

Yes to Europe: The Conservative Guide for the 1975 Referendum Campaign

Caption: In the run-up to the popular referendum of 5 June 1975, the British Conservative Party publishes a brochure calling for the United Kingdom to remain in the European Communities.

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4. The case for staying in the Community

"If we wish to give our children maximum peace and security in a very uncertain world, our best course of action is to stay in the Common Market."

(Mrs. Thatcher speaking in the House of Commons, 8 April 1975.)

(a) Peace in Europe

European unity has helped to guarantee peace in Europe for 30 years.

Since the war the gathering process of European unity has contributed substantially to peace in Europe. This period is in marked contrast to the previous 30 years which spanned two terrible world wars that had their origins in Europe and in the rivalries of European nation states. One of the cardinal achievements of the European Coal and Steel Community (ECSC), established in 1951, was that it made virtually impossible war between France and Germany. Indeed, this was one of the explicit objectives of the 1950 Schuman Plan which laid the basis for the establishment of the ECSC. By binding together the nations of Western Europe in peaceful and fruitful partnership the founding fathers of the present European Community made their most important contribution to the peace of Europe and of the world.

(b) Secure Food Supplies

Membership of the Community helps to provide us with secure food supplies at relatively stable prices.

In a world in which there is only about three weeks' supply of grain in store and at a time when both political and climatic conditions are more uncertain than for a long while past, secure food supplies are of great importance to Britain. We in this country have to import about half of all our food; and of that which we produce ourselves, we depend for about half on imported feedstuffs, fertilisers and fuel. The rest of the Community with its high levels of self-sufficiency for nearly all the temperate foodstuffs is now our most reliable source of supply. It may not always provide us with the very cheapest food available at any given time, but recent experience has shown how dramatically world food prices can fluctuate above and below Community levels, and how reliance on world supplies can leave us with shortages in time of need. It is therefore far better for us to rely on secure food supplies from our Community partners than to gamble on insecure supplies from the volatile world market. As Mr. Peart has said, "it would be irresponsible ... to plan for the future other than on the assumption that the general level of world food prices is likely to be higher than in the past, with the strong possibility of sharp fluctuations in both availability and price". (Hansard, 9 April 1975. Col. 1245.)

(c) Industrial Opportunities

Membership of the Community presents British industry with great opportunities.

The opportunities for British industry in the large "home market" of more than 250 million people have been recognised in many surveys by the Confederation of British Industry (CBI), Chambers of Commerce, trade associations and other bodies. The CBI in particular believes that the case for staying in the Community is even stronger now than was the case for entry in 1970-71. A poll conducted for *The Economist* in December 1973 showed that 84 per cent of the largest British companies expected long-term benefits from Community membership. A 1974 survey of major companies carried out for the European Representation Fund showed

that 91 per cent were in favour of Britain's continued membership of the Community. A recent survey (April 1975) carried out by *The Times* among the Chairmen of Britain's largest companies showed that of 419 replies received from 615 company Chairmen, 415 were in favour of continued membership, only three were against and one did not know. British industry has already responded well to the opportunities of Community membership. British exports to the rest of the Community in 1974 were 87 per cent up on 1972. The Eight now take over 33 per cent of our total exports, and the share continues to grow.

(d) Agricultural Opportunities

Membership of the Community presents British agriculture with great opportunities.

Farm prices will rise to full Community levels by the end of the transition period in December 1977 and our farmers will certainly benefit from these guaranteed prices. Since British farmers are the most efficient and productive in the Community, and since they are backed by a modern food manufacturing industry, they have great export opportunities. The Community is committed to high levels of agricultural self-sufficiency. It accepts that this acquires fair returns for farmers and it recognises the fundamental importance of securing farmers' confidence. On this basis, Community membership is clearly in the long-term interests of British agriculture, and the recent overwhelming vote in favour of Britain's continued membership (111 to 2) at a specially convened debate of National Farmers' Union county representatives shows that the overwhelming majority of British farmers believe this to be the case.

(e) Real Help for Britain

The Community provides real help for Britain — both to individuals and for our regions.

