

The Commonwealth Communique

IF conferences are to be judged solely by the *communiqués* they issue, then the work of the Commonwealth Prime Ministers and their officials, was all in vain. This conclusion is emphasised by the general impression created earlier that the conference was going to be the most important and significant one since the Ottawa Conference held some 21 years ago. The official statement records agreements having been reached on a number of points—but in almost all the cases the agreements are on platitudes like "the aim of concerting measures for increasing the economic strength of the Commonwealth", or the promotion of "the expansion of world production and trade". If any estimate of the real significance of the Conference is to be made, however, it is essential to go behind the agreements which the communique presents and to analyse the news reports that emerged at various stages of the conference. On this basis it is clear that the conference was concerned essentially with three things, each of importance in both a political and an economic sense.

First, could those factors which have hitherto contributed to the cohesion and unanimity in the sterling area and Commonwealth and which in recent times have become strained under the conditions of austerity, be strengthened? Second, how could the need for a Commonwealth development programme be reconciled with the conflicting needs of industrialisation on the one hand and of meeting balance of payments on the other? Finally, what of the future of sterling in international trade? Under this head come all those problems which directly concern the role of the United States in the world economy.

So far, the sterling area has functioned not only as one of the widest trading regions of a multilateral character in the world but as a power bloc of decisive consequence in international relations. What has upset this pattern? The immediate answer must be Canada. The well-known editor of the Montreal Star, George Ferguson, writing recently in the London Sunday *Times* summarised this fact as follows:

"Canadian independence in the Commonwealth has been due to its successful playing of counterpressures and counter-attractions . . . what upsets us now is that this historic balance no longer exists in its old form. The British

side of . . . the North Atlantic Alliance has grown weak. The result is that the thrust of purely continental pressures becomes heavier."

This succinctly stated fact is true also of Australia, South Africa and India. They have become equally subject to pressures not only from considerations of geographical contiguity but from the inevitable march of events which demands that primary attention be paid to questions of self-interest and security. The British end of the North Atlantic Alliance has been unable to regain its pre-war strength—the most decisive factor necessary to attract the Commonwealth around itself. It must no doubt have been in this context that the Manchester *Guardian* commented that "the Ottawa policy has been firmly rejected".

"Tins very profound truth was most clearly revealed in that part of the communique which deals with preferential tariff treatment. A declaration is made that the Commonwealth has no intention of creating an economic bloc. To drive the point home, the British Government reports that the other countries would not agree to a general increase in Imperial Preference. There can be little doubt that Britain considers the world economic situation to be serious and had hoped that a strengthening of the fence around the sterling area would be accepted as the only barrier to the "coming crisis of over production" and shrinking markets.

Co-ordinated economic development of the Commonwealth in an era of profound "backwardness" and balance of payments problems is not only a headache from the viewpoint of formulating policy but also presents some serious theoretical difficulties. A number of the countries concerned made it plain that their programmes of industrialisation must not be cut down in any way. It was here, however, that the most serious objections were raised by the British. To embark on indiscriminate investment was only a way of accentuating the balance of payments crisis. If there is to be any development, then it should be in the direction of dollar saving or dollar earning projects. In essence, this British approach meant linking in a permanent manner the economies of the Commonwealth countries to the whims and fancies of the dollar world. Rumours were rife in London that India and Pakistan were prepared to walk out of

the conference should this approach be accepted. The official communique, however, makes it clear that the British attitude did dominate the conference.

The capital needed to finance the development schemes is, according to the official statement, to be obtained from the International Bank and if possible from the United States. Britain has promised that the resources freed by the lengthening of her re-armament programme will be devoted to Commonwealth development through the newly established Commonwealth Finance Corporation.

The problem of acquiring capital for investment in the sterling area depends, in the main, on whether the United States is able, not only to ensure the flow of private investment, but also to agree to change the structure of the International Monetary Fund and the International Bank. In this connection the communique speaks of the possibility of a new round of financial negotiations with Europe and the United States, culminating, if possible, in a world economic conference next year. The availability of foreign capital for investment, it is now being realised, is highly dependent on such questions as currency convertibility and free trade. To solve the problem fully would, therefore, require an early freeing of sterling coupled with more liberal trade policies on the part of Britain. This depends, however, not on what is decided in London but on the opinion in Washington. Will the Americans agree to the revising of the articles of the IMF and the Bank so that more liberal borrowings and loans can be made? Further, will the Americans agree to the immense assets held by the Fund as a floating reserve being used for covering the full convertibility of sterling?

The replies to these questions indeed will determine ultimately the success of the Commonwealth Conference. The coming months, whether occupied by negotiations with OEEC in Paris or with Washington afterwards, will be momentous. The decisions that are likely to be taken will be in the direction of fostering a wider trade and development pattern—not closer economic units. To suggest that these decisions will be reached smoothly is to be blind to the conflicts and antagonisms which are already so patent in our everyday life. One thing, however, is certain. The Commonwealth Conference is the first of a series of international negotiations—the final outcome of which will basically alter trading relationships as they exist today.



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