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NOTES FOR SPEECH BY

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What I want to do is to put before you some thoughts on the changing and evolving world in which we live, and the contribution Britain has to make to it; and to report to you on the progress we are making in establishing a sound domestic base from which to make that contribution.

We live in a world in which it is very hard to see the wood for the trees. Events, problems and disasters crowd in upon us everyday through the press, radio and TV so thick and fast that it really is quite difficult to keep up with each day's quota of happenings and arguments, let alone stand back and take stock, in a longer time frame, of whether we are really going forward - or backward - or possibly sideways.

Whenever I try to do this I am astonished at the different light a different perspective throws on the scene. As we all get older the years get shorter, and I now do not think of 25 years as a particularly long period of time. But if I look back over the last 25 years I am frankly amazed at the transformations that have taken place in the world: and I am filled with a mixture of awe and excitement over the potential for the next 25. For the world I suppose the dominating fact of the

post-war period has been the emergence, the strength, and the inter-relationship of the two super powers, the USA and the USSR. For Britain these years have represented, at home, a remarkable improvement in the standard of living and the horizons of opportunity for the ordinary man and woman: and abroad, the transition from that brief period in our history - not much more than a hundred years, out of a history of 2,000 - when through the combined accidents of the industrial revolution and the British Empire (and if ever an empire was collected by a series of accidents, that one was) when we occupied a dominant position in the affairs of the world. In two respects I believe we still continued to give a lead to the world in the years after the war. It was Britain which saw the potential of the Marshall plan for the reconstruction of Europe, and played a major part in securing its acceptance and immensely beneficent implementation. And Britain I believe led the way in the whole process of decolonisation, handling with realism and goodwill that world-wide awakening of national consciousness which was the characteristic of the middle years of this century. The Commonwealth of nations today, uniquely linking in consultation and co-operation 33 countries of the utmost disparity in size, race, religion and economic development, is the testimony to how that process was carried out.

We have now emerged from our post-imperial phase, and I believe we now have in Britain a proper appreciation of our strengths and weaknesses; of our position in the world as a middle power; and of what we are capable of doing and what is no longer within our grasp.

The world in which we live has evolved enormously over this period. While it is in strategic terms still dominated by the relationship between the super powers I do not think it is any longer bi-polar in commercial, political or even conventional military terms. In its day-to-day life the world is more concerned with a number of

groupings and power centres, interacting with each other in a variety of ways. China now has a nuclear capacity and is an important factor in the super power balance. Japan's economic growth and power obviously gives her a major role in the organisation of the world trading and monetary system. The European Communities, of which Britain became finally and so unequivocally a part last year, represent a growing new power centre - by far the biggest trading group in world commerce, and a steadily evolving corporate presence internationally. The oil-producing countries operating together, and with their enormous economic strength, have emerged in the last three years as another major factor in the world equation. And then there is the largest grouping of all numerically, the non-oil producers of the Third World, acting together with ever-increasing coherence and calling for a new economic order designed to lead to a more equitable sharing of the world's riches and to the achievement of an economic independence which, for many, their political independence has not yet brought.

All these are now important factors in the world equation: and I believe it is this concept of a world equation which is the key to where we are now. Because if one thing has become clear over the last two or three years, it is that, for better or worse, we have got to think of the world in the future as an economic whole. If independence was the key note of the last 25 years, interdependence is going to be the keynote of the next. This has been brought home to us all by the major economic crisis through which the world is now passing, and from which no country has been exempt. I do not believe there is any Finance Minister in the world today who would claim he could solve his country's economic problems in isolation from the rest of the world. Perhaps for the first time in history there is a general recognition that what Dr Kissinger has called 'the imperative of interdependence' is not something to which ritual lip service has to be paid, but is the only realistic basis for the future management of our economic affairs.