From the *Regional Development Fund*, payments of about £150 million will be made available over the next three years to help jobs and investment in our regions. From the *European Social Fund*, payments of nearly £50 million were made available over the first two years of membership to help redundant handicapped and disadvantaged workers. From the *Agricultural Fund*, subsidies and payments of about £175 million have been made available and have helped to contain the cost of our food. From the *European Investment Bank*, low interest loans of nearly £113 million have been made available to help finance useful projects in this country. *For our coal industry*, we have received grants of about £2.5 million for technical research and about £850,000 for miners' safety and health; loans of over £37 million for miners' housing, mining equipment and colliery projects; and grants of over £10 million to help redundant miners. *For our steel industry*, we have received grants of about £150,000 for industrial safety; loans of nearly £42 million for investment projects; and grants of £9 million over the next five years to help redundant steel workers.

(f) An Outward-looking Community

The Community is outward-looking and helps the developing countries.

The Community, which conducts more than 40 per cent of world trade and which gives more foreign aid than the United States, uses its considerable political influence and economic power for beneficial purposes. It recently concluded the historic Lomé Convention with 46 African, Caribbean and Pacific (ACP) countries, including 22 Commonwealth countries. This gives the ACP countries free access to the Community market for 96 per cent of their exports; financial assistance of about £1,600 million over the next five years; and arrangements to stabilise their export earnings from such commodities as coffee, cotton, copra and iron ore. A number of other developing countries — such as Hong Kong and Pakistan — will benefit from the improvements which the Community has made in its Generalised Preferences Scheme. And some of the developing countries hardest hit by the oil crisis — such as India and Bangladesh — will benefit from the Community decision to distribute aid more widely than hitherto and from the provisions of their new trade agreements with the Community. In all, the Community has agreements of one kind or another with at least 75 countries. All these various agreements are of considerable benefit to the countries concerned and it is not surprising that others are queueing up to join them.

(g) Effective Sovereignty

Membership of the Community enhances our effective sovereignty by giving the British Government increased influence and bargaining strength.

In the modern world it is worth distinguishing between the substance and the symbols of sovereignty. The substance is the freedom to act independently of other nations — something which is now seldom possible for any single country. Certainly, any British Government has little or no absolute freedom of action of this kind. So many vital decisions are governed by external factors — such as OPEC oil and financial power — to say nothing of the views and policies of our allies. Britain and the other member states of the Community are therefore pooling their national sovereignty in certain agreed areas in order to secure a wider and more effective common sovereignty. In doing this, we are far better placed to defend our national interests and to influence international events than we would be on our own. The Community has already emerged as an organisation of considerable weight and influence. For example, in GATT, the IMF and the European Security Conference, the Community has acted vigorously and effectively in defence of its collective interests and of helping to shape global events. That is what sovereignty in the modern world is really about and that is why Britain is stronger inside the Community than she would be outside it.

(h) Better Investment and Job Prospects

In the Community our investment and job prospects are better than they would be outside it.

In Britain, we need to increase our industrial investment. Everyone agrees about that. While membership of the Community certainly does not guarantee increased investment in this country, it does mean that Britain is more attractive to foreign investors than she would be outside. Some evidence is already available from the figures for net inward direct investment in this country. In 1972 this amounted to £384 million from all areas, in 1973 the figure was £682 million and the provisional figures for 1974 is £715 million. (*Trade and Industry*, 14 March 1975.) All this new investment from abroad creates new jobs and helps to safeguard existing jobs for the people of this country. The Government has stated that since January 1973 at least 82 companies from the rest of the Community have decided to start or to expand operations in Great Britain, which are expected to provide more than 8,000 jobs. A further 25 companies from the rest of the Community are known to be considering industrial projects which might offer more than another 10,000 new jobs. (*Hansard*, 24 March 1975, Written Answer, Col. 56.) These figures may not be complete nor do they include jobs created in Great Britain as a result of investment by companies from other countries outside the Community.

(i) Opportunities for Individuals

Membership of the Community presents wide and challenging opportunities for individuals, especially the young.

