



*European Communities
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Press Release*

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UK trade deficit not result of EEC membership

Mr Peter Shore's allegations that Britain's membership of the EEC has worsened the trade deficit, renewed on Monday in the House of Commons, were forcefully countered during a session of the European Parliament in Strasbourg yesterday.

Mr Finn Gundelach, the EEC Commission's internal trade commissioner was answering a question on Mr Shore's latest remarks from the British Conservative member, Mr James Scott-Hopkins.

The overall trade balance of the UK has worsened over the last three years - but this deterioration is less marked in the UK's trade with its Common Market partners than in that with the rest of the world, he said.

In 1972 the deficit of the United Kingdom's trade with the other eight members of the EEC accounted for 42% of the total deficit of her trade balance; but in 1974 only about 32% of the total deficit could be ascribed to trade with the other members of the EEC.

This is due to the fact that in the first two years of membership, the rate of growth in the United Kingdom's exports to the EEC was considerably higher than the rate of growth in exports to the rest of the world, whereas the rate of growth in imports from the EEC was only slightly higher than the growth in imports from the rest of the world.

Taking an average of the two years, the yearly growth of exports to the EEC was 38%, in contrast to a 27% rise in exports to the rest of the world.

The corresponding figures for the growth in imports were 48% from the EEC and 44% from the rest of the world.

These facts do not indicate that the deterioration in the trade balance is due to membership of the EEC.

For years the United Kingdom has moved towards closer trade relations with the EC countries for obvious geographic and economic reasons, a process which was accelerated in the first two years of membership, as my figures, in particular in export increases, indicated.

It may be useful to recall the principal factors responsible for this worsening in the United Kingdom's overall external account:-

- a. the first year of the United Kingdom's membership was one of unprecedently rapid growth in demand and output. In these circumstances, one would normally expect a deterioration in the trade balance, both in relation to other EEC members and to the rest of the world.
In 1974, the miners' strike and the three-day week prevented domestic output from satisfying domestic demand, so that once more exports were dampened and imports were imperative to keep the economy going. This is particularly true in the case of steel and chemicals.
- b. Then again, as prices of many foodstuffs were lower in the Community than on world markets, United Kingdom importers switched increasingly to EEC sources of supply. Her trade deficit in agricultural products with the Six alone increased by over £500 million.

Given the size of the switch and the magnitude of the price differentials, the United Kingdom's total food bill would clearly have been higher if the United Kingdom had not been a member of the EEC.

To make the point quite clear:-

Had the United Kingdom not been able to take advantage of the Common Agricultural Policy, her overall trade deficit in the last two years would have been even higher.

- c. Last, but not least,

the increasing deficit in trade with the EEC reflects the higher cost of imports of refined oil products, in particular from the Netherlands and from Belgium.

Had the United Kingdom not been a member of the EEC she would still have imported a part of her required oil products from the Continent.

The trade statistics and the factors mentioned influencing the United Kingdom's trade balance thus demonstrate that the deterioration in the trade balance is by no means due to the United Kingdom's membership of the EEC.