The world has also changed dramatically over the last 25 years not only in the growth and groupings of nation states but in the nature and outlook of its people. It is worth remembering that those people, whether in rich or poor countries, are now educated to a higher level than ever before experienced in history. The basic spread of education, accompanied by the revolutionary development of instant communication by radio and television, was a prime factor in bringing the backward countries of the world to nationhood and into the comity of nations. It has equally had its effects in the Western industrial societies. What Rolf Dahrendorf recently described as "the deferential society" has gone, never to return. There is a growing demand on the part of ordinary people for involvement, for consultation, for participation, which at its extremes finds expression in alienation from Government and in low-level acts of violence. In today's world Western governments no longer preside over passive and submissive populations. They are engaged in internal debates as passionate and important as those which inform their external relations: and the internal debates in all Western countries have so many economic and social components in common, that each country's internal experience has a relevance to that of others.

It is in both these debates, internal and external, that we in Britain believe we have a helpful and constructive part to play, deriving equally from our past, from our present - and from our future.

I believe we are making encouraging progress in establishing a sound domestic base from which to make that contribution. There is not time for me to embark today on anything purporting to be an exhaustive social and economic analysis. Indeed such analyses, because they so often have to be based on the extrapolation of statistics and the calculations of the computer, can be of doubtful benefit, since they cannot take proper account of the human factor - the wayward, eccentric, innovative, original and basically indomitable spirit of man. I was cheered recently to read a

rather gloomy economic analysis of Britain by a British professor of economics in a local newspaper, in which the author had the grace to conclude than when he looked back over his economic prognoses in the past, they gave him no encouragement to believe that the one he had just made was necessarily correct.

What I would like to do quite simply is to share with you some of the grounds from which as a Britisher I draw encouragement as we go forward into 1976.

To begin with, we are making good progress in improving the appallingly adverse balance of payments deficit with which the commodity boom of 1973 and the subsequent five-fold increase in the price of oil saddled our import-dependent economy. In the last quarter of 1974 we had a deficit on non-oil trade alone running at £178 m a month. In the last quarter of 1975 we had eliminated that deficit and were £170 m in surplus on our non-oil trade. In 1975 as a whole we reduced our total deficit over 1974 by more than 50%. That is not bad going, in the economic circumstances of today.

We still have a heavy debt to meet on the cost of oil. But our own oil has started flowing, and last November The Queen opened the first pipeline ashore. Proven reserves under the North Sea are 1,000 m tons, and there have been 22 new discoveries since March last year.

That is not bad collateral for our borrowings and will revolutionise our balance of payments in the 1980s.

On energy generally, we have as many rigs drilling for coal as are drilling for oil in the North Sea, and they are finding it at the rate of 500 m tons a year. The new coalfield at Selby in Yorkshire contains the energy equivalent of all the North Sea oil so far discovered. We shall be self-sufficient in oil by 1980 - only four years

away - with an exportable surplus. We shall go into the 1980s one of the most energy-rich of Western countries. That is not a discouraging prospect. And by way of grace note to that toot on the trumpet, we have topped the world league for energy conservation, cutting our consumption of energy by 16%, and of oil and oil products by 10%.

Despite all the worries of eighteen months ago about the strain on the banking system, the City of London successfully handled during the last year nearly £3,000 m of OPEC money. We held our own in the export market - 18% up in value last year - and in fact slightly increased our share in the value of total exports by the main industrialised countries. In 12 months, we have doubled our already substantial exports to the rich oil producing countries.

A week ago HM The Queen opened Britain's new multi-million pound International Exhibition Centre in Birmingham, described as the world's most advanced Exhibition Centre, and incidentally completed on time and without a single day's construction work being lost through industrial disputes. This is expected to give a further boost to our exports: already 67 exhibitions have been booked into the Centre over the next two years.

The doubts and uncertainties about our membership of Europe have been resoundingly resolved by the biggest absolute majority ever recorded through the ballot box in Britain. And do not overlook that in the latest survey of the 500 biggest corporations in the European Communities 134 were British, 118 West German, and no-one else reached three figures. There is a great deal to play for in this, the largest economic grouping in the world, and we are in there playing for it.

