

From the London End

Trade and Aid from Europe

FOLLOWING the decision of the Western Summit last month, the Ministers and officials of various delicately chosen countries are meeting in Paris this week under the auspices of the Organisation of European Economic Cooperation (the OEEC) for what certainly appears to be the most elusive and difficult of tasks—securing some agreement between the Six and Seven with representatives of the United States and Canada sitting in.

The OEEC was set up in 1948 to distribute Marshall Aid funds and to formulate and develop a code of trade behaviour which would help to lift European trade out of the morass of bilateralism that then existed. The OEEC did well in its time. Through the European Payments Union it paved the way and provided the mechanism for currency transferability and, later, convertibility. The code of liberalisation brought about an effective reduction in quotas and other restrictive practices. However, ever since January 1959, the OEEC has been in the throes of death. The European Payments Union has been wound up and the Six who form the Common Market have virtually contracted out of the OEEC following the creation of their own more powerful and influential European Commission (of the European Economic Community).

GETTING THE SIX AND SEVEN TOGETHER

There have been suggestions that the OEEC may be revived and given new tasks as a result of this week's meetings in Paris. President Eisenhower has indicated that the wealth of OEECs experience may be employed to studying the ways of organising a system of coordinated aid for under-developed countries. Although in point of fact the OEEC has no experience in this field, the main purpose of the European visit of Mr Douglas Dillon, the U S Under-Secretary of State, appears now to have been to canvass West European support for such a system of co-ordinated aid through the OEEC.

The task of securing some agreement between the Six and Seven is clearly of considerable importance. And yet it is this which remains

shrouded in a mystery of silence. Nobody in London, least of all in Paris, makes any claim that a *modus vivendi* between the two rival groups is likely to come out of these meetings. The American Press, insofar as it mirrors the policy of the U S Government, is inclined to believe that the presence of the United States in these discussions is not for the purpose of assisting in securing an agreement or to arbitrate between the two groups.

U S ATTITUDE

The *US Journal of Commerce* under Washington dateline, reported that Mr Dillon returned from his European tour "convinced that the United States should not exert pressure to force an agreement between West Europe's two trade blocs" and that "Mr Dillon believes that the US should continue its support of the Common Market." The *Wall Street Journal* stated that the US interest in the West European trade dispute "is to make sure that any agreement between the two groups which may be arrived at does not discriminate against United States goods." This newspaper further reiterates that "the present speed up in the implementation of Common Market goals . . . is viewed as a good thing by U S observers." Thus, insofar as these American press comments provide an indication of how the US authorities are thinking, it is not at all likely that the US will provide a formula for agreement between the Six and the Seven.

BRITAIN AND THE EREE TRADE AREA

America's policy towards the question of tariff negotiations was made abundantly clear at the recent Tokyo session of GATT. There, the U S secured agreement for the convening of a conference in Geneva next September for an overall reduction in tariffs. The countries of the Common Market, having now decided among themselves the speed and the pace for setting up their single external tariff, appear to be ready to negotiate with the United States as indeed with all the 36 Members of GATT, and have generally welcomed the Geneva tariff negotiations.

In Tokyo, by contrast, 'Britain

indicated that it was not prepared to participate in the Geneva negotiations since as it was implicitly understood that the British Government had an urgent need to use all its bargaining leverage to force a favourable settlement of its differences with the Common Market. Mr Dillon is, however, reported to have brought some pressure to bear on this question and the U K Government are now reconsidering their decision. Thus, as the dispute between the Six and Seven takes its complex course, the celebrated "bridge-building" which the Seven have been talking about is, at least for the moment, unlikely to materialise.

All this necessarily strengthens the hands of the Common Market. By contrast, the European Free Trade Association is beginning to exhibit various symptoms of tension. Mr Alan Day, writing in the *London and Cambridge Economic Bulletin* reports the case of a prominent Swedish industrialist complaining that all Swedish industry would get out of the Association would be stiffer competition with no opportunities to expand its market elsewhere. Some of the Seven who thought that EFTA would hasten a settlement but now see rather an overall hardening of attitudes, are beginning to suggest that the U K should consider extending Commonwealth preferences as a basis for the solution of the dispute. It is known that suggestions of this kind are not ever likely to be accepted in Britain. There are other signs of tension as well and, overall, the EFTA does not present a pretty picture. And this only makes the French more rigid in their approach to this question.

