Pamphlet on the referendum published by the Labour Research Department (1975)

Caption: To coincide with the referendum of 5 June 1975, the Labour Research Department, comprising the largest British trade unions, publishes a pamphlet on the disadvantages of the United Kingdom's continued membership of the European Economic Community (EEC).

Source: Labour Research Department (Ed.). 1975 referendum: The Common Market : in or out. London: The Department, 1975. 30 p. p. 5-6; 8-9; 11-15; 21-22; 24-27; 29-30.

URL: http://www.cvce.eu/obj/pamphlet_on_the_referendum_published_by_the_labour_research_department_1975-en-2aefac71-9d61-4aed-b907-616a0f0eaee4.html

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Pamphlet on the referendum published by the *Labour Research Department* (1975)

[…]

When the Heath government took us into the Common Market on 1 January 1973 the power to make decisions on a range of economic matters was transferred from London to Brussels. Part of our national sovereignty was surrendered - the power of our government to make decisions about these economic matters. The British people were subjected to the whole body of Community law and our elected parliament was deprived of the power to repeal or alter that law. This severely curtailed our democratic rights to influence the making of laws and government policies. Above all, we have lost powers which are essential for remedying the deep-rooted weaknesses of the British economy and for making fundamental economic and social changes in the direction of socialism.

PART I - LOSS OF NATIONAL SOVEREIGNTY

The example of Australian sugar

The loss of our government's freedom to buy Australian sugar can serve as an example of the loss of national sovereignty. It is a good example because it illustrates the way in which membership of the Common Market has deprived us of the full control over our foreign trade which we formerly enjoyed. In September 1974 the Australian government offered to enter into a five-year agreement with the British government for the supply of 350,000 tons of sugar a year at a price below the world price prevailing at that time. This would have been a continuation for Australia of the old Commonwealth Sugar Agreement under which Britain had bought sugar from Australia and other Commonwealth countries. The rules of the Common Market, however, deprive a member state of the right to snake agreements with other states for the supply of sugar; under the Common Agricultural Policy, which Britain accepted under the Treaty of Accession, only the European Commission can make or authorise such an agreement.

So M Lardinois, the Agricultural Commissioner - the member of the Commission responsible for agriculture - reacted sharply when he learnt that Britain was discussing the supply of sugar with Australia. He said that “from March 1 Britain was no longer free to do as she liked. On that date the Commonwealth Sugar Agreement would expire and the Community was taking over responsibility for Britain's supplies.” (*Financial Times* 19.9.74)

The British government did not take up the Australian offer. If it had done so, it would have broken the Community law which carries into effect the Common Agricultural Policy. The European Commission, which has the function of enforcing Community law, would have taken the British government before the European Court of justice which could, if it found the case proved, have ordered the British government not to buy sugar from Australia.

[...]

The making of Community law

[...]

The principal Community laws are made as a result of a complicated process of interaction between the Council and the Commission, each meeting in secret and relying on a massive network of advisory committees. The idea behind this elaborate balance of power is that the Community interest, in the form of the Commission, should carry sufficient weight to prevent the conflicting national interests represented on the Council from making the Common Market unworkable. The two institutions constitute a powerful non-elected supranational bureaucracy armed with legislative as well as executive powers, and with law enforcement powers in addition.

The Parliament, which is at present made up of delegations from the parliaments of the member states, and which meets in Strasbourg, is simply a forum for discussion, except that it has control over about 5 per cent of the Community budget, and can compel the resignation of the Commission by a two thirds majority vote (but cannot replace it). The various Commissioners make reports to it, and it delivers ‘opinions’ on proposals which the Commission is putting forward to the Council. Thus it is merely an advisory body and has none of the powers that most parliaments possess: the power to make laws, to raise taxes, and to make and unmake governments. The Treaty of Rome provides that it should in due course become a directly elected body and the Paris summit set 1978 as the target date for the first elections. Even if it were directly elected, this would not make the slightest difference; it would remain as powerless as it is at present.

[...]

Arguments for joining

To sum up, the Council and the Commission and the Court of justice constitute a supranational government to which we have surrendered part of our national sovereignty. Supporters of British membership do not deny this. They are fond of referring to the “pooling of sovereignty” as though the use of the word pool, conjuring up a quiet and peaceful scene, somehow helps to lessen the severity of a loss of sovereignty.

[...]

PART II - A REGIONAL TRADING BLOC

Customs union and trade diversion

When we joined the Common Market at the beginning of 1973, together with Denmark and Ireland, we joined a group of nations which had formed themselves into a powerful trading bloc. This is quite a different matter from the industrial free trade area which Britain formed with Sweden, Norway, Denmark, Switzerland, Austria and Portugal before entering the Common Market. In a free trade area all tariffs on trade between the member states are abolished, but each state retains full power to regulate its trade with outside countries. Britain was therefore able to retain all her traditional trading links with Commonwealth or other countries and to enter into long-term agreements for the bulk purchase of sugar and other commodities.