These are all facts and figures. But as I said earlier, it is the human factor which confounds the computer, and it is in the human areas, the areas of national will and mood, that I draw perhaps my greatest encouragement.

Take labour relations. Last year we had our best year since 1968. By comparison with 1974, our days lost through industrial action were down by 60% and the number of workers involved was 50% less. And 1974 itself wasn't a bad year - in that year we lost a total of half a day per head of the working population, which is a good deal less than we lose from the common cold.

But it is in the fight against inflation that I believe we turned the biggest corner in Britain in 1975, when - faced with a horrifying rate of 26% - there emerged in the second half of the year a real national consensus and national will that inflation had to be beaten. The Government introduced their severe wage restraints - a maximum rise for anyone of $12 a week, and no rise at all for anyone earning $18,000 or more a year - with the backing of both opposition parties in Parliament, and with the backing not only of the Trades Union Congress but of individual trade unions, like the miners, who voted separately to support the programme. The programme has held. More than 3 million workers have settled wage claims within these limits, and no union so far has defied it, despite what is for Britain a heavy rate of unemployment. Already the rate of inflation is estimated to be down from 26% to under 14%, and if the programme continues to hold, there is a good prospect that by the Fall we shall have achieved the Chancellor's target of getting it down to single figures in the course of 1976.

We are not yet out of the wood, and have a hard year ahead of us. But it is a year in which I believe we shall continue to consolidate our advance out of the recession, which the major indicators now show to be bottoming out. Our major problem, after inflation, is the regeneration and reinvigoration of our industry, and an improvement in our productivity, as we move Britain out of the old low-cost low-productivity system, into a high output high wage economy. We need new investment, and new attitudes. And there are signs that both are on the way. For those who believe the

Stock Exchange has a nose for future trends, it is not discouraging that the Financial Times industrial ordinary share index, from a low of 146 early in 1975, has now broken 400. I take great encouragement myself from the new level of co-operation and dialogue which seems to be developing between Government, industry and labour. Last November we saw the Government, the Trades Unions and industry formally endorsing two important propositions - first, the importance of sustaining a vigorous, alert, responsible and profitable industrial private sector; and secondly that industrial regeneration must take priority over the Government's social and consumption objectives. I am in no doubt, though we shall continue to hear plenty of shouting, and to see plenty of smoke and dust, that there is a new mood developing.

We are at the present operating within some severe restraints. We cannot reflate within Britain until we have domestic inflation licked. Nor can we, while unemployment remains high, greatly reduce our Public Sector borrowing requirement. But we are preparing ourselves in the ways I have mentioned to take maximum advantage of the upturn, in world economic activity which we believe is now beginning, and which we believe can lead over the next few years to new uplands of prosperity and progress.

All these processes in Britain are taking place with the maximum of public and democratic debate, some of whose extravagances the media from time to time bring to your attention. I return to my earlier point that the debate is of international, and not exclusively national, relevance. I believe that some of the problems we are working out in our society - and let me say en passant that it remains one of the most lively societies in the world, capable of great originality of thought and invention, and in which music, drama and the arts flourish as never before - some of those problems - participation, or alienation from Government?; the inter-relationships of Government, business and labour; the problems and possibilities inherent in and educated working population; are problems of the whole Western world. I

believe we shall as an energy-rich industrialised middle power have a continuing and relevant contribution of a special character to make to the collectivity of Western experience and learning in these matters.

So too do I believe that we have our own contribution to make to the affairs of the world as a whole. In that multi-polar world of interdependent states which lies before us there are I suppose three main - themselves inter-related - points of principal concern.

The first of these is how the West can continue to secure its own safety while at the same time keeping within bounds the vast cost of defence expenditure involved. Our defence lies in the North Atlantic Treaty Organisation in which we continue to play a full part. British defence expenditure measured as a percentage of the GNP per head of population is third highest of the 15 member NATO countries and the fourth highest in absolute terms. We keep in Germany more than 53,000 soldiers under arms and 10 squadrons of combat aircraft as a key part of the NATO shield on the central front. Our naval forces are deployed in NATO roles in the Channel and the Western Atlantic and our strategic forces add significantly to NATO striking power. An effort on this scale is not the mark of a country that has grown tired of its responsibilities or had its day.