The essence of the Community has always been that it opens up new and wider opportunities for enterprising individuals, while caring for those in need (see 4 (e) above). The preamble to the Treaty of Rome stated that the contracting parties were "resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe." In principle, there is free movement for Community workers throughout the Nine, although it is early days yet for many British people to have taken advantage of this. (The Commission estimates that the number of British people who settled on the Continent in 1973 was only a few hundred higher than in previous years.) The barriers to free travel are also coming down. At the December 1974 Paris Summit Conference, the Heads of Government agreed to the setting up of a working party to study the possibility of establishing a passport union and, in anticipation of this, the introduction of a uniform passport. Among the ideas under consideration are the stage-by-stage harmonisation of legislation affecting aliens and the abolition of passport control within the Community.

(j) No Satisfactory Alternative

For Britain today there is no satisfactory alternative to continued membership of the Community.

Perhaps the most powerful argument of all for Britain staying in the Community is that there is no satisfactory alternative. *The Commonwealth alternative* is no longer feasible. Indeed it has been opposed by the Commonwealth countries themselves which are all now keen that Britain should stay in the Community. For example, the Australian Prime Minister, **Mr. Gough Whitlam**, has said that "the last thing Australia is seeking is a restoration of her old style preferential relationship with Britain" (London, 19 December 1974). Government spokesmen from other Commonwealth countries, both developed and developing, have echoed this view. *The Atlantic alternative* of trying to revert to a special relationship between Britain and the United States is really a non-starter, not least because it would only work at all if Britain became in effect the 51st state of the Union. *The EFTA alternative* would also involve trying to put the clock back and would be another non-starter. One of our former EFTA partners joined the Community with us in 1973 and the others, which each negotiated free trade agreements with the Community in 1972, would prefer to continue with their present arrangements rather than revert to their previous trading relationship with Britain. There would therefore be no chance of our reviving EFTA in its old form. A *free trade agreement with the Community* might conceivably result from negotiations following British withdrawal, but it would be far from a certainty. As **Mrs. Thatcher** has pointed out, "the time to ask for a new Treaty would not be when we had just broken the old one". (*Hansard*, 8 April 1975, Col. 1032.) Those who advocate this alternative take far too little account of the difficulties and disadvantages involved. We would not be in a strong negotiating position and we would have to pay heavily for the privilege. We might retain a degree of free trade in industrial products, but probably nothing more — and possibly less. (See also Chapter 6 g(iv).)

5. The case against leaving the Community

"If we were now to withdraw, it would be a leap in the dark. We should not have any idea of the trading conditions into which we were coming out or of the effect on sterling."

(**Mrs. Thatcher**, speaking in the House of Commons, 8 April 1975.)

(a) Loss of Tangible Benefits

It would mean the loss of all the tangible benefits of membership.

A summary of the benefits received so far will be found in Chapter 4 (e).

(b) Damage to British Industry

It would do serious damage to the prospects of British industry, especially to investment and jobs.

It would mean that British exports would have to compete on increasingly unfavourable terms in our largest and fastest growing market. It would mean that British industry would have no influence over vital Community decisions affecting the terms and conditions under which we conduct our trade with the Eight. It would reduce — perhaps severely — the effective scale of our "home market", thus making certain forms of investment difficult, if not impossible, to sustain. It might jeopardise some investment decisions already made and it might even drive some British firms out of business altogether. This would mean fewer jobs and higher unemployment. For example, the Chairman of Lucas Industries, Mr. Bernard Scott, said it could mean the loss of 8,000-10,000 jobs, equivalent to 11 to 14 per cent of Lucas's total UK work force. (*Daily Telegraph*, 13 March 1975.)

