

Speech by Sir Christopher Soames at the Cunard International
(London 2 May 1974)

It is a particular pleasure for me, Mr. Chairman, to follow Mr. Shore on your platform this morning. He and I don't hold the same views on everything in life. But this morning very clearly we are united at least on one basic theme. Britain must export substantially more in the future than in the past. We had a long standing underlying balance of payments problem in any case. But now, because of the recent sudden upsurge in food and raw material prices, we also have to pay for our imports far more than in the past. And for us to export more two things have to happen: government must safeguard and improve our export opportunities, and at the same time business must seize those opportunities with a will.

The title you've asked me to speak on this morning, Mr. Chairman, is "Britain in the Common Market". Now of course I know there are people who would rather see Britain out of the Common Market. I myself am convinced that our opportunities -- our economic opportunities and our political opportunities -- lie above all in Europe. That is why I am glad that what the Government has set out to do now is not to negotiate the terms of exit -- far from it -- but to secure, in the Foreign Secretary's words in Luxembourg (you will see them in paragraph 1 of the White Paper) "a firm basis for continuing British membership in a strengthened Community". That is an aim we can all share, towards which we all can pledge ourselves to work. It is in a strengthened Community I am convinced that our destiny lies.

Certainly the present Community is not perfect. I see plenty in it to change, and the news of the last 36 hours underlines just how much still remains to be done, to strengthen and to improve it. But as a Community of the Nine, it is still only sixteen months old. It has to adapt to the fast changing world around it, to the rapid changes within, and to the consequences of enlargement itself. So a long process of negotiation -- I might well say a perpetual process of negotiation and renegotiation of its policies -- is not only inevitable, but essential for its survival, its growth and its success.

For this is no static thing that we have joined. It is -- it was always meant to be -- a living and constantly evolving organism in which all its members play their part to help it continually to adapt and develop. But the policies we propose, the policies we pursue, must be framed loyally from within, to meet the interests, not of any one section of the population, nor of any one component part of this Community, but the interests of the whole Community of which the United Kingdom now forms a part.

And thank heaven we do now at last form a part of that Community. Even before we joined it, our present eight partners in it bought over 30% of our exports. Of our six biggest customers the world over, five are now our partners in the Community. With the single exception of the United States, there is no country in the world outside the Community that buys as much from us as does even Belgium. As the tariffs now come down in stages -- from the first cut thirteen months ago until final free trade in 1977 -- the Community will inevitably bulk ever larger in our total markets. Remember, too, that the Community has negotiated industrial free trade arrangements with all the remaining EFTA countries. In 1972 they took another 9% of our exports. So in a few years time we shall be in industrial free trade with countries who already take over 40% of our goods -- and that, incidentally, is more than double the 16½% of our goods bought by the Commonwealth.

And the first year's experience in the Community has been very satisfactory for our exports. Although the first tariff cut didn't come until April, and then it was only by a fifth of the tariff wall, our exports to the other eight member countries rose by 37% -- as against a rise of only 2% to the rest of the world. In other words, the European market is already our staple export market, and we may confidently expect it to grow in importance even further in the future -- a huge market opening up which I am sure there is no need for me to commend to your very special attention over the coming years.

I know our primary concern this morning is exports, but it is only fair for me, when I talk of the increase in our exports to the Community, to point also to the increase in our imports from it. The expansion of British industry in 1973 pulled in a good many industrial supplies and investment goods from the Community, without which that expansion could not have taken place. As in the case of our other trade, the depreciation of sterling meant an automatic increase (in sterling terms) of our import prices, but it takes time for exporters to expand their volume of sales. The volume of our exports to the Community in fact rose just about as fast as the volume of our imports. It's early days yet, and one year's figures don't prove the argument. But they certainly disprove what some people have tried to argue -- that entry into the EEC has been responsible for the worsening in our balance of trade. On the contrary: the figures given by the C.B.I. show that our trade deficit with the Community increased less steeply than that with the rest of the world.

But of course what matters in the long run is not any particular year's trade balance, but the dynamic effects which all that has on our national product. And there, after all the years in which British economy grew much more slowly -- at something like half the rate of the Community: after 1971, when our real growth was only 1.7% and 1972, when it was only 2.5%, at last, in the year we had entered, there was a spurt up to 5.1% -- a pretty well unprecedented figure in the last quarter century. I cannot believe that this tremendous spurt in economic growth in the year we entered the Community was unrelated to the prospect of the wider market that has now begun to open up for us, and I don't believe that you in this hall, practical businessmen that you are, would, of your own experience, draw any different conclusion.

Now of course we know that this leap in production cannot be repeated this year. We have moved into a colder and harsher world, in which the terms of trade have shifted strongly against us and many of our old assumptions will need re-examination. It used to be said, for example, that if we joined the Community, then our food prices would rise. Well, we did join the Community. And, lo and behold, our food prices did rise, and to a punishing extent. Q.E.D.; what could be simpler than that? Indeed, I see that there are some people who are still arguing that way today.

