Negotiations with the United Kingdom

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During the first accession negotiations in 1961, the Conservative-led British Government had laid down a number of conditions, since it wanted to preserve Britain's privileged economic and monetary relations with the Commonwealth countries. Labour politicians were equally concerned at the prospect of throwing away the achievements of the Commonwealth for a Europe that was, in their view, largely capitalist. There were also many who feared that they would see the price of Commonwealth imports soar because of the disappearance of the imperial preference system. Senior British politicians were also careful to reassure their partners in the Dominions, who were very worried that they would find themselves henceforth relegated to the second rank of British concerns. For that reason, the Commonwealth Industries Association, a powerful employers' organisation, conducted a vigorous campaign against the British application for accession.

But by the late 1960s, links between Great Britain and the Commonwealth had been considerably weakened. Whilst the Commonwealth countries still provided 48 % of British imports and took 49 % of its exports in 1954, by 1972 Great Britain was importing a mere 19 % of its goods from the Commonwealth, which, moreover, was taking no more than 20 % of British exports. During the same period, the European Community was tending more and more to replace the Commonwealth share of United Kingdom outward investment. In addition, political and strategic links between Great Britain and the countries of the former British Empire, despite a traditional sentimental attachment, continued to decline during the 1960s.

Accordingly, British negotiators took a more flexible line and, this time, laid down fewer conditions to be met by their future European partners. The decision of the United Kingdom to accede to the European Economic Community (EEC) was taken on both economic and political grounds. The British were well aware that, having virtually abandoned the imperial dimension of their foreign policy, it could no longer stand isolated from the Community which was, in contrast, becoming more and more assertive on the international scene. It was also increasingly difficult to reconcile the UK's privileged relationship with the United States with its closer involvement in European affairs. At the same time, the constant economic growth of the Six made the EEC more attractive day by day. For its part, France was now more favourable to British accession to the EEC since it was looking for some way of balancing German power in Europe by relying on British support.

The most hotly debated issues were the United Kingdom's financial contribution to Community resources and its participation in the common agricultural policy (CAP). These problems, which were closely linked, were never properly clarified. As a result, the Thatcher Government would return to them in the late 1980s. By contrast, a definitive solution was found for the other stumbling-blocks, namely West Indian sugar and New Zealand butter. During the summer of 1971, Edward Heath's Government pursued an intensive propaganda campaign in Britain in favour of accession to the common market. On 7 July 1971, the Government published *The United Kingdom and the European Communities*, a White Paper which reviewed the advantages of British accession to the EEC on a point-by-point basis.

The British financial contribution

The problem of the British financial contribution was by far the most difficult issue to resolve. Following the decision taken by the Six to finance the Community budget by own resources, there was a danger that the United Kingdom's bill would indeed be extremely large. Furthermore, France called on Britain to pay its entire contribution — that is to say, almost one fifth of the entire budget — as soon as it joined the European Economic Community (EEC). A compromise solution was needed.

According to Community financing rules, in particular applying the principles of Community preference and those underpinning the establishment of the internal market, the United Kingdom had to pay substantial sums to the EEC in agricultural levies. As the UK imported most of its food products from non-Community countries at prices lower than Community prices, the levies were very high. On the other hand, as the British agricultural sector was becoming less and less important to the national economy, the financial return from the European Agriculture Guidance and Guarantee Fund (EAGGF) was small.

Moreover, depending on the region involved, British agriculture was either extremely efficient and productive at very competitive prices, or very weak and in need of support by direct subsidy in the form of deficiency payments. That system was specifically prohibited by the common agricultural policy (CAP), which preferred a system of levies and refunds.

Feeling somewhat cheated by the Community's financing method and the absence of a 'fair return', the United Kingdom did its utmost to secure a reduction in its contribution. However, the Six were only prepared to offer a longer transitional period, and the political climate became strained. The meeting held on 20 and 21 May 1971 between the French President, Georges Pompidou, and the British Prime Minister, Edward Heath, resulted in an overall improvement in relations and a shared conviction to reach a successful conclusion to the current negotiations. In the following months, London accepted the system of Community preferences and agreed to a contribution to the financing of the EEC budget that would gradually be increased until it accounted for 19 % of the total Community budget.

The international role of the pound sterling

One significant point of discord was the international role of the pound sterling. The Commission made a point of drawing the attention of the negotiators to this question. France called on Britain to abolish the pound sterling as an international reserve currency in the medium term. Great Britain did indeed have strong monetary links with the Commonwealth countries in the sterling area. Secondly, the Six had no desire to make an indefinite commitment to support the pound, which had been weakened over a long period of time by the chronic deficit in the British balance of payments. Those deficits were also a result of an ongoing imbalance between British revenue and expenditure, as well as Britain's large foreign debt. By increasing their holdings in dollars and their balances with the IMF, the countries of the European Community were in effect financing a major part of the financial aid which Britain was receiving from foreign central banks and the International Monetary Fund (IMF).

However, on 21 May 1971, talks between the British Prime Minister, Edward Heath, and the French President, Georges Pompidou, broke the deadlock.

A compromise was ultimately reached on the role of the pound and on the level and evolution of the British contribution. However, the text adopted included certain ambiguities, which would allow the British to return to the subject of their contribution in the late 1980s.

Relations with members of the Commonwealth

Exports of sugar from the West Indies and butter from New Zealand were significant stumbling-blocks in the negotiations between Great Britain and the European Economic Community (EEC).

As regards Caribbean sugar, Britain accepted a moral commitment, to be formalised in agreements between the Community and the countries of the Commonwealth, which would agree to sign up to the second Yaoundé Convention that entered into force on 1 January 1971.

On 23 June 1971, a compromise was also reached on imports of New Zealand butter. For New Zealand, an agricultural country situated on the other side of the world, the United Kingdom was an essential market for exports of butter. Eventually, the Community granted the United Kingdom a special regime and a suitable transitional period to help it conform to Community rules.