Even firms not themselves dependent on exports fear the adverse effects of withdrawal on the companies

which they supply, on the British economy as a whole, and the consequent effects which this would have on their own domestic sales. New investment, both British and foreign, would increasingly be concentrated on the Continent rather than in Britain. This would cause further damage to British industry's already dangerously low levels of investment and profitability. At a time of rapidly rising labour costs, this would also mean fewer jobs and higher unemployment. As recent reports from the pharmaceutical industry have made clear, American companies which are now keen to launch joint ventures with British companies and to use Britain as a base for exporting to the whole of Western Europe, would almost certainly scrap their plans if Britain left the Community. Another case is that of the Dexter Corporation, the oldest public company in the United States, which is to put more investment into Scotland but which is stalling on major plans to double its investment there until the result of the referendum is known. (*Daily Telegraph*, 27 January 1975.) As the recent report of the CBI Europe Committee stated, "the views expressed by a wide cross section of firms and trade associations confirm the CBI's long held conviction that withdrawal from the Community must cost Britain dear in both jobs and living standards". (*British Industry and Europe*, March 1975.)

(c) Threat of a Siege Economy

It would increase the likelihood of the Government resorting to the rigid controls of a siege economy.

If Britain left the Community, our position would be both uncertain and unsatisfactory. We might well find this country moving rapidly into a Socialist siege economy, because the gravity of our economic situation would be such that the Government would be very tempted to resort to rigid controls in a dual attempt to staunch the inflow of imports and the outflow of capital, while simultaneously extending the frontiers of Socialism. For example, **Mr. Heffer** was reported as having said at a recent Tribune rally in Manchester that getting Britain out of the Community would be the first step to creating the Socialist society which he and his Left-wing colleagues want in this country (*Daily Telegraph*, 12 April 1975). If this happened, it would be highly detrimental — perhaps even fatal — to the survival of our mixed economy and before too long it might even jeopardise some of our accustomed political liberties. Life in such a tight little island, cut off from the main stream of European development, would offer us narrower horizons and fewer opportunities. It would be a cramped and cramping experience to live in a nation so pre-occupied with its own backyard. In such a situation we might lose many of our most dynamic and forward-looking citizens, and we would find ourselves living in a more closed society, still subject to external forces yet increasingly confined to the margin of events.

(d) Disruption for British Agriculture

It would cause major disruption for British agriculture, when what it needs is stability and confidence.

The last thing which most British farmers now want is Britain's withdrawal from the Community. If this happened, a new agricultural support system would once again have to be introduced. This would be most unsettling for British farmers whose prosperity is inevitably linked with that of the nation as a whole. As **Sir Henry Plumb**, President of the National Farmers' Union and recently appointed President of COPA (the European organisation of farmers' unions) has said:

"I cannot believe that this country will now withdraw from Europe. It is inconceivable that ... Britain could become an isolated offshore island following the policies of a bygone age."

(London, 20 January 1975.)

Indeed, leaders of the National Farmers' Union are overwhelmingly committed to Britain's continued membership of the Community and they would actually prefer it if the agricultural transitional arrangements were abandoned, so that British farmers could move right away to full Community price levels.

(e) Loss of Secure Food Supplies

It would deprive British consumers of the advantages of secure food supplies at relatively stable prices.

In the present situation in which there is no cheap food in the world, and in the future when food is most unlikely to be available at the sort of low price levels we enjoyed in the past, one of the most important tasks for any Government is to ensure security of supplies. Future generations would not be grateful to us if we deliberately rejected the real advantage of secure Community food supplies in return for the chimera of cheap food which is most unlikely to be available on any significant scale in the future. The Community now produces nearly 90 per cent of its own food requirements. This means that any British Government is now much better placed to ensure the security of our vital food supplies and that we would be foolish to take a step which would prejudice our present advantageous position. As **Mrs. Williams**, Prices Minister, has said, "continuity of supply is obviously advantageous in avoiding shortages and wide fluctuations in price, although it cannot be accurately quantified." (*Hansard*, 17 March 1975, Col. 1125.)

(f) Not Welcome Among Our Friends and Allies

It would not be welcomed in the countries of the Commonwealth or in the United States.

