PRESS STATEMENT

Hon. Malcolm Fraser
12 May, 1967

The European Common Market

A few days ago the British Prime Minister announced that the United Kingdom was going to try and enter the European Common Market. You will recall that in 1963 France virtually vetoed Britain's entry and in the period since then the British Government has instituted some severe economic measures designed to bring a greater degree of stability and vigour to the British economy, partly in the hope that this would place them in a stronger bargaining position in future attempts to join the Common Market.

There are likely to be some fairly serious consequences which will have to be very closely watched if Britain is accepted into the European Economic Community. Each country will probably tend to look at the effects of this in terms of its own economic interest. Indeed, Governments should be expected to do this because they have a responsibility to look after their own people. It is not yet possible to make any firm judgments about the economic effects of British entry because nobody has any idea whether the attempt to join will be successful or what the terms of entry may be.

On the other hand it is possible to examine the general trade relationships between Britain and Australia, and the trade policies of the Common Market which Britain would have to accept if she joined. We can therefore get a good idea of the industries that could be hurt.
Quite apart from the economic aspects of this move there are political considerations about which people have differing views. There are some who believe that Britain inside the Common Market will act as a steadying influence that may be able to counteract the undue predominance of France or Germany. They also say that a Britain in the Common Market will tend to get the other countries to look outward to the world around rather than inward to their own narrow European interests, which seems to be largely the attitude of the Common Market countries at the present time. Other people argue that Britain in the Common Market will tend to become more and more remote from her old friends and allies, and will also become inward looking, concentrating on European affairs to the exclusion of all else.

Valid arguments can probably be made from both points of view but no final judgment can be made before the event.

The British Government has continued to emphasise that they will not enter the Common Market unless they are satisfied with the safeguards for essential Commonwealth interests. Nobody has yet defined what "essential Commonwealth interests" means. Does it mean that the trade we now have will be protected in whole or in part? Does it mean that they will do what they can to help the New Zealand dairy industry, because it is New Zealand's major export and because the industry in New Zealand has been developed for the most part to supply the British Market? Does it mean that they would also protect the Australian dairy industry, or would they say that Australia is larger and stronger and not so dependent on one industry and therefore the same conditions do not apply?
It needs to be remembered that many Australian industries have been established largely because of markets that we knew existed in England and because we knew those markets would be open to us. The fruit and dried fruits industries are examples, and most of Australia's irrigation schemes have been established for this purpose. If these markets were cut off communities whose whole existence revolve around irrigation and dried fruit schemes, would be very sorely hit. Of our total earnings in recent years from apples, pears and dried vine fruits, 50% came from sales to Britain.

A few more figures might serve to indicate our present dependence on British Markets. Eighty percent of Australia's export income from butter, 65% of the income from canned fruits, 50% from sugar and 30% from beef and veal comes from sales to Britain. Contractual arrangements to supply the British market with these goods date back to 1931 and so it is natural enough that the growth and development of many of these industries has been geared to this guaranteed outlet.

Over the last four or five years the share of total exports going to the U.K. has fallen from 24 to 17%, but the total value of our exports to Britain has increased to $475 million. About $400 million worth of these are goods sold under preferential conditions. But the trade is not all one way and Australia has some points that she can use in her favour. Last year we bought $750 million worth of goods from the U.K., and 90% of these were exported to Australia under preferential treatment. It is interesting to note that Australia's
11 million people bought nearly twice as much as Britain's 55 million. In many cases other countries paid 15% more duty than was paid on British products and it was not uncommon for the British to get a 30% preference against goods from other countries. The U.K. would not want to lose these preferences. It is worth noting however, that over the last five years our trade has been diversified to serve additional markets, especially those in the Asian and Pacific areas.

There is one other point that I would like to make. For several years trade negotiations, begun by the late President Kennedy, have been conducted around the world. The industrial nations have looked like getting agreement on a reduction in tariffs on manufactured goods to stimulate trade in these areas. However, it has been much more difficult, and may well prove impossible, to get adequate and proper safeguards for the countries whose main export earnings come from primary products. Many members of the European Economic Community have followed grossly restrictive measures to stimulate their own primary production and, in the view of many people, to prevent legitimate access from primary industry exporting countries. Now that the U.K. has made a decision to join the European Economic Community if she is accepted, she has, as the Minister for Trade and Industry, John McEwen said recently, a firm obligation to press for world commodity agreements in primary products which will guarantee reasonable access and reasonable prices to efficient producers. If Britain joins the Common Market and if the Kennedy Round negotiations in primary industry goods fail, the outlook for primary exports not only in Australia but throughout the world, could be a grim one.
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