

BRITISH TRADE AND THE EUROPEAN COMMUNITY

Success by British business in the Common Market is essential to the future of Britain as a major industrial and trading nation.

The Common Market contains most of our major markets and takes 42% of all our exports. It is now our domestic market, the rules and framework of which we can from within the European Community help to shape, but which would still largely determine our economic success whether or not we were Members.

If Britain can not succeed in the Common Market she cannot succeed anywhere else. It is time for us therefore to stop blaming our problems and our failures on the Community, to recognise what has been already achieved, and to prepare ourselves to take greater advantage in the future of the opportunities which the Community offers.

THE IMPORTANCE OF THE COMMON MARKET

The increasing importance of the Common Market for British business is indisputable and easily illustrated.

Trade between the UK and the other Member States of the European Community has been steadily increasing since the UK became a member in 1973 - last year there was a particularly large increase of some 27% in two-way trade, and the EEC accounted for 42% of all UK exports and 45% of all imports. The Federal Republic of Germany displaced the United States as Britain's largest export market and all the other Member States except Luxembourg were among the UK's ten biggest markets.

These figures can be put in perspective by pointing out that the Commonwealth now takes only about 14% of British exports.

THE BRITISH PERFORMANCE

Once the importance of the Community for UK trade is established it is necessary to ask ourselves whether this increasing trade has or has not been of benefit to Britain. Our total trade may have become increasingly focused on Europe, but have our imports not been rising faster than our exports?

The answer to this question, much to the surprise of many people, is that on the contrary British exports to the Common Market have been rising faster than our imports. Let me substantiate this statement.

The evidence suggests that after a slow start British businessmen are learning how to exploit the European market and have overall been steadily improving their position. A trade deficit with the EEC opened up in 1971 and expanded rapidly until we joined the Community in 1973. Thereafter it continued to expand until 1975, which was the worst year. But in 1976 there was a marked improvement, which has continued ever since. In 1973 UK exports to the Community amounted to 73% of imports. In 1975 this fell to 70%, but in the first 9 months of this year the figure was 97%, a significant improvement.

If present trends ./.

If present trends continue 1980 is likely to produce, for the first time since we joined the Community, a net trade surplus, taking into account both visible and private invisible trade. Private invisibles have in fact been in surplus throughout the period of UK membership of the EEC, with a surplus last year of £1,900 million.

As one would expect, the picture varies enormously from one sector to another. In the road vehicles sector (developments in which tend to colour general public assumptions about the performance of British industry in Europe) the British performance has been very poor. In 1975 exports of road vehicles from the UK to the Community were worth 89% of those imported, but by 1979 the figure had slumped to 44% and road vehicles accounted for some three-fifths of the total manufacturing trade deficit. But in other areas British firms have shown that if they are prepared to compete and grasp the opportunities of the Common Market they can do well - chemicals, toys, tobacco and processed foodstuffs provide a few examples.

It has been said that these generally encouraging figures are entirely the result of oil exports, but this is simply not true. Non-oil exports to the Community from the UK have been increasing more rapidly than non-oil imports. In September this year non-oil exports within the EEC reached 88% of non-oil imports, which is still an encouragingly high figure.

Our trade with West Germany (now, as I have said, our most important trading partner in the world) provides an illustration. In spite of the strength of sterling, UK exports to W. Germany this year are growing faster than imports from there. In the first 8 months of the year exports increased in value by 37% over the comparable period in 1979, while imports were up only 13%. Oil exports have clearly been an important contributory factor, as W. Germany is the major continental user of North Sea oil, taking almost half of the total exported to other EEC countries. But even if oil is excluded from the figures British exports went up by 18% in the first 8 months of the year, a figure still significantly higher than for imports.

THE ADVANTAGES OF THE COMMON MARKET

In these gloomy times it is useful to remind ourselves that all the news is not bad, and that when we do hear bad news we should not automatically and unthinkingly point the finger of blame at the Common Market as an easy scapegoat. To do so is to retreat from reality and to avoid dealing with the real problems of the real world.

However, I recognise (though I very much regret) the necessity to restate some of the basic advantages which are available to British business through our Membership of the European Community.

We now have ./.

We now have tariff-free access to a market of some 250 million consumers, a market which is geographically the closest to us, and which, irrespective of whether we were in the Community or not would be of immense importance for our economic success. As members of the Community we have the opportunity to help shape the rules under which this market operates and to ensure for example that when product specifications in the other Member States are being changed or harmonized our views and needs are fully taken into account.