The countries of the Commonwealth, both developed and developing, would not welcome it if Britain left the Community. Mr. Gough Whitlam, Prime Minister of Australia; Mr. Pierre Trudeau, Prime Minister of Canada; Mr. Wallace Rowling, Prime Minister of New Zealand; Professor Chattopadhyaya, Indian Minister of Commerce; and Mr. Donald Owen Mills, Jamaican Ambassador to the United Nations have all made it clear that their governments want Britain to stay in the Community. Equally, the United States Government, though its political leaders have tended to be diplomatically reticent on this subject, has made it quite clear that it too would not be pleased if Britain left the Community. As an official US State Department spokesman put it:

"In keeping with our consistent support for closer co-operation in Europe, the United States welcomes the decision of the British Cabinet to recommend continued UK membership of the European Community. However, the decision to remain in is, of course, a matter for the British people." (Washington, 19 March 1975.)

(g) Doubt About a Free Trade Agreement

It is doubtful whether the Government would be able to conclude a satisfactory free trade agreement with the Community.

If Britain left the Community, we would not be in a good negotiating position and our partners would at least be in no hurry to oblige us. We should have to pay heavily for the privilege, since we need trade access to the Eight more than they need access to Britain. (Over 33 per cent of our exports go to them, but only 8 per cent of their exports come to us.) We might get a free trade agreement in industrial goods, but probably nothing more — unless we paid even more dearly. The renunciation clause, which would probably enable either party to end the agreement on 12 months' notice, would scarcely be a recipe for long-term commercial security. Our industry would be penalised in the case of "sensitive" products (e.g. textiles), because in these cases tariffs between Britain and the Community would go up again for several years. The agreement would almost certainly include conditions which would limit the Government's freedom to give assistance to British industry (e.g. steel, aircraft and shipbuilding). Our former EFTA partners, who have remained outside the Community but in association with it, have found that the EEC/EFTA agreements have required their assent, as a condition of the agreements, to requirements which are in force within the Community itself, principally measures to prevent the frustration of international competition by unfair regional subsidies or other means. As **Mr. Wilson** himself has pointed out, "there is not ... a soft and easy option

outside the Community." (*Hansard*, 7 April 1975, Col. 380.) In short, even if we could negotiate such an agreement, it is extremely doubtful whether it would be satisfactory for Britain (see also Chapter 6 g(iv)).

(h) Loss of Effective Sovereignty

It would diminish rather than enhance our effective national sovereignty.

If Britain left the Community, some people imagine that we could regain something which they describe as complete national sovereignty. But that is an illusion. Our lives would be increasingly influenced by the Community, yet we would have no say in Community decisions which would vitally affect us, as the CBI has argued (*British Industry & Europe*, March 1975). This would be most obvious in the industrial sphere where, outside the Community, Britain would have to accept everything decided in Brussels on such important matters as non-tariff barriers, technical harmonisation, industrial standards and safety provisions, pricing policies, etc., while having no influence over the decisions made. But it would also apply in the broader sphere of international economic relations where, outside the Community, Britain on her own would have markedly less bargaining strength with which to secure the vital food and raw materials which — more than almost any other country — we need in order to survive and prosper. The British Government would be in a much weaker position in international trade negotiations in GATT and in international monetary discussions in the IMF. In the political sphere, too, it is effective sovereignty which counts and it is effective sovereignty which we should lose if Britain left the Community. As **Mr. Heath** has said, "going it alone undoubtedly means the loss of our political influence". (*Hansard*, 9 April 1975, Col. 1284.) The United States would take little notice of Britain on her own and the other members of the Commonwealth would pay much less heed to the views of the British Government. Our influence in the UN and other international bodies would be correspondingly reduced.

(i) Damage to the Security of the West

It would have a damaging and destabilising effect on the security of the Western world.

If Britain left the Community, it would damage this country more than any other. But it would also have an unsettling and damaging effect on the whole of the Western world. It would seriously damage the balance in the Community, the creation of which was a major strategic objective of France and Germany at the time of enlargement in 1973. It might encourage Denmark to withdraw in Britain's wake. It would seriously compound the many difficult problems with which the United Kingdom and Eire have to deal jointly. It would damage the important relationship between Western Europe and the United States, because many of those with isolationist leanings in Washington would tend to see it as evidence of the unreliability of the Western Europeans. It might even undermine the economic and political foundations of NATO, and it would be quite likely to make it more difficult for the American President to maintain the current force levels of US troops stationed in Western Europe. In general, it could contribute to the gradual fragmentation and even disintegration of the West, thus serving only the strategic interests of the Soviet Union and its allies in the Warsaw Pact.

