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Britain's trade: the truth

The myth that membership of the European Community has somehow been responsible for Britain's huge trade deficit was carefully and convincingly demolished by Danish Commissioner Finn Gundelach during the European Parliament's Question Time of Wednesday, February 19. "The facts," he replied to a question from James Scott-Hopkins (Con/UK), "do not indicate that the deterioration in the balance of payments is due to membership of the EEC." Indeed, "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".

"The overall trade balance of the United Kingdom". Mr Gundelach explained, "has worsened in the last three years. This overall deterioration of the United Kingdom's external position is also reflected in the United Kingdom's trade balance with her Community partners, but less so than with the rest of the world."

"In 1972 the deficit in the United Kingdom's trade with the eight other members of the EEC accounted for 42% of the total deficit on 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 was due to the fact that, in the first two years of membership, the rate of growth in United Kingdom's exports to the EEC was considerably higher than 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."

Coal, food and oil

"It may be useful," the Commissioner continued, "to recall the following principal factors involved. The first year of United Kingdom membership was one of unprecedented 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 working week prevented domestic output from satisfying domestic demand, so that once more exports were dampened, and imports were imperative to keep the economy going. That is particularly true of steel and chemicals."

"As prices of many foodstuffs were lower in the Community than on world markets, the United Kingdom importers switched increasingly to cheaper European sources of supply. The size of this switch is around £500 million in relation to the original six members of the Community. 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."

"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 Belgium. Had the United Kingdom not been a member of the EEC, she would still have imported a considerable part of her required oil products from the Continent. The trade statistics and the factors I have 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."

"In answer to the question on the development of trade between the United Kingdom and the Commonwealth countries, with your permission, Mr President, I should like to quote a reliable source. According to what Mr Shore said earlier this week in the House of Commons, the United Kingdom's food trade deficit with the Commonwealth was £32 million in 1972 and £637 million in 1973 and £580 million in 1974. If we are speaking about a rise in exports to the

Commonwealth countries, we find that exports to Commonwealth countries rose in value by 12 per cent in 1973 and, on the figures for the first eleven months, by about 30 per cent in 1974. The average for the increase of exports to the Community for the two years is 38 per cent, and the average of 12 per cent and 30 per cent comes to between 20 per cent and 22 per cent for exports to the Commonwealth."

Dirty foreigners

Later, outside the Chamber, Mr Gundelach made a more pointed reference to Britain's trade minister Peter Shore. He told Colin Lawson of the *Daily Express*, "I have been invited to speak twice in Britain in April on British membership, Mr Shore says that dirty foreigners should keep their noses out of the British referendum."

"I would remind him that he actively campaigned in the Danish referendum on the anti-Market side."

"The British people is being led astray by people like Shore. It makes me sad."



Commissioner Gundelach addressing the European Parliament

Money for the Chunnel?

Does the Channel Tunnel live, after all? On Monday, February 17 the European Parliament passed a resolution, *nem. con.*, calling on the British and French governments to see whether "aid or financial guarantees" could not be found from Community sources, "for example, the European Investment Bank."

In the debate Chairman of the Regional Policy and Transport Committee, James Hill (Con/UK) challenged the Commission to find Community finance for the project if Britain, as its government had declared, could no longer afford the cost. He recalled an earlier Parliament report (by Karl-Heinz Mursch (CD/Ger) on the Common Transport Policy) which said the European transport policy specialists must make clear to the population at large and to expert interests that, as customs and monetary barriers were removed, so the obstacles to transport now hidden behind these barriers would become increasingly apparent. Thus Britain in exporting to France without the Tunnel would be at a greater disadvantage in terms of cost than would Germany

When Commissioner Scarascia Mugnozza had given a somewhat noncommittal reply speaker after speaker rose to stress that the Tunnel was of major Community importance, not merely a matter for Britain and France alone. As regards finance Willem Sholten (Ger), speaking for the Christian Democrats, said that precedents for Community finance already existed in border and river connections. Although huge sums would be involved the cost would be spread over several years.

Speaking, as he put it, as "a Scotsman", Russell Johnston (Lib/UK) wondered why, if the project was becoming so expensive and so uncertain (as Commissioner Scarascia Mugnozza had suggested) did France not want to withdraw? Sir Douglas Dodds-Parker (UK) for the European Conservatives said that "the Community needs constructive, commercially profitable projects such as this to help unite it. For example, we have the proposals for a bridge at Messina and links between Denmark and the countries of Scandinavia. The Bosphorus Bridge, in which the European Investment Bank played a part, has been more profitable than even the most optimistic forecasts."

