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ADDRESS BY HER MAJESTY'S AMBASSADOR FOR GREAT  
BRITAIN, THE RT. HON. THE EARL OF CROMER, P.C.  
K.C.M.G., M.B.E., AT A LUNCHEON ON THE OCCASION  
OF THE "BRITAIN NOW" STORE PROMOTION AT GIMBELS  
OF PITTSBURGH: PITTSBURGH, PA., 20 OCTOBER, 1972

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[Introductory remarks . . .]

I thought that as British Ambassador to the United States of America I would today say a few words about what is going on in my country.

Our two countries have many things in common, as we all know. One characteristic that is in common is that from time to time, and it occurs with us very often roughly half-way through a Parliament's life, there is a tendency to bring out into the open every aspect of life which is short of perfect and to moan about it. As in the nature of things there are very few things that are perfect, there is always plenty to moan about. This is of course part of the process of democracy in pressing our elected representatives towards building a better world.

Our present moans in the United Kingdom revolve predominantly around inflation and the state of industrial relations. There is, unfortunately, every justification for disquiet on these two issues - fundamental issues in any modern industrial society. As would be expected these topics have top priority in the consideration of the Government. Many of the best brains in the land are wrestling with these problems, for to find a solution is of course crucial to our national well-being. But vital as these issues are, difficult though their resolution may be, I think it is a mistake to let the existence of these problems completely obscure the many areas, including these two I have specifically mentioned, in which substantial progress has been made. So today, in the words of the old song, I would like to try "to accentuate the positive" and tell you of some of our achievements.

The new British Government which was elected in June 1970 put at the head of its list of required new legislation that of reform of industrial relations. Much of what might generally be referred to as labour legislation was still largely based on concepts which had seemed equitable and reasonable in the early part of this century. Since that time the balance of power as between employer and the employed, between capital and wage earning has vastly changed. New legislation was required so that the components which go to make up a modern industrial society should be balanced for the benefit of society as a whole rather than in favour of any one sector dominating the situation. This is a crucial requirement of any society.

The new British Industrial Relations Act has, after long and heated debate, passed into Law and is on the Statute Book. Now I recall that when the Taft-Hartley labour legislation was enacted in the US there were cries of outrage and even defiance from some who claimed that they were being oppressed and the like. Not long ago I was talking with one of your Union Leaders about the new British Legislation and after recalling the reaction of your American Union Leaders to the enactment of the Taft-Hartley Bill I asked him how the American Unions had in practice got along with it over the years. With a twinkle in the eye he said that they had managed to live with it all right.

We in Britain are, I believe, facing similar problems to those that you went through. It is well to remember that the reception given to new ideas depends on the mood of the hearers and of course success in politics depends in the end on the power of persuading others to accept ideas.

/This new

This new legislation in Britain is an important step forward towards ensuring that industrial Britain maintains her position in the industrial world and as it is better understood is likely to gain wide popular support.

Another achievement which the Government can claim for its credit is a fundamental reform of the Taxation system. This is not yet complete but considerable progress has been made. There are many who believe that the very steep progression of British personal taxation which starts to climb very rapidly from relatively low levels of income by international comparison has been a major factor in the disappointing progress in economic growth in post-war Britain. This reform has been an immensely complicated task but, if it goes far enough, could have a most profound effect in rekindling the enterprise and energy that made Britain into Great Britain.

Then, also highly contentious, the necessary legislation to enable Britain to become a member of the European Economic Community has gone through all its Parliamentary processes. We shall become full members on 1 January, 1973.

But let me say a very few words about Britain today. Firstly the British economy is expanding at a rate of 5% per annum - twice as fast as in the past decade. The Government has made clear its determination to maintain this rate of growth.

Britain's Official Reserves of Gold and Foreign Exchange reached an all time high this year and although now below their peak they are at a level I would dearly love to have seen when I was Governor of the Bank of England. All official British short-term debts to foreign friends and international institutions were repaid.

Manufacturing output grew by 4½% between April and July this year. Industrial productivity has risen by over 8% over the past twelve months and over the same period the rate of price rise has been almost halved. Wholesale prices of manufactured goods have increased by 4½% this last year, which is not very different from your experience. Unemployment at 3.9%, by different computation to yours, is certainly higher than we would wish, but this does mean that we can look to continuing growth and expansion without coming up as soon as we have in the past to "over-heating". There has been a bigger improvement in the standard of living of the British worker over the last year than at any time in the past decade.

The success of the Government in getting the economy moving again and in modernising the structure of industrial relations has provided the basis for success in many other fields too. Our technological achievements are remarkable. Take Concorde, now set to revolutionise world travel. Take atomic energy, by which we generate more power than any other nation. Take transportation technology and the Advanced Passenger Train.

So Britain Now is Britain on the move, under the strong leadership of a Government determined to see its policies through and determined equally to see that Britain counts in the world. And the Britain which you will see emerge under Mr Heath's leadership is a Britain which will continue to be a valuable ally and partner of the United States within the Alliance.