(j) A Leap In the Dark

It would be a leap in the dark into an uncertain future.

If Britain left the Community, there would be no realistic chance of rejoining at some future date. We would have stepped off the Community bus and it would be most unlikely to pick us up again. As **Mrs. Thatcher** has said:

"We cannot assume that we would have an alternative area to go to, and the result might be that we should have to go it alone. There being no certain alternatives, it would seem that we have very carefully to consider keeping the arrangements and agreements we already possess before going completely into the unknown."

(*Hansard*, 8 April 1975, Col. 1033.)

The process of "renegotiation" has already produced more than enough uncertainty for this country and delay for the Community as a whole. It would be foolish and irresponsible to add to this by recklessly and shortsightedly voting to leave the Community.

6. Key questions answered

(a) Food, Agriculture and Fishing

(i) Has membership of the Community been responsible for the rise in food prices?

No. As **Mr. Peart**, Minister of Agriculture, said in the House of Commons: "In my judgement the increases in domestic food prices which we have already experienced have in the main been due to world causes rather than to our Community membership". (*Hansard*, 9 April 1975, Col. 1245.) Far from putting up food prices in Britain, the Community has helped to keep them down. During the last year we got grain from our Community partners at prices up to £40 a ton cheaper than from the world market and sugar imports from the Continent also helped to bridge our sugar gap. The Community has now paid a subsidy of some £37 million on sugar imported into Britain from the world market, subsidising the high world price of sugar down to Community levels. As regards the present situation, **Mrs. Williams**, Prices Minister, told the Commons that the overall level of food prices in the UK is not at present significantly affected one way or the other by our membership of the European Community." (*Hansard*, 10 March 1975, Col. 1125.)

(ii) Does the Common Agricultural Policy (CAP) prevent us from enjoying the benefit of cheaper food if and when world food prices fall below Community prices?

The vital question is whether in the future world food prices will normally be below Community prices or the other way around. From time to time there will certainly be surpluses on world markets, thanks to bumper crops and good weather. But with the higher cost of fuel, fertilisers, transport and shipping; with the absence of more than a few weeks' supply of grain in store throughout the world; and with the growing world demand for food (especially the more expensive food, such as meat and dairy products); few people predict that world food prices will be significantly lower than Community prices as they were in the past. In certain cases, such as New Zealand lamb, the effect of the Community tariff is to make our food imports from third countries somewhat more expensive than they would otherwise be in order to protect Community producers. But in other cases the Government has won concessions in the course of "renegotiation" on a range of products, such as matured cheddar cheese, canned fruit and tinned salmon. In general, it would be irresponsible — as **Mr. Peart** has said — "to plan for the future other than on the assumption that the general level of world food prices is likely to be higher than in the past, with the strong possibility of sharp fluctuations in both availability and price." (*Hansard*, 9 April 1975, Col. 1245.) With Community prices likely to be much more in line with world prices than in the past (for the reasons given above), the advantage of membership of the Community is that we shall have greater stability of price and greater security of supply.

(iii) Is the Common Agricultural Policy (CAP), with its creation of wasteful and expensive surpluses, of any benefit to consumers?

The Community does not set out to create surpluses. Its main agricultural aim — as stated in the Treaty of Rome — is to ensure that supplies are available at reasonable prices. Allowing a margin for safety, that

sometimes means the creation of surpluses. However, if the CAP is to work satisfactorily it must seek to avoid the creation of wasteful surpluses. This is one of the points which the Commission has recognised in its stock-taking report and which will be taken further in the Council of Ministers. The trend in the Community over recent years has been for farm prices to fall in real terms and this has benefited consumers. For example, between 1968-1969 and 1974-1975 the Community prices in real terms fell by 27 per cent for soft wheat, 24 per cent for maize, 7 per cent for beef, 34 per cent for butter and 29 per cent for sugar. Over the same period, world market prices rose substantially in real terms for all these commodities except beef. Furthermore, where world prices were higher than Community prices, Community preference operated to keep down prices to consumers at the expense of Community producers.

