

EUROPEAN COMMUNITY

BACKGROUND INFORMATION

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BACKGROUND NOTE

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EC MEMBERSHIP NOT RESPONSIBLE FOR BRITAIN'S PAYMENTS DEFICIT

The Commission of the European Communities has pointed out that Common Market membership is not the cause of Britain's balance-of-payments troubles. The statement came in reply to a question put in the European Parliament by a British member, Lord O'Hagan, who asked if British membership had "considerably increased" the payments deficit.

In its reply the Commission said that the British had had a surplus balance of 1.073 billion pounds (\$2.468 billion) in 1971 and of 114 million pounds (\$262.2 million) in 1972. There had been a deficit of 1.286 billion pounds (\$2.958 billion) in 1973. The principal reasons for the deterioration in the balance, the Commission said, had been sterling devaluation and rising world commodity prices. About 300 million pounds (\$690 million) of the deficit could be attributed to the exceptional 5.8 per cent growth of the British gross national product in volume terms.

Provisional figures for 1974 show a further deterioration of the British balance of payments, but this reflects production cuts during the three-day work week in January and February, and the four-fold increase in oil prices rather than EC membership, the Commission said.

During its first year in the Community, Britain increased export sales to the original EC six by 38 per cent, and imports from the Six by 54 per cent, while British exports to the rest of the world went up 25 per cent and imports from the rest of the world 39 per cent, showing greater growth rates for UK trade with the Six than with the rest of the world, even though the dismantling of tariffs had just begun, the Commission added.

With eight partners comprising an expanding market of \$200 billion, one-third of total world imports, EC membership for the United Kingdom offers "tremendous new opportunities" for British exporters, the Commission emphasized.