It was once written of American journalists that they seldom said less than they intended. If I have taken a leaf out of their books in extolling my country you will, I am sure, not take it amiss.

Now let me in continuation turn to future prospects in the international trade field. Since many of you are yourselves engaged in international trade I will be brief.

Pittsburgh is one of the great trading cities of the United States. "Made in Pittsburgh" is a mark of quality recognised across the world. In some measure your prosperity has been built on foreign trade. And you have a vested interest in the continued growth of world trade. We in Europe have a similar interest.

/We have

We have centuries of trading experience behind us. In the case of Great Britain, one quarter of our Gross National Product comes from overseas trade. William Pitt the Elder - and in this city I can hardly quote anyone more appropriate - once summed up the importance of trade to us when he said: "British policy is British trade".

The present prosperity of the countries of the European Community is based heavily upon international trade. Their future hopes for even higher standards of living depend upon its continued expansion. Britain as a member of the European Economic Community will continue to look to expanding trade outside the Community as well as making the most of the opportunities that membership of the Community offers.

We all have every reason to be proud of what we have achieved over the past twenty years. Over the whole twenty-year period, world exports increased five-fold.

How did this come about? Did it just happen? No, of course it did not. It required positive action. It has happened because governments have been ready to allow the industrialist, the businessman, the trader and the banker to operate with a maximum degree of freedom and no country has been more forward in this than the US. And it has happened because these same governments have been prepared to tackle co-operatively the task of demolishing barriers and restrictions to international trade. In achieving the progressive elimination of these obstacles, American inspiration and leadership has played a very great part.

But we cannot afford to rest on our laurels. Many barriers to trade still remain. Indeed there are disturbing signs of readiness to erect new barriers. It is essential that the impetus for liberal trade practices built up over the past twenty years is kept up, or the advantages we have gained may be put in jeopardy.

Some of the remaining barriers are the obvious ones of tariffs. These have of course been substantially reduced. In the case of the enlarged European Community very few industrial products will attract duties outside the range 2.5 - 10%. The average of American tariffs on industrial goods, however, still remains significantly higher than this. So there is still room for American leadership in the field of tariff reductions.

It is not only the tariffs themselves which we must seek to reduce still further. We need to scrutinise very closely the rules governing exemptions from tariff reductions. And we need, too, to define much more closely the notion of injury.

Then too there is the problem of the so-called "non-tariff barriers" to trade. These embrace a whole range of problems which you as traders come up against in Europe; which we Europeans even more find blocking our paths to the United States market; and which we both run foul of in the Japanese market. Take for instance import quotas. They are certainly one of the most arbitrary forms of obstruction to trade. The foreign exporter to the United States has to face the unpleasant fact that no less than 17.6% of industrial imports to the United States are subject to quantitative restrictions. The comparable - if that is the right word - figure for the European Community is only, I am happy to say, 4.8%.

There are also the more recondite forms of non-tariff barriers, one might call them underwater obstacles. By these I mean such practices as the manipulation of tax laws, or administrative guidance on the placing of large contracts by public agencies. These undesirable practices exist in all countries. They need to be equally closely examined, and hopefully abolished, in all countries. In this whole area of international trade one cannot divide countries into saints and sinners. We are all in need of redemption.

/Let us

Let us hope that we can move quickly, indeed in the course of the next year, to a new round of international negotiations within the GATT, so that the ideals which we all share can be brought to reality. I hope your negotiators will be empowered to match any moves towards liberalisation tendered by others.

Of course the great growth which we have seen in world trade has not been achieved simply by cutting tariffs. Of equal importance has been the financial framework provided by the Bretton Woods system, particularly the achievement of free convertibility of the major currencies for current payments in 1958.

This system as originally conceived, finally broke down on 15 August last year when the convertibility of the United States dollar was suspended. Since then the need for reform of the international monetary system - and of course an eventual return to convertibility on the part of the United States dollar - has grown every day more pressing. The recent Annual Meeting of the World Bank and International Monetary Fund, where the United States took a most constructive approach, has led to the setting up of the expert Committee of Twenty which it is hoped may be able to table some specific proposals to the next IMF Annual Meeting in September next year. We must devise an improved world monetary system, which takes account of present realities and allows no special privileges nor demands special responsibilities to or from any one country. If we fail, then the growth of world trade will inevitably be constricted.

Let me finish on this point. We have achieved a great deal over the past quarter century: an expansion of world trade that in the immediate aftermath of World War II would have seemed unattainable. Since 1958 your trade with the EEC has been in regular and massive surplus. The total value of your investments in the Community has increased five-fold. The Community has taken a steady 21-23% of your agricultural exports. You have every reason to be pleased.

We have the opportunity now to achieve still more if we stick to the principles which have guided us hitherto. Some hard decisions and difficult adjustments will be required. The United States will have its full share of these. A reformed international monetary system must take account of the political and economic realities of a strong Europe and a strong Japan: a very different situation from that which existed at Bretton Woods in 1945. And a further round of international trade negotiations will need concessions from the United States as well as from Europe and from Japan.

A major effort of political will is called for to overcome these problems. Let us make sure that the effort is made.

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