(iv) What are the so-called "food taxes" imposed by the Community and do they deny access for food imports from third countries?

The so-called "food taxes" are, in fact, the agricultural levies and tariffs imposed by the Community to implement the principle of Community preference and to provide a measure of protection for Community farmers. All countries protect their farmers in one way or another and the Community uses this method, along with support buying of domestic supplies to maintain producers' returns. We used to protect our market in Britain by putting a floor in prices through quantitative restrictions and duties or levies on imports of some commodities, such as cereals, butter, bacon, beef and lamb. The Community system has been much criticised by some as being a threat to world agricultural trade and an unnecessary burden on British consumers. But the facts do not bear this out. The original Six doubled their agricultural imports from other countries in the last decade and the Nine's volume of food imports is even greater. Both in the original Conservative negotiations for entry and in the Labour "renegotiation" special treatment was secured for the sugar producers in the developing Commonwealth, New Zealand dairy exports, the agricultural exports of the ACP countries and the Asian Commonwealth. Improved access was secured in the "renegotiation" by means of reductions in Community tariffs for imports of wood and paper products, canned pineapple, fresh and canned salmon, coffee, frozen beef, and matured cheddar cheese. The Community also goes into the forthcoming multilateral trade negotiations in GATT with a mandate to seek the expansion of agricultural trade, greater stability on world markets and negotiated reductions in tariffs on agricultural products (e.g. canned fruit and canned fish).

(v) Does the Community destroy fruit and vegetables and de-nature grain?

It is true that there are some Community payments for destroying fruit and vegetables. But the reasons for this must be appreciated. Previously in Britain fruit and vegetables have been destroyed at times when markets were over supplied. Now, however, there is a Community scheme to compensate growers if they keep produce off the market and dispose of it in approved ways, such as gifts to charities or animal feed. In Britain, the scheme has applied so far only to six tons of unsold cauliflowers which were used for animal feed in 1974. As for de-naturing, this has recently been suspended altogether owing to the current shortage of grain. But when in operation, the system works as follows. Soft wheat can be used for animal feed, but the price of wheat is usually higher than that of barley, the normal animal feed. So at times of surplus wheat production the Community makes a payment on feed wheat to enable it to compete with barley as an animal feed. To identify the wheat and to prevent fraudulent sale, it is dyed a bright colour (the so-called de-naturing process), but its food value is in no way impaired. In the same way, potatoes for animal feed have been dyed for years in Britain under the guarantee system. In effect, de-naturing reduces the cost of livestock feed for milk and meat producers and so can benefit consumers.

(vi) Is the practice of agricultural dumping — such as that of French eggs in this country — a consequence of our membership of the Community?

No. The problem is one between Britain and France, and not a consequence of Britain's membership of the Community. It is true that British poultry farmers have experienced difficulties over the last year. It is also

true that the British egg market has suffered from the import of French eggs which appear to have been subsidised by the French Government. Furthermore, in the past British producers have been unable to conduct reciprocal trade with France. However, these problems are being resolved and Britain can now export eggs to France.

(vii) Are the current problems of our inshore fishing industry caused by Britain's membership of the Community?

No. Although it is laid down in the Common Fisheries Policy that boats from Community countries can fish right up to the shores of other member states, in the Conservative entry negotiations extensive safeguards were agreed in order to preserve most of the existing 12 or 6-mile limits around our coasts. Our fishermen are faced with many difficulties. Among their present uncertainties are rising costs and falling prices, the problems of the herring quota, uncertainty about the outcome of the UN Law of the Sea Confederation in Geneva and about British fishing limits beyond 1982. All this necessitates a new Community fishing policy which is now under discussion in Brussels. Britain, as the major Community fishing nation, will play its full part in this process in order to ensure that our inshore fishing interests are fully safeguarded. Both major political parties are committed to this objective. As for the recent difficulties caused by the heavy unloading in this country of imported frozen fish — mainly from Norway and Iceland — Norway has already agreed to a minimum export price to prevent her exports undercutting British prices. In addition, on 17 April 1975 the Council of Ministers discussed a new system of reference prices which should help to deal with the problem.

