



*European Communities  
Commission  
Press Release*

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Extract from a speech by Sir Christopher Soames,  
Vice-President of the Commission, at the Westminster  
Chamber of Commerce, Savoy Hotel, London, 21.3.1975.

And here let me say a few words about the question of Britain's trade deficit with the European Community and its relevance to the issue of continued British membership of the Community which is now to be put to the test in the referendum. This is something which particularly concerns you in your chamber of commerce, as you strive to improve Britain's position by learning how to operate successfully in the new European markets.

It is of course a sad truth that over the past three years there has been a sharp deterioration in Britain's overall balance of trade, and that this trend has also shown in Britain's balance of trade with her partners in Europe.

Let us look at the matter calmly. The first question at issue is, by how much, if at all, this worsening of our trade deficit with the Eight has been caused by our membership in the Community. And the second is whether we would be better placed to improve our trade balance with the Community if we were outside it. For clearly it would be entirely dishonest to base an argument for leaving the Community on trade figures which were not caused by our membership and were not likely to be put right by the mere fact of our leaving the Community.

Britain's membership of the Community will tend to affect her pattern of trade with other Community countries by bringing about the elimination of tariff barriers and the reduction of non-tariff barriers within the Community. But we have only been in Europe for two years, and the removal of these barriers has simply not yet gone far enough to have had a significant direct effect on Britain's trade balance with the Community.

A further piece of evidence on this point is that in 1973 and 1974 the trade gap with the Eight widened by about 90 per cent, while the deficit with North America - with which there has been non removal of trade barriers - increased by 130 per cent.

So something other than our membership of the Community must be behind our present trade deficit with Europe and with our other trading partners. And here I am afraid the only answer can be that as a nation we have still not yet learned the secret of competitiveness. Our rate of investment is lower than that of our main trading partners, our rate of consumption is higher, our strike record is worse, and the record of our overall economic management is less satisfactory.

It is also worth remarking that a large and rapidly growing proportion of Britain's deficit on trade within the Community represents the growth of food imports from the Continent. For significant periods during the past two years the world price of a number of products - grain, dairy goods, sugar - has been substantially higher than the Community price. In this respect, while it is true that our deficit with the Six increased, it is also true that this prevented our deficit with the rest of the world from increasing by an even larger amount. And our overall trading position benefitted from the relatively cheap imports of food from the Community.

Would we be better placed to improve our trade balance with the Community if we were outside it?

The supporters of British withdrawal from the Community divide into two very different schools of thought about what would be the best alternative to our being in Europe. On one side, there are the exponents of what can reasonably be described as a 'siège economy'. I think we would all agree that those who advocate this course have simply failed to understand the extent of the interdependence of the advanced industrial economies, and the devastating implications for a major trading nation like Britain of policies which would lead to the contraction of world trade and the loss of capital from abroad.

On the other side there are those who advocate the creation of a free trade area joining Britain with Europe and with the rest of the industrial world. But such an arrangement would differ little from our membership of the Common Market in its effect on our balance of trade with Europe. The advocates of free trade surely cannot complain about tariff-cutting within the Community and at the same time advocate tariff-cutting within a European free trade area. The fact is that Britain cannot reduce her overdraft merely by changing her bank.

No Mr Chairman, our own particular indigenous problems, reflected in our acute inflation and rising unemployment, and compounded by the present grave situation in the world's economy, can only be overcome, first of all if we have the will, determination and discipline, and secondly if we act jointly with our Community partners.

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