

This fits in with what has already been said about the increase in productivity in manufacturing.

What about the anticipated inflow of foreign investment into Britain? Here the readily available evidence is mildly positive but not very conclusive. There has certainly not been the great flood of new investment that some had predicted. The proportion of total U.S. overseas investment going to Britain declined in the 60's and early 70's but recovered markedly after that. It is not clear how much of the increase represented investment in North Sea oil. As regards U.S. direct investment in manufacturing, Britain's share of the total increased from 12.6 per cent in 1976 to 15.7 per cent (estimated) in 1981. In 1980, Britain accounted for nearly 59 per cent of total U.S. direct investment in the Community, excluding oil. The corresponding figure for manufacturing was 34 per cent of the world total. About half of Japan's investment in the EEC is in Britain. British membership does not seem to have had a strong effect on investment flows to and from other members of the Community. Indeed, direct investment in and out of Britain grew much more with North America from 1970/72 to 1980. Perhaps this should be expected in view of the extent to which direct investment and trade are alternative ways of developing a market.

To summarize the apparent effect of British entry so far, while there is some evidence of short term adverse impact effects, and there are indications of a very recent improvement in productivity it cannot really be conclusively demonstrated that the country is now getting the benefits from membership that the original Six obtained. There are, however, a number of extenuating factors:-

1. Studies of what happened to the industries of the Six after 1958 suggest that integration is a slow process. One economist who has looked into this experience suggests it may take 15-20 years to show measureable results and 40-50 years for completion.
2. Britain joined the Community just as it was coming to the end of 15 years of rapid growth, and thus "missed the best of the party". The British also came on the scene when EEC members were having increasing difficulty keeping up the momentum of harmonization and removal of non-tariff obstacles to trade.
3. As already mentioned, Britain went in with its manufacturing sector much weakened by developments over the preceding decade or so.
4. The economic and industrial relations atmosphere at the time of entry was not such as to encourage new investment and the inflow of foreign capital (e.g. rapid increases in wages and prices, the miners' strike which led to the fall of the Heath Government).