The second main concern for the future must be to ensure that the vital defence effort does not lead to stagnant hostility between East and West, and that we benefit from the decrease in tension and the more refined management of the East West relationship that has been achieved over the past three years. There are encouraging indicators here, the clearest being the signature last summer of the Final Act of the Conference on Security and Co-operation in Europe. In the mammoth negotiations leading up to this event it was the United Kingdom, with the agreement of our Allies which took the

lead in formulating and putting forward the Western proposals on achieving a greater flow of information and ideas across the Iron Curtain.

But safety without prosperity is not enough. The third, and possibly the greatest task before today's world is that of working our way collectively out of the world's present economic troubles, in ways which will take us nearer to a coherent world economic system. Britain - and Canada - have been amongst the foremost in recognising the indivisibility of prosperity and the need to avoid the beggar-my-neighbour policies - the attempts to solve national problems by exporting them to others - of the past. And Britain has I believe played a constructive part in the huge strides which have been made in achieving the new levels of international consultation and co-ordination which have come into being since those dark days at the end of 1973.

That international collectivity extends of course beyond the industrialised world. What for brevity's sake is called the North-South dialogue is an essential part of it. In this larger sphere our history has perhaps uniquely put us in a position to make a contribution. We have a valuable inheritance of global experience. Not only history, but mercantile necessity - for we are a country which lives by trade with the rest of the world - has bequeathed us a wide background of experience in almost every part of a world in which we have never in any case sought to live in isolation. We are an outward-looking people and I believe we bring this disposition as part of our contribution to the Europe of which we are now a member. I think it is widely recognised that this contributed helpfully to the negotiation of the Lomé Convention by which the EEC and 46 developing countries of Africa the Pacific and the Caribbean entered last year into a new and equitable relationship with each other. Britain has been playing a constructive part within the Commonwealth, within the United Nations, and, as a member of the EEC, within the Conference on International Economic Co-operation, in exploring the problems of commodities, investment and foreign exchange with which

the developing world and the Western world are together now at grips.

And this is how we see our part in the future; not a country lamenting the pomp and circumstance of the past - we have abandoned the pomp and come to terms with the circumstances - but a country looking to a brigher future for itself and the world, and anxious to contribute to the common stock of mankind, such skills and experience as we may have to offer.

In all this common endeavour to find a way forward for the world, I deem it a blessing that Britain and Canada are not only side by side, but are so much in step. We are both members of almost all the organisations through which the world is trying to communicate and to construct - the UN, NATO, the Commonwealth, the OECD, the GATT, the IMF the IEA and many more besides. I believe we have similar beliefs in the nature and rights of man and of the ends we should be pursuing, and the fruitful co-operation between us in many international fora is something from which I believe both countries can take satisfaction.

Nothing of what I have said is meant to suggest that the way forward either for Britain or for the world is an easy one, or that there are not great difficulties to be overcome. The message of this speech is that we believe in Britain that we have something to contribute. We recognise that we can only make our fullest contribution when our own house is in order. I believe we are making good progress towards that goal. I am happy to find that I am not alone in entertaining a sober confidence in the years ahead for Britain. I do not know whether any of you saw reports of Mr Elliot Richardson's last speech in Britain before he relinquished his post as US Ambassador. He said he believed Britain was well on her way to solving her economic problems; and that when these were solved she would be the envy of the world by virtue of the fact that she had maintained a unique balance between new and old and between

the efficient and the civilised. Those were generous words, from which I for one draw further encouragement. I cannot of course prove to you that my own confidence, and the growing sense of confidence there is in Britain, despite all the difficulties yet to be overcome, are well-founded. Just ask me back to speak to you in five years time, for then I believe I shall be able to bring not just a trumpet but a whole orchestra.

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