Industries going through a period of difficulty, or old industries in decline, can also benefit from our Membership of the Community, as last week's decision to declare a "Manifest Crisis" in the steel industry throughout the Community clearly shows. This agreement among the Member States of the Community enables the European Commission to set quotas to ensure that the cuts in production made necessary by the general fall in demand are shared out equitably between Community producers. This step was successfully pressed for by the British Steel Corporation and the British Government, and indeed by leaders of the Iron and Steel Trades Confederation, who recognised that the steel industry throughout Europe shares common problems which common action can help deal with.

The Community provides us with the institutional framework and the sense of common interest which allows such compromises to be reached, in this case providing the steel industry with a temporary breathing space during which ^{the} necessary restructuring to establish long-term competitiveness can take place in an orderly fashion. The alternative would be cut-throat cut-price rivalry within Europe for declining orders, which would not be in the interests of anyone, and least of all of the taxpayers who would have to finance it.

Similarly on the world market Community solidarity in trade negotiations is an important asset for British business. The Community is the most powerful trading bloc in the world with 17% of total world trade (or 37% if intra-EEC trade is included). The strength of the Community helps to prevent a slide into protectionism - such as we saw in the thirties - and the disruption of world trade which would follow, with serious consequences for a country such as the UK where 1 in 3 jobs depends on overseas trade.

When it is necessary for us to take limited and temporary measures to assist industries in difficulty, or to fight dumping, the fact that the measures are now taken by the Community as a whole moderates any retaliation by other countries. The United States, for example, which is also anxious to avoid a slide into protectionism is less likely to over-react to limited action by a bloc as large as the Community, with the risk of an escalating spiral of retaliation, than to similar action by one of the Member States alone. If we look at trade with Japan we can see

that it is only now, when the Community as a whole is taking a common approach and insisting on the need for the Japanese market to be opened up to European exports that the Japanese (after years of successfully playing us off against each other through bilateral deals) are becoming seriously concerned about the danger of protectionist pressures.

THE ALTERNATIVES

What are the alternatives offered by those who wish Britain to leave the Community? A frank answer is probably "none"; it is hard to regard some recently adopted positions on this subject as constituting a seriously thought-out policy option. But let us not leave it there, let us try to construct possible scenarios and look at their implications.

The first fact which we need to remember, and it is astonishing that it should need to be underlined, is that the world in which we have to live and work and sell our goods against fierce competition would not suddenly change. It would still be there and we would have to negotiate our relationship with it from a position of relative weakness. We would have to negotiate a relationship with the other EEC members in circumstances where we could not reasonably expect a great deal of goodwill to be left.

There are those ./.

There are those who say that we could secure a free trade agreement with the EEC from outside. They may be right, but what then would have been the point of withdrawal? EEC goods would continue to have access to our markets, and our exports to theirs would still be subject to Community specifications - with one important difference. These product specifications would no longer be drawn up with any regard to our views, nor would we have access to the European Court when we believed we were subject to unfair or discriminatory competition. Far from the so-called 'restoration of sovereignty' to the UK this would involve opting out of decisions on our future and increasingly becoming subject to decisions and rules over which we had minimal influence and no control.

But of course the arguments of many anti-EEC enthusiasts in the UK are based on the assumption that Membership of the Community damages our economy by providing access to our markets for the other Member States. This would imply therefore the erection of high protectionist barriers against EEC imports, and would of course bring retaliation from what would still be the major world outlet for British goods. Where else in the world would we find a more favourable trading relationship - Japan? the USA? the Commonwealth? Against a background where our trade balance with the EEC has been improving significantly, while that with the rest of the world has been deteriorating, the idea is patently absurd. Our deficit with non-EEC Western European countries expanded last year, as did that with North America.

Our exports of manufactures to the Community increased by 20% last year, but for the rest of the world they increased by only 5%. And are we going to stake our future on the stability of markets in Iran and Nigeria?

The further one examines such propositions the further removed from reality do they appear. It is time for us to banish nostalgia for a world where Britain ruled the waves, where "foreigners" were of little account, and where "interdependence" was an unknown word. In the Community we are part of something which increases our control over our destiny in an increasingly complex, dangerous, and interdependent world and provides us with opportunities to make for ourselves a better and more prosperous future and a more stable and peaceful world.
