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SPEECH BY CHRISTOPHER TUGENDHAT, COMMISSIONER  
OF THE EUROPEAN COMMUNITIES, TO A CONFERENCE  
OF THE INSTITUTE OF DIRECTORS IN LONDON ON  
MONDAY, 17TH NOVEMBER 1980

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"THE COMMON MARKET : AN OPPORTUNITY IGNORED?"

The central thesis of my talk here today is that the Common Market provides the British nation with political and economic opportunities which are not available to us elsewhere in the world, and which will or will not be exploited by us according to our own vision, determination, skill and enterprise.

In the political field the European Community is a key element in the stability of the Western Alliance, an oasis of peace and democracy in an unstable and often totalitarian world, and a means of providing a more powerful voice for Britain in the world.

In the economic field it is clear that success by British business in the Common Market is essential to the future of Britain as a major trading and industrial nation. If we fail there, then we are unlikely to succeed anywhere else.

THE PURPOSE ./.

THE PURPOSE OF THE COMMUNITY

I want first to say a few words about the political aspects, and to emphasise what are, I believe, the fundamental purposes of the existence of the European Community.

The ideas of international peace and co-operation were those which motivated the Founding Fathers of the European Community - men such as Monnet, Schuman and Adenauer. They had seen Europe torn apart by two World Wars and were determined to establish a relationship between European nations which would prevent this happening again. Through the European Community there has been set up a system of close and freely chosen co-operation between nation states on a wide range of internal and external matters on the basis of equal rights and obligations which have the force of law, and backed by institutions dedicated to the common interest. Such a community of nations is a remarkable new phenomenon in international affairs.

In many respects ./.

In many respects Europe's history is glorious and some of its finest achievements have been motivated by patriotism. In other respects, however, it is a catalogue of national rivalries, wars and persecutions for which chauvinism - patriotism's close relation - must bear much of the responsibility.

We must not believe that the present interdependence of European countries, nor the extent to which we cross each other's frontiers in pursuit of business or pleasure means that good relations between our governments or peoples can now be taken for granted. We must not make the historic error of supposing that we have been inoculated against the terrible viruses of the past.

Our aim should be to use the opportunity thus provided to create a way of life that can act as a beacon of hope to the rest of the world. All our societies are based on the values of liberal, plural democracy. These values are under siege in many parts of the world. Greece, Portugal and Spain are among the few examples of countries that have recently exchanged dictatorship for democracy and it is significant that as soon as they did they applied to join the European Community.

Of course continuous hard headed negotiations and much prosaic technical work are required to make the system function. It is difficult to agree on the policies and rules. Sometimes, as in domestic politics, there are deep divisions and efforts are made to prevent agreement. Sometimes the law is flouted. The system does not work perfectly nor even as well as it could. But when one looks at history and at the rest of the world we have come a long way.

#### THE BUSINESS OPPORTUNITIES

The background I have just outlined is important for all of us. But of course you as practical businessmen deal on a day-to-day basis with more tangible goods, so I intend now to turn my attention to the experience of British business within the Common Market.

The title of your Conference today ("The Common Market - an Opportunity Ignored?") asks I believe a very pertinent question. The Common Market is an opportunity for British business, but it is not a guarantee of success or a panacea for economic ills. It provides tariff-free access

to a market of some 260 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 and the right to participate in the shaping of the rules under which this market operates, and to ensure that when for example product specifications are being changed or harmonized our views and needs are taken into account.

The opportunities of this market are available to those who can produce goods of the necessary quality, who can promote them, and who can deliver them on time. That is not a statement of ideology but a simple fact of life which a trading nation such as ours has to face anywhere in the world. If we are dissatisfied with our success in exploiting the opportunities of the Common Market we should perhaps ask ourselves some questions about our methods and approach rather than crying "Stop the market: we want to get off!"

That is not to say ./.

That is not to say that the Common Market takes no account of social factors and industrial changes. On the contrary, the Community provides us with the institutional framework and the sense of common interest which helps us to reach agreements on the orderly restructuring of old declining industries common to several Member States, when otherwise there would be cut-throat cut price rivalry within Europe for declining orders to the detriment of us all. The recent agreement to declare a "Manifest Crisis" in the steel industry throughout the Community (a step strongly supported by Government, industry and unions in the UK) illustrates this fact.

