expected to benefit the United Kingdom over the long run provided that entry into the E.E.C. is followed by the application of appropriate policy-measures. But should the prospective balance-of-payments deficit in the years following entry induce Britain to follow a deflationary policy à la 1925, an improvement in the recent growth-performance of the British economy would not be forthcoming.

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