LONDON NOT OPTIMISTIC

What then of this week's, discussions in Paris? Reports from the Continent suggest that these discussions are expected to "range over world wide trading problems and difficulties between the Six and Seven may be relegated to a relatively minor plate." The *Financial Times* reports that influential American opinion fears that if a bridge between the Six and the Seven is really built, US business interests in

Europe will suffer. This substantiates the reports appearing in the United States press. The British Foreign Office in a briefing to a few important British newspapers has indicated that the Paris meetings will be opening with an unchanged "objective of working for a European-wide non-discriminatory trading area" but "there is little hope in London" of any progress being in a dr.

The heart of the American problem is to secure some new system of international aid that matches the considerable impression which President Eisenhower's visit to India and Pakistan has made on US policy. Clearly, the U S with a deficit of the order of \$4,000 million in its international balance of payments for 1959, cannot shoulder fully the financial commitments of its policy to secure a more effective position in the under-developed countries. While the US Government has no intention to reduce the size of its own aid appropriations, it certainly does not intend increasing the size to the full amount required. It is here then that the OEEC may be able to play a role of some significance for the development of American policy.

POLITICAL OPERATION?

No matter what structural form the OEEC takes and whether or not the European countries accept the US suggestion to appoint a few "wise men" to study the problem of reforming the OEEC the burden of this week's meeting is to secure an agreement *at least* for converting the OEEC into a forum where all aid-providing nations would exchange information on what they are doing and how much they are providing, to whom and by what means and ways, so that the US may possess a fairer knowledge of West Europe's overall contributions to the economic development of the under-developed countries. This minimum possible agreement, however, will not be as easy to reach across the conference table as it looks on paper. The British Foreign Office has already warned that it is most anxious to see that any organisation taking the place of the OEEC should not disturb channels through which aid is flowing. What in fact this suggests is that the United States is beginning to view the vast question of aid as a political operation and which may as a result impinge upon

or even imperil Britain's own objectives and policy in this regard.

AID TO AFRICA

This makes some sense when related to a recent report in the *Financial Times* that Mr Dillon was particularly impressed by the fact that Africa alone of the under-developed regions was almost wholly dependent on West Europe for investment and aid funds. This indeed is the case. The areas of dependent Africa have been quietly but decisively subjected to the dictates of West European capital making the entry of the United States into this continent difficult. In the meantime the burden of aiding the more "sensitive" regions of the under-developed world, particularly S E Asia, the Middle East, Turkey, Greece and so on, has been almost wholly borne by the United States.

Hence, the *Financial Times* statement that in the view of the US "there is no organisation dealing solely with aid to the under-developed countries—especially Africa", seen in the context of the virtual monopoly which West European capital has had on the African continent, necessarily means that the

United States wishes the OEEC to operate as a coordinating centre for capital outflows into Africa and in which the US interest will for once be present. Possibly the OEEC's role in the matter of investment and aid to Africa will parallel that of the International Development Association which will confine itself in the making of soft loans to under-developed countries which are sovereign and independent.

It is equally possible that as soon as the three bankers appointed by the World Bank to look into the financial needs of India and Pakistan submit their report, the organ through which the financing of these needs will be discussed and assessed will be the OEEU. As the *Wall Street Journal* put it, putting the OEEC to this use, "could bring significant pressure on West Europe to make more long-term credits in high risk areas of the world." Is the solution to the American problem is not easy of accomplishment. The same journal has warned that among West European countries "where imperialist pasts still colour present policies, aid without strings is regarded as woolly-headed nonsense."

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The dress of the people...

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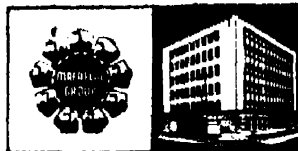
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