

SPEECH BY THE PRIME MINISTER, THE
RT. HON. HAROLD HOLT, IN THE HOUSE
OF REPRESENTATIVES ON THURSDAY,
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BRITISH APPLICATION TO JOIN THE EUROPEAN
COMMON MARKET

I promised the House yesterday that I would comment on the announcement made by the Prime Minister of Britain (Mr. Wilson in the House of Commons on Tuesday to the effect that Britain proposed to make an application to join the European Economic Community.

We know the British Government has given much thought to the course it should follow. Honourable Members will recall the earlier attempt to join the European Economic Community which failed in 1963. That was during the Prime Ministership of Mr. Macmillan. Mr. Wilson has now said : "All of us realise that this is an historic decision which could well determine the future of Britain, Europe and indeed of the world for decades to come".

Each nation is entitled to make decisions in what it conceives to be in its own national interest. But equally, it is to be expected that when major decisions are taken which will affect countries of such historic relationship as Britain and Australia, then the interests of the countries affected will be considered, and the decisions influenced. Now that the British Government has decided that an application to join the Common Market should go forward, we will be looking to the Government and people of Britain to ensure that the terms of entry take full consideration of the interests of Commonwealth countries, which include Australia. In the longer term, it is in all our interests that Britain should remain strong, and indeed grow stronger.

Only a strong Britain can remain a power of significance in the world, and we all wish this to be so.

During recent months, we have been aware that Britain has been contemplating further approaches to the European Economic Community. Throughout this period the British Government has kept us advised about the essential nature of the discussions at Ministerial level with the individual member governments of the European Economic Community.

More recently, the British Government has kept us informed of the development of its own thinking and as recently as last week, my colleague, the Deputy Prime Minister and Minister for Trade and Industry, discussed the matter with British Ministers in London.

We have no doubt that as matters proceed, the British Government will continue to keep us informed of essential developments. We would hope, however, that we would also have the opportunity for meaningful consultations.

Both publicly and privately the British Government has continually emphasised that entry into the European Economic Community would be subject to adequate safeguards to protect "the essential interests of the Commonwealth". I note that in making his announcement, Mr. Wilson referred specifically to the special problems of New Zealand. We certainly have a full appreciation of those problems. Mr. Wilson referred also to Commonwealth sugar producers, and we welcome this reference.

But our important interests, of course, go very much wider, and we would expect that in seeking measures to safeguard the essential interests of the Commonwealth, Britain would take full account of her contractual obligations to Australia and of the heavy dependence of a number of our export industries on the British Market.

Because there appears to be some conflict between the essential interests of the Commonwealth and the present European Economic Community regime, and because at this stage we do not know what safeguards Britain will be able to negotiate, it is not practicable for us to make any firm judgment on the extent to which Australia's exports are likely to be affected by Britain's eventual entry into the European Economic Community.

The impact of British membership of the European Economic Community upon Australian trading interests would depend upon the extent to which our preferential entry to the British market is affected. We sell to Britain under preferential conditions products to the value of approximately four hundred million dollars. This four hundred million dollars of trade is concentrated in a relatively few products, and in some cases represents a substantial share of the total export market for the industries concerned.

There are also whole communities whose basic industries have geared themselves to the British market. We must recognise that their future could be affected, perhaps seriously, if the British market is lost or substantially reduced. The Government will, of course, be watching this aspect of the problem with particular care.

In recent years there appears to have developed, both in Britain and in Europe, a belief that there may be no great need to take special measures to protect Australia's export position because we have been diversifying our export trade and have been building up markets in other areas. Over the past five years, the share of our total exports going to Britain has declined from about twenty-four per cent. to about seventeen and a half per cent. But the total value of exports - preferential and other - to Britain has increased slightly, and last year amounted to about four hundred and seventy-five million dollars in total.

In certain agricultural products recent increases in production and availability have enabled us to expand our exports to the world and to develop some new markets. As a consequence, the proportion of total exports going to Britain has declined somewhat. Nevertheless, the absolute volume of shipments to Britain has increased.

I refer particularly to beef, butter, fresh fruit, canned fruit and sugar. In the case of these key products, our dependence on the British market has, in fact, increased. There are some other products such as wheat, flour, dried fruits and canned meat, where the British market is of prime importance.

During earlier British negotiations to join the European Economic Community, it was suggested, both in Britain and in Europe, that the problems of countries such as Australia could be met through the establishment of effective world commodity agreements which would lead to improved access and remunerative prices for agricultural products. From the early stages of the Kennedy Round it was agreed by the more important participants that effective commodity agreements were essential to the success of these negotiations.

The concluding stages of the Kennedy Round are now being reached in Geneva. The final result will not be known until the negotiations have formally been completed, but the prospects of a successful outcome are far from bright. It appears possible that there may be a Ministerial meeting in Geneva next week. The success of this meeting, if held, in opening up new prospects for world trade in agricultural products, will affect to a significant degree the extent to which our export trade could still find opportunities, following a successful British application to join the European Economic Community.

Turning now to the financial and economic implications of British membership of the European Economic Community. Australia has had a long history of close financial co-operation with Britain, and no doubt there will be changes in some of these relationships if Britain joins the Common Market. There is little point in speculation at this time as to all the possible financial ramifications but we cannot ignore the possibility that there may be difficulties for us. Much will depend on terms and conditions of British membership. However, I feel I should mention one issue which will be of considerable interest to us - namely, the future level of capital flows from Britain to Australia.

At the present time, Britain is imposing some restraints on the outflow of investment to developed countries of the sterling area such as Australia. Nevertheless our position is still better than that of developed countries outside the sterling area.

If Britain were to join the European Economic Community in the near future, it seems likely that it would have to alter its current policies on the control of outward private capital flows. In that event, whatever preferences we may have now in respect of British investments abroad could be quickly abridged.

I do not need to emphasise here the extent to which the growth of the Australian economy has been assisted in recent years by the strong inflow of capital from abroad. Most of this is private capital and almost half has come from Britain. In 1965-66, private overseas investment in Australian companies from Britain amounted to some two hundred and fifty million dollars. We are thus talking about one of the more important elements in our balance of payments and one of the more important factors contributing to a higher rate of growth in the Australian economy.

Rather similar considerations apply in the case of official capital transactions abroad. Australia, as a member of the sterling area, has had greater access to the London capital market than non-sterling area countries. If Britain joins the European Economic Community, we may be faced with a reduction of borrowing opportunities in London. As we have about \$250 million of official debt maturing in London over the next five years and some \$500 million maturing over the next ten years, the question of access to the London capital market is of considerable importance to us.

It is, of course, difficult to make an informed judgment on these matters now. Indeed, pending clarification of the terms and conditions of membership, it is virtually impossible to make a precise assessment of the financial and economic implications for Australia. We shall certainly be doing our best to ensure that Australia's interests are taken into account.

In conclusion, it seems fitting to observe that the British approach to the European Economic Community is still at a very early stage - indeed the application, although foreshadowed, has not yet been made. Substantial discussions are ahead, and it will only be out of these that we can gauge the likely consequences, and thus what action can be taken to safeguard the interests which are important to us. As I have said, we look to a process of continuing consultation and discussion. We shall, as we can, keep Honourable Members informed of developments.