By contrast, members of the EEC surrender the right to regulate their trade with the rest of the world and in particular to fix the level of their tariffs. The area of the six original members is surrounded by a uniform tariff wall, known as the common external tariff. Under the transitional arrangements negotiated by the Heath government our import duties against third countries are being adjusted by stages until they will be the same as those of the Six by 1 July 1977. If we stay in, the whole of the enlarged Community will then be surrounded by the Common External Tariff. During the same period all import duties between ourselves and the Six are being reduced by five equal cuts of 20 per cent so that by 1 July 1977 they will have been abolished.

[...]

Thus in 1972 our trade with the Six (imports plus exports) was already 24 per cent of our total foreign trade, and by 1974 it had risen still further to 29 per cent, almost a third. Our trade with the rest of Western Europe rose also, although to a lesser extent - from 21 to 24 per cent. But our trade with the Commonwealth declined from 20 per cent in 1972 to 17 per cent in 1974.

The rise in the share of our trade with the EEC was also partly the consequence of the Common Agricultural Policy which discriminates fiercely against the purchase of food from our traditional suppliers in the Commonwealth and elsewhere. This is done by means of the remarkable mechanism of the ‘variable import levy’. If the world price of any farm product, say beef, is below the Common Market price any beef imported from third countries is charged with a levy equal to the difference between the Common Market price and the world price. If the world price falls, the levy is increased by the exact amount of the fall so that beef continues to come in at or above the Market price.

This is an application of the principal of ‘community preference’ which is basic to the common agricultural policy. If there is a surplus of beef or wheat or other food in France, for example, the French farmers must have a preference in the British market over the farmers in the Commonwealth or any other outside country. Variable import levies are the means for guaranteeing preference to Community farmers over those in third countries. The impact of Community preference on our trade in certain foods has been dramatic, considering we have only been subjected to it for two years. The proportion of our total imports of dairy products coming from the EEC rose from 12 per cent in 1972 to 46 per cent in 1974. For cereal products the proportion rose from 22 per cent in 1972 to 50 per cent in 1974. In these two years our food imports from the EEC rose from £257 million to £869 million.

This process of the diversion of our trade into the EEC is likely to gather strength if we stay in. Close on a third of our trade is already with the other eight EEC countries and if we stay in it may not be long before this will rise to a half, as has already happened with some of the original six countries.

[...]

Loss of control over our trade

Thus we have lost the power to control the pattern of our foreign trade. Membership of the EEC deprives the British government of the three main instruments which any government needs for this purpose.

First, we can no longer decide the level of our tariffs on imports coming into the country. This is determined by the Rome Treaty and can only be altered by the agreement of the Community as a whole. New trading agreements with foreign countries can only be made by the Commission acting under the supervision of the Council. Acceptance of a common commercial policy is one of the fundamental principles of the Rome Treaty, set out in Article 113. The main exception to this is that member states are still allowed to make bilateral agreements with socialist countries because they have not yet consented to hand over all negotiations to the Commission in this sensitive area. But trading relations with the whole of the capitalist world - about 95 per cent of our trade - is fully under the control of the Council and the Commission. In 1964 the Labour government imposed a 15 per cent surcharge on imports of manufactured goods; this would now be a contravention of the Treaty.

Second, we no longer have the power to impose selective import controls or ‘import quotas’ in order to restrict the quantities of goods of specified kinds which are imported. These are now determined at Community level. For example, the Lancashire cotton industry, with three-quarters of its workforce on short time, has to live with a recent Commission decision to enlarge the quota for yarn imports by 25 per cent.

Third, the British government no longer has the power to enter into trading agreements with other states for the purchase or sale of commodities. A long-term agreement for the bulk purchase of commodities at favourable prices can only be made by the Community authorities. The British government may not arrange to buy Australian or West Indian sugar any longer, as we mentioned above.

It is true that Articles 108-9 permit a member state to take unilateral action in an emergency to protect its balance of payments, and in 1974 for example Italy imposed severe restrictions on a range of imports. But this immediately subjects the country to the supervision of the Commission which reports to the Council on the measures it considers ought to be taken by the government concerned. Under the Rome Treaty, unilateral action of this kind can only be temporary and puts the government which takes it in the humiliating position of being subjected to supervision by the Commission and Council until the restrictions have been removed.

Yet it is difficult to see how Britain can ever overcome the deep-seated weaknesses in her economy without the right to impose selective import controls in order to reduce the inflow of manufactured goods and remedy the huge deficit in our balance of payments. There is already a strong body of opinion which holds that import controls for a prolonged period have become an essential condition for the restoration of the

British economy.