Similarly ./.

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

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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.

Another evident opportunity provided by EEC Membership is that of attracting foreign investment seeking an operating base within the Community. It is a fact that US and Japanese investment within the UK has increased substantially since we took the decision to join and during the period 1973 - 78 direct inward investment from N. America to the UK amounted to almost half of all such investment in the EEC over the same period. It is extremely unlikely that we would have proved such a focus for American investment if we represented only a self-contained market of 55 million people.



## THE BRITISH PERFORMANCE

These are some of the opportunities and advantages which the Common Market offers. How has British business performed in response? We have increased our trade enormously with the rest of the EEC, the balance of that trade has moved substantially in our favour though our performance has varied greatly from one sector to another, and although oil is an important factor it alone does not explain the positive developments.

Let us take these four points one by one.

First of all, there is the increasing importance for the UK of trade with the rest of the Common Market. 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 ./.

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

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.

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, and in the first 9 months of the year non-oil exports increased by 14% while non-oil imports increased by only 5% in the same period.

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.

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.

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.

However, 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 ./.

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?

#### CONCLUSION

The more closely one examines the alternatives to British Membership of the EEC the further removed from reality do they appear. Certainly our country is not as successful as we would all like it to be in the EEC, or in the world. Indeed we suffer from a strong (but exaggerated) sense of economic failure, which took hold at about the same time as our accession to the Community. In addition we had the energy crisis of 1973 and 1979, two serious world recessions and a period of increased pressure for change in old-established industrial structures. The seventies have not therefore been an easy period for the West in general and for the UK in particular.

It would, however, ./.

It would, however, be dangerous for our future recovery if we were to blame the fact that we have not coped as successfully as some others with these problems on the nearest available scapegoat - the EEC. This is not a tendency one meets in the six original Member States, where the prosperity of the sixties followed by the depression of the seventies has created an awareness that within the Common Market there can be good times as well as bad. The Community gives us a framework within which we can all attempt to deal with world events, but it does not insulate us from them.

Let us not therefore draw simplistic conclusions based on nostalgia for a past in which Britain ruled the waves and interdependence was an unknown word. The world has changed and moved on. Our future, our opportunities depend on recognising that fact and making the best arrangements we can to influence future developments. It is my belief that the European Community provides for us the most appropriate means of securing that objective.





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November 17, 1980

"THE COMMON MARKET: AN OPPORTUNITY IGNORED?"

Mr Christopher Tugendhat at the Institute of Directors  
Conference in London, November 17, 1980.

The Common Market provided the British nation with political and economic opportunities not available elsewhere in the world, Mr Christopher Tugendhat, member of the European Commission, told an Institute of Directors conference in London today. These opportunities would or would not be exploited according to our vision, determination, skill and enterprise.

Mr Tugendhat said that in the economic field it was clear that success by British business in the Common Market was essential to the future of Britain as a major trading and industrial nation. "If we fail there, then we are unlikely to succeed anywhere else.

"In the political field the European Community is a key element in the stability of the Western Alliance, an oasis of peace and democracy in an unstable and often totalitarian world, and a means of providing a more powerful voice for Britain in the world.

"We must not believe that the present interdependence of European countries, nor the extent to which we cross each other's frontiers in pursuit of business or pleasure means that good relations between our governments or peoples can now be taken for granted. We must not make the historic error of supposing that we have been inoculated against the terrible viruses of the past.

"Our aim should be to use the opportunity thus provided to create a way of life that can act as a beacon of hope to the rest of the world. All our societies are based on the values of liberal, plural democracy. These values are under siege in many parts of the world. Greece, Portugal and Spain are among the few examples of countries that have recently exchanged dictatorship for democracy and it is significant that as soon as they did they applied to join the European Community.

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#### Export expansion

The Commissioner emphasised the improvement in British business's trading performance with the other member states.

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#### Alternatives?

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