A certain pascalian beauty

Slowly but surely — or, as Irish Foreign Secretary and Council of Ministers President Garret Fitzgerald put it, "in a process of taking two steps forward and a half-a-step backwards" — the budgetary powers of the European Parliament are growing. In a crucial debate on Wednesday 19, the House adopted new Council/Parliament conciliation procedures. This, the report noted, was the "outcome of a long period of work . . . following serious initial disappointment".

Georges Spénale outlined, with military precision, how the situation stood after "this long march".

Object: to ensure effective parliamentary participation in preparing and adopting decisions with consequences for the Community budget.

Context: acts with appreciable financial implications which are not obligatory by reason of previous legislation.

Initiation: at the request of the Parliament, or of the Council if the latter does not accept Parliament's opinion.

Mechanism: a 'Conciliation Committee' consisting of the members of the Council and a delegation from Parliament (with the Commission participating).

Goal: to reach an agreement between the two institutions.

Outcome: when the position of the two institut-

ions is sufficiently close, Parliament can give a new opinion, which is forwarded to the Council to take definitive action."

It was "as simple as that," Mr Spenale continued. "But you need a lot of time to be brief. And since beauty, according to Pascal, is the elimination of the superfluous, we can say that this arrangement has a certain pascalian beauty."

Both Council and Parliament now have a certain power of veto: the Council has the last word on "obligatory" expenditure and a blocking power on the rate of growth in the rest; Parliament has a blocking power over the "non-obligatory" section, and the power to reject the budget as a whole.

"Each institution therefore retains . . . deterrents which are effective but which could be paralysing. In this context, conciliation is, one could say, an attempt at deterring the use of the deterrent."

Both Mr Spenale and, later, Peter Kirk (Con/UK) made it clear, however, that this arrangement was only partial and provisional. "We accept this as a starting point," Mr Kirk stated, "and no more than a starting point. We reserve the right . . . to reopen this matter either before or after Parliament is directly elected." In particular, the procedure should be extended "outside acts having financial consequences"; and at the end of the day Parliament "should have the final say on what the legislation should be".

Here Mr Ortoli recalled Commission discussion of Britain's "renegotiation points" and its recent formulation of a Community budget correction mechanism which would work to forestall an unacceptable situation arising for member states. "Such is the true force of the Community," concluded the President, "— joint progress, solidarity, increased influence and prestige in world affairs — which our people will come to discover through daily participation in its work, in its successes as well as its failures. We will know the decision of the British peoples in a few months. We hope that they will abide with us . . ."

Young unemployed

Though Commissioner Patrick Hillery was able to tell the Parliament on Tuesday 18 that "from a Community policy point of view . . . 1974 was a very successful year in the social field" (with action on migrant workers, handicapped persons, equal pay, mass dismissals and the rights of employees in mergers), he could not disguise the spectre of unemployment haunting 1975. At the beginning of the year the rate exceeded 3 per cent in all Community countries except the UK and Luxembourg, and over 5 per cent in Denmark, Italy and Ireland.

Later in the day Parliament returned to the subject, and particularly to unemployment among the young. Mrs Goutmann (Comm/Fr) estimated that "between 30 and 35 per cent of the unemployed in the Community are under 25 years old". Commissioner Hillery pointed out, however, that the statistics showed differences in pattern between different countries: in Belgium, France and Germany more young women than young men were unemployed (in Belgium the ratio was women 65:35 men); whereas in Italy, the Netherlands and the UK the reverse was true (in the UK the ratio was women 29:71 men). No-one explained why, however; and Lady Elles (Con/UK) among others called for much more detailed figures, including a breakdown by region "to see how the new Regional Development Fund could be put to best use".

Among the visitors to the European Parliament's February sitting in Strasbourg were: the House of Lords Community legislation scrutiny committee, under the chairmanship of Lady Tweedsmuir; a delegation from the Merseyside Chamber of Commerce, led by Eric Cockram; some 70 local councillors from London and the South-East; and parties from Saffron Walden, Newcastle-upon-Tyne Polytechnic and Cheadle Girls School.

Vive Lomé!

"The colonial period must now be over." So spoke Lord Reay (Con/UK) in his vice-presidential address to the last Parliamentary Conference of the Association between the European Community and the Associated African States, Malagasy and Mauritius, in Abidjan, Ivory Coast, on January 29.

Since 1963, under the Yaoundé Convention, 19 African countries, mainly former French and Belgian colonies, have had trade and aid links with the European Community.