Let me spend a minute or two on that line of argument. It's not just a demonstration of how quickly things can change while people are not keeping their eyes on the ball -- it's also a vital question for our balance of payments, our import bill and our level of costs here at home -- and therefore our capacity to export.

The whole argument about the price of food being raised by our going into the Community rested on the assumption of relatively low prices in the world market. But what has actually happened?

Let's start with grain. Grain is Britain's biggest food import. Within a year of joining, the world price of wheat had rocketed to twice the Community price and three times the Community's intervention price. The world price has come back now by a third, but is still substantially higher than the Community price and about 75% higher than the Community's intervention price for the British market.

That means the old argument has been completely upended by events. There is no food tax on our grain imports -- on the contrary there is a levy on exports to keep our grain price inside the Community comparatively low. So we get our grain today far cheaper by being inside the Community than if we were outside it.

The Community preference is not in favour of Europe's farmers, but in favour of our consumers within the Community. And to the British balance of payments, to the British cost of living, to the British housewife and to the level of costs of British industry that is a clear and manifest benefit.

Or take sugar. The world market price is now more than twice the price at which we can buy from the continent. Because it is three times the price originally fixed in the Commonwealth sugar agreement, we have had to pay the Commonwealth producers extra to encourage them to honour the agreement till the end of the year. That means the effective price of Commonwealth sugar is above that of sugar from the Community, and then we can't get enough. British firms are now buying sugar under the common agricultural policy at £150 sterling a ton. If we were outside the Community, they would be paying £230 sterling on the world market.

Take dairy produce. There the world prices are lower. But the terms on which we entered the Community and now the consumer subsidies financed from Community funds have kept prices in Britain steady. Had we been outside the Community they would probably have risen.

What is more, the Community goes out of its way to keep the British consumer cushioned against the effects of the downward float of the pound. Bacon, ham, pork, butter, cheese, sugar and other products benefit from these subsidies compensating for monetary depreciation: and they are paid for one hundred per cent from the Community budget to which Britain contributes this year only 11%.

As the Secretary of State for prices and consumer protection in this present government said in the House of Commons four weeks ago: "Over the most recent period of 12 months for which figures are available, December 1972 to December 1973, prices of imported food and feeding stuffs rose on average by 42%". But Mrs. Williams added: "The overall effect of EEC membership on United Kingdom food prices is currently estimated at between one half and 1%."

Now certainly world prices may go down again. The figures I have taken are already well below the unprecedented levels earlier this year. No one can forecast them accurately too far in advance. But of one thing I am quite certain: the days of cheap food from our traditional suppliers across the seas are over. We are living in times where the terms of trade will in the long run continue to favour those who have raw materials and food to sell to an increasingly crowded and increasingly industrialised world.

And if that is now the secular trend, then our new-found access to reasonably stable supplies of food at reasonably stable prices will surely prove of enormous value in our fight against the rising cost of living and our endeavours to improve our living standards in the future. The sharp upheavals on the grain and sugar markets and of course the oil market are in fact only extreme examples of this fundamental shift in global bargaining power. The danger is that industrial countries will be tempted each to off-load onto the rest those payments deficits which all of us will be incurring with the primary producers. What is happening this very week in Italy highlights this very danger: if we are not very careful, the world may slide into protectionism and into an isolationist withdrawal of interest each to his own little backyard. Yet it is just at such times of danger to the world economy

that our nations must work together to guard against shortages of commodities and currencies, against unemployment and falls in living standards, against inflation and recession combined. None of us can deal with these problems in isolation. At such times it will be vital for us to be part, not just of a free trading arrangement, but of that whole complex web of mutual knowledge and mutual adjustment, of working together and thinking together about the future, of investing together and formulating together our stance to the rest of the world, on money and on trade, on aid and overseas investment, and on those broader problems of the modern world that will profoundly condition the future -- not only of our economies, but also of our society which our economies exist to serve.

For the EEC is not simply a common market. It is a community dedicated to mutual understanding and mutual support, and it is an entity that can -- when it speaks with a common voice -- stand up in the world for our interests, our ideas and our ideals. That is why it matters so much that we should be part of it, full-heartedly. That we should, in a positive spirit, do all we can to develop and further it. And that we should be able, in the uncertain times ahead, confidently to count on its support when we need it.

So let me lastly, Mr. Chairman, range for a moment beyond the narrow matters of trade and investment. I know they are important, but in the modern world none of us are an island unto ourselves, nor are your immediate problems of exports and investment divorced from the relations between states as they affect not only the world trade and money systems but the general sense of order and security in the world.

Never in human history have all our countries been so interdependent for their prosperity, so interdependent for their security, so interdependent for their very survival as societies as we are today. This, as I see it, is the most crucial problem for our generation: if we fail to master it the world could quickly run down into a nasty economic and political shambles. To harness this interdependence with loyalty and commonsense to our mutual benefit is what the Community sets out to do. That is why, over and above the purely trade and investment criteria, it was on fundamental political grounds that we applied for membership in 1961 and again in 1967. That is why we joined it last year, and that is why I look forward now to our helping to forge its future in the years to come.