Above all, any government wishing to extend public ownership and advance towards economic planning and socialism, cannot leave its foreign trade to be determined by market forces and the EEC authorities. It must be able to enter into trading agreements with other countries just as our government now does with socialist countries who plan their foreign trade to fit into their national plans. It is impossible for us to plan our foreign trade so long as we remain in the EEC.

Trading bloc bargaining power

[...]

The effect of British membership of the EEC is that Commonwealth countries lose the preferences they used to have for their exports in the British market, unless they can make new agreements for favourable access to the enlarged Community. Negotiations are not yet concluded but it is likely that India and the other Asian Commonwealth countries will suffer a loss of markets if Britain stays in the EEC.

[...]

PART IV - THE COMMON AGRICULTURAL POLICY

Basic principles

[...]

Before we joined we were free to buy food from any country in the world, and in fact we imported about half our food from the most efficient low-cost producers in the Commonwealth and other countries where climatic conditions were especially favourable. This included, of course, countries in the EEC when their prices were favourable. Membership of the EEC has deprived us of that freedom. The system of Community preference enforced by the variable import levy, which was described above (p 12) compels us to buy food from the Community farmers even though the world price is much lower than the Community price. If French farmers produce a surplus of butter or wheat, the mechanism of the Common Agricultural Policy ensures them preference in the British or German market over all farmers outside the EEC (except for limited supplies of dairy products from New Zealand and sugar from the Commonwealth).

In the years before we joined the Community the British consumer received the full benefit of low world food prices because food came in free of import duty on the whole. In order to enable British farmers to produce in spite of these low prices, the government fixed guaranteed prices for the main products; and when market prices were below these guaranteed prices farmers received grants from the Exchequer to make up the difference, and consumers got the benefit of low prices.

This system of deficiency payments is now being replaced, in the course of the transitional period up to 1977, by the quite different system of the Common Agricultural Policy under which the price of any food is fixed at a level intended to yield an adequate return to the farmer, even though this price may be well above the world market price. This means that the consumer pays the cost of farm support.

The cost of this support is far greater than in Britain because the other members of the EEC have a much larger farming community operating in some sectors at a lower level of efficiency and producing a much greater proportion of the total needs of the population than is produced by British farmers. Moreover some sectors of Community farming, especially the French, tend to produce large surpluses of certain products such as wheat, sugar, butter and beef.

[...]

The difficulty of changing the CAP

Britain is not the only member state which dislikes the CAP and wants to change it. In fact it has fallen into disarray during the past few years, partly as a result of the currency upheavals which began in 1971. The floating exchange rates which have existed since then have wreaked havoc with the common price for each farm product which was supposed to prevail throughout the Common Market and to enable the forces of competition to function so as to benefit the most efficient farmers. Instead each member state has been allowed to take special measures to protect its own farmers and the system has become very elaborate and complex. In this situation Mr Peart, our minister of agriculture, has had a good deal of success in getting temporary permission to continue with some deficiency payments for British farmers. The West German government had never been very keen on the CAP and recently insisted that the Council and the Commission should undertake a thorough review of it.

However, the basic structure of the CAP remains intact and is bound to be very difficult to change because it has arisen out of the farming conditions in the Six original members, especially in France. Agriculture played a crucial part in the evolution of the Common Market, for it was part of the original bargain underlying the Rome Treaty that France would open her home market to West German industry, and in return West Germany would open hers to French agriculture which produces a large surplus of food for export. The political influence of the farming communities in France and other member states is still very considerable. The CAP is also well suited to the needs of Irish farmers. Mr Garret Fitzgerald, Irish foreign minister who is currently president of the Council, has said that “It would not be in Ireland's interests to allow the Common Agricultural Policy to be changed in any fundamental way as a price for continued British membership” (European Community February 1975). There could hardly be a more uncompromising declaration of confidence in the CAP.

If we were to stay in, we might with German support succeed in gradually modifying the CAP. But French, Irish and Italian opposition will ensure that its main features - community preference, variable import levies, and intervention buying - are likely to remain for a long time to keep our food prices well above world prices and to deprive us of the right to trade freely with low-cost food producing countries in the Commonwealth or in any other part of the world outside the EEC.

It is also very important to bear in mind that, even in the unlikely event of the CAP being dismantled, all the essential features of the Common Market - the customs union and the evolution towards economic and monetary union - would remain in full operation.

PART V - ECONOMIC AND MONETARY UNION
[...]

The reality

A detailed plan for EMU in three stages by 1980 was adopted by the Council in February 1971. But already by May it was in disarray as a result of a massive inflow of dollars into West Germany. The Six could not agree on the action to be taken and the Germans unilaterally decided to let the mark float upwards. In August 1971 President Nixon announced that the dollar would float downwards (ie be devalued to give an advantage to US exporters) signifying the collapse of the post-war system of fixed exchange rates. However, a new agreement was made in March 1972 by the Six to maintain a close relation between the exchange rates of their currencies so that they would float up or down together - thus forming a currency bloc to confront the dollar. The Heath government agreed that the pound would take part in the joint float even though Britain was not yet a member of the EEC.