"Yaoundé est mort! Vive Lomé!" These were the words of Ivory Coast President Felix Houphouët-Boigny on the same occasion. For, as the Yaoundé agreement expired, a wider new trade-and-aid agreement between Europe and much of the third world was in its final stages of preparation, ready to be signed at Lomé, the capital of Togo, on February 28, 1975.

In this unprecedented agreement 46 countries in Africa, the Caribbean, the Pacific and Indian oceans — nearly half of them members of the Commonwealth — are assured of stable prices for raw materials and free access to the European market for many of their exports.

In Lord Reay's words, "new perspectives of opportunity, cooperation and example" are being opened up. In times of unparalleled international turbulence Lomé provides a link "not any longer as one nation-state in an unequal relationship with another, but as one continent with another, as a group of nations with groups of nations".

The Lomé Convention is one step in this direction. It is also one step towards satisfying the British Government's shopping list of renegotiation items for the referendum in that it assures the black Commonwealth of continued trading ties with European markets.

For the Parliamentary Conference (which has provided a consultative check on Yaoundé's inter-governmental activities) Lomé also promises a new form of representative assembly where members of the European Parliament will maintain regular contact with representatives of the Forty-six.

Referendum shadow

The forthcoming British referendum cast a shadow over two debates on February 20. When James Scott-Hopkins (Con/UK) asked when the Commission would produce its long-promised proposals for a Community marketing regulation for sheep-meat, Petrus Lardinois replied that it was impossible to do this so long as the future membership of the Community's largest producer, importer and consumer of mutton and lamb was uncertain. So Britain's lamb and mutton producers can continue to be kept out of the profitable French market for the next few months.

Later that day Horst Seefeld (Soc/Ger) posed the problem of the future of the sugar-importing agreement recently so laboriously reached by the Community with the West Indies, Fiji and other Commonwealth countries for the five-year supply of guaranteed quantities of cane sugar at guaranteed prices, from which Britain would be the main beneficiary at the European end. The whole Lomé Convention (see above) would also be in jeopardy.

Late final

With typical Westminster discipline British Members remained in the Chamber until the small hours of Thursday morning, outnumbering all other Members present. In the debate, centered on the Community's activities in 1974 and Commission programme for 1975, (the nearest thing to the "Queen's Speech") the attitude of British Members was aptly put by Tom Normanton: "At this rather late hour by European Parliamentary standards, I have no intention of extending the sitting longer than necessary. However it would be irresponsible for me as a Member of this Parliament to let the occasion go . . ." Earlier in the debate Sir Brandon Rhys Williams (Con/UK) had said "The principal characteristic of 1974 has been indecision".

Clearly not true of the British.

How to save £60m p.a.

Europeans "of the first hour" are fond of recalling how French and German students, at the time of the Schumann Plan in the late 1940s, descended on the customs posts at the Franco-German border and tore them up. "An end to all this!" they proclaimed.

How is it, then, Eric Blumenfeld (CD/GER) asked the Commission on Wednesday February 19, that the coming of the Common Market seems to have resulted in *even more* paper-work for traders?

Replying, Commissioner Gundelach admitted that from the point of view of "not being hindered unnecessarily by complex and lengthy administrative procedures . . . we have not achieved a satisfactory customs union". Indeed, bureaucracy added to costs: "the collective burden of administrative practices regarding customs administration accounts for over 7.5 per cent of the value of goods traded". Bringing the figure down only from 7.5 to 7.4 would save some £60 million a year.

Fortunately, Commissioner Gundelach regarded improvements as a matter of principle. "I have considered it one of my major tasks . . . to bring about a progressive but quick simplification of the scope of customs proceedings and administrations." Concrete proposals were on the way. And not, those from the class of 1949 present might have thought, before time.

Abide with us

"British membership is a fundamental Community interest, and in our opinion is also a British interest. Without Britain Europe would be incomplete. It would not enjoy the same place in the world and would not give as much to our peoples if it were once more deprived of the British contribution which has done so much to give it an added dimension, for example in its relations with Asia and the developing countries." With these words the Commission's view on Britain's continued membership was firmly stated by its President, Francois-Xavier Ortoli, in the course of his address to the House on Tuesday. The people of Britain, he said, "have during two years been able to assess the benefits of membership and the original nature of the Community and its working. Working together has already helped Britain as it has her eight partners over economic difficulties — including food supplies. The Community system has proved equal to accommodating the particular difficulties of a member state."