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COSTING BRITAIN'S ENTRY INTO EEC

'Inevitably it would reduce us internationally to a chronic borrower and beggar, with a near stagnant economy, and a constantly weak balance of payments'. Douglas Jay, MP.

'Free access to a large and fast growing market should provide the necessary conditions for the achievement by the UK of a significantly faster and more sustained rate of growth than has been realised in the past 15 years'. Confederation of British Industry.

This month the Government publishes a White Paper on the costs of Britain's joining the Common Market. In advance of this, *The Banker* sets out three differing analyses of this question: by Mr Douglas Jay*, by Sir Hugh Weeks†, and by the Confederation of British Industry‡. Perhaps the most surprising thing that emerges is the degree of agreement between them on the balance-of-payments cost on trade in agricultural goods, on raw materials and on invisible items. Furthermore the estimates of effects on capital account are identical. There is, however, one field where widely differing results occur: on trade in manufactured goods. The effect of this is to produce differing estimates of the total balance-of-payments costs ranging from £1,100 millions in the case of Mr Douglas Jay to £400 millions in the case of the CBI. This picture is set out below.

The discrepancy stems in the main from the different combinations of assumptions and time-horizons to be used. The chief assumptions are threefold:

(1) A reduced overall level of protection for UK industry because the Common External Tariff is lower than the current UK tariff and because British tariffs *vis-à-vis* the EEC are higher than the EEC's *vis-à-vis* the UK.

(2) A further increase in export prices: this is mainly because higher food prices lead through an increased cost of living and wage inflation to higher industrial costs.

(3) A favourable effect on UK trade as a result of access to richer and more rapidly growing markets than those of the current preference area.

Mr Douglas Jay's analysis focuses on 1 and 2 but not on 3. Sir Hugh Weeks mainly stresses 1 while the CBI allows for 1 and 3 but not 2. In addition the CBI bases its calculations on a time horizon of seven years but the time horizon in the other two forecasts, though not formally stated, is clearly less than this.

BALANCE OF PAYMENTS EFFECTS: THREE RECENT ESTIMATES

	Net change (£ millions pa)		
Current Account	Jay*	Weeks†	CBI‡
Visible trade: manufactures			
and semi-manufactures	− 475	− 100	+ 100
agriculture	− 550	− 400	− 400
raw materials	No change	No change	No change
Invisible trade	Some net gain	Some net gain	Some net gain
Capital Account	− 100	− 100	− 100
Total	− 1,100	− 600	− 400

Sources:

* Mr Douglas Jay, MP, in an article in *The Guardian*, September 19, 1969. Mr Jay is in the process of updating these estimates.

† Sir Hugh Weeks in a paper for Leopold Joseph and Sons, November 1969.

‡ The Confederation of British Industry in *Britain in Europe*, January 1970.