However, in June 1972, only a few months after this agreement, a run on the pound caused Britain to allow the pound to float downwards and it dropped out of the joint float. In spite of this setback the Paris summit meeting in October 1972 reaffirmed the goal of Economic and Monetary Union by 1980 and decided on a series of measures including a European Monetary Cooperation Fund to render mutual assistance to member states to help keep their currencies in the joint float. However in 1973 the Italian lira dropped out and in January 1974 the French government also broke away, allowing the franc to float down, and leaving only the currencies of Holland, Denmark and Belgium linked to the West German mark.

[...]

Those who favour British membership, but who want to play down the significance of the aim of economic union, sometimes argue that no one knows what is meant by the vague concept of 'European union' proclaimed at the 1972 Paris summit. But all the member states are committed by the Rome Treaty to the objective of Economic and Monetary Union, which was solemnly reaffirmed at the Paris summit meeting in December 1974. If we stay in we shall be committed too.

[...]

Conclusions on EMU and the EEC

The history of EMU is revealing for it illuminates the concrete relations between the member states. It is just possible that the Community could collapse backwards into a mere free trade area. It is also possible that it will after a prolonged period succeed in merging the separate economies of the member states into a single economy with a single currency, ruled by a federal government responsible to a federal parliament. It is much more likely that it will continue as at present to maintain an uneasy balance between the supranational and nationalist trends, slowly and painfully evolving a limited type of economic union designed to build a powerful base for Community multinationals and to use the collective bargaining power of the member states to assert its economic power as the biggest regional trading bloc in the world. If it continues like this, three things follow.

First, British multinationals may prosper and develop into European multinationals, but the British economy will probably continue its relative decline as in the past. During the past 20 years, while the British economy has lost ground compared with rival capitalist countries, British-based multinationals have become stronger as they have expanded their overseas investment and output. Membership of the EEC is not likely to alter this trend; it may even be reinforced.

Second, so long as the EEC remains a limited economic union, then the balance between Community and national interests necessitates an institutionalised system of bargaining in the non-elected Council and Commission (see page 9) - a supranational bureaucracy which severely curtails the role of our parliament and the democratic rights of the British people.

Third, membership of the EEC deprives the British people of crucial elements of national sovereignty which they need in order to make fundamental economic and social changes. It is incompatible with the basic aim of the Labour party's election manifesto: “a fundamental and irreversible shift in the balance of wealth and power in favour of working people and their families.”

PART VI - THE ALTERNATIVE

Supporters of our staying in the Common Market say that if we leave we shall be on our own and out in the cold, deprived of the friends we need. The truth is exactly the opposite. Only by leaving can we recover the powers that are needed for entering into equal trading relations with all countries in the world. Freed from the restraints of the Common External Tariff, the Common Commercial Policy and the Common Agricultural Policy we shall be able to re-establish our former trading links with low-cost food suppliers and to enter into new links whenever suitable. We shall be able to resume our former relations with the countries that used to belong to the European Free Trade Area Sweden, Norway, Portugal, Austria and Switzerland - by entering into an agreement for an industrial free trade area with them, as indeed the EEC has done. We should also be able to enter into an agreement with the EEC for industrial free trade, for it will be in their interest as well as ours to retain their trading links with us. We shall not be out in the cold at all; but we shall abandon our membership of a regional trading bloc and the use of its bargaining power to support its multinational companies.

These measures will stop the diversion of our trade into the Common Market caused by our membership of it, and in addition we shall be free to take positive measures to increase our trade with developing countries and socialist countries and others who have a greater need for our manufactured goods than the EEC countries who make the same sorts of goods as we do. We shall have power to impose selective import controls which have now become a necessity in order to overcome our huge balance of payments deficit. We shall also be able to enter into long-term trading agreements for the purchase of food or other commodities on favourable terms. In short, outside the Common Market we shall be able to plan our foreign trade instead of having to leave it in the hands of blind market forces.

Released from the burden of the CAP we shall be free to buy our food wherever it is cheapest including the EEC, and shall be able to restore the deficiency payments system which is best suited to the needs of our farmers.

Freed from the restraints of the Rome Treaty and its competition policy we shall be able to extend public ownership and advance towards socialism at a pace determined solely by the British people and their parliamentary democracy.

Our problems would never be overcome, of course, if we left the Common Market only to pursue the disastrous type of policy favoured by the Tory party in the years 1970-74, relying on competitive market forces combined with state support for the multinationals. Our withdrawal from the Common Market only makes sense if we use the opportunity it will give to make fundamental economic and social changes.