

in British trade towards the EEC. From 1972 to 1980, the share of British exports going to other members of the Community rose from 30.2 per cent to 43.1 per cent. In the case of imports the EEC share went up from 33.8 per cent to 42.7 per cent. The ratio of trade to national output also rose substantially.

As already mentioned there was a deterioration in the British trade balance with the EEC on manufactures. Much of this took place from 1972 to 1976, when four-fifths of British duties against the products of the Six were eliminated. Since, at the same time Britain actually increased its surplus with the rest of the world in manufactured goods, it would appear on the surface that tariff changes had something to do with the poorer performance vis-a-vis the community. However, British manufacturers were not holding their own with their EEC competitors in the eight years before accession. Indeed their position deteriorated more in that period than in the years 1973-81. Also, in the latter 70's, Britain's export-import ratio in manufacturing trade deteriorated less with the EEC than with certain other countries, including the USA and Japan.

The trend vis-à-vis the EEC was in fact part of a general worsening of Britain's position in this sector which had been going on for a long time. A decline in the country's share of the manufactured exports of 12 major industrial countries was registered from 1955-58 to 1970-73. It has been attributed to such factors as under-investment, bad labour management relations and stop-go economic policies.

There have been indications very recently of a marked improvement in manufacturing productivity in Britain. From 1979 to 1983, real value added in British industry per person employed rose at an average annual rate of 3.8 per cent - more than double that for the Community as a whole and considerably greater than that achieved by Britain over the period 1960 to 1980. Why has this not been reflected in a strengthening of Britain's position in world markets for manufactured goods? The OECD has pointed out that, although productivity has been rising, Britain's international competitiveness in terms of labour costs and prices has actually been weaker in recent years than in the 1970's. Up to 1981, this seems to have been due mainly to such factors as the appreciation of sterling, associated with North Sea oil, and increases in wage rates. Since early 1981 the pound has been falling, though apparently not enough to bring about an improvement in Britain's trade performance on manufactures. Indeed, this trade went into deficit in 1983 for the first time since the war and the position further worsened in 1984 and early 1985. This was attributable mainly to the fact that Britain came earlier and faster out of the recession than its European partners, and to the miners' strike.

It also bears noting that the deterioration of the balance on manufactures is not an across-the-board phenomenon. It is accounted for largely by sharp increases in import penetration in several specific sectors, particularly motor vehicles, and, to a