(b) Economic

(i) Since our standard of living has not risen to the extent forecast by pro-Marketeters before British entry, does this disprove the economic case for membership of the Community?

No. Those who favoured British entry of the Community in 1970-71 never claimed that it would have an instant effect on our standard of living. Furthermore, the first 2½ years of membership coincided with a period of great economic difficulties for the entire world, largely caused by greatly increased prices for food and raw materials and especially the quintupling of the price of oil. In these circumstances among the economic advantages which membership of the Community has brought us are measures to *protect* our standard of living, particularly that of pensioners (e.g. subsidised beef for 8 million people on old age pensions and supplementary benefits). Another advantage of Community membership has been that it has sheltered us from some of the worst effects of world food price rises. For example, since January 1973 the world price for wheat has risen between 50 and 70 per cent and that of beef by 20 per cent, whereas within the Community the corresponding figures are 4 per cent and 9 per cent respectively.

(ii) Is the Community's budgetary system inherently unfair to Britain and, if so, has Labour "renegotiation" secured any alleviation of the problem?

The Community's budgetary system was adopted by the Six in April 1970. It was essentially geared to the needs of the Six rather than the applicant states, but neither the previous Labour Government nor the last Conservative Government challenged the principles of the system. The last Conservative Government secured entry terms which provided for a transitional period of 5 years, followed by two further years of so-called "correctives" during which time Britain's contribution would be limited by further detailed arrangements. The Conservative White Paper (Cmnd. 4715) estimated that these arrangements would result in a net UK contribution of £200 million in 1977 (at 1971 prices). Thereafter, the White Paper concluded that reliable forecasts were not possible, but in para. 96 it was explicitly stated that "if unacceptable situations should arise 'the very survival of the Community would demand that the institutions find equitable solutions'." It was this very undertaking, which was referred to in the December 1974 Paris Summit *communiqué*, that formed the basis of the agreement reached at the Dublin Summit in March 1975. The new budgetary arrangements further safeguarding Britain's position are set out in the Labour

Government's White Paper (Cmnd. 6003, paras. 39-42). In our view they constitute a satisfactory outcome, demonstrating clearly the flexibility and reasonableness of the Community system.

(iii) Does membership of the Community mean that rigid plans for economic and monetary union will be forced upon this country?

No. Although economic and monetary union remains a long term objective of the Community, plans for its attainment by 1980 have been abandoned. Like all other important steps forward in the Community, progress will only be made by the unanimous agreement of all the member states and there is no way in which Britain could be dragooned into it. Indeed, the Government has stated that "closer co-operation between Community countries in the economic and monetary fields is valuable and presents no threat to employment in the UK". (Cmnd. 6003, para. 47(b).)

(iv) Were we obliged to introduce VAT and will it have to be extended to cover food and other necessities as a consequence of current harmonisation proposals in the Community?

No. VAT was introduced on its merits as a replacement for purchase tax and SET. The Government is now satisfied that it can "resist any proposals for such harmonisation which are unacceptable" (Cmnd. 6003, para. 93). No existing Community rules set the rates of VAT and discussion is continuing in the Community on the Commission's proposals which seek to establish a uniform base for the tax. These proposals provide for the continuation of zero rating (thanks in part to the insistence of Conservative members of the European Parliament) and the Government has made it clear that any agreement on this subject must include such a provision.

(v) Does membership of the Community deprive the Government of the ability to control capital movements?

No. Experience has shown that in practice the Government can act to control our capital movements when necessary. This has already been done by the present Chancellor, Mr. Healy, under the terms of the Treaties and without the need for any special agreement. In his March 1974 Budget, Mr. Healey took action to protect the balance of payments by withdrawing an earlier relaxation of the controls on direct outward investment in other Community countries, and in December 1974 Parliament was informed that the balance of payments safeguards of the Treaty of Accession were being invoked so that existing exchange controls could continue in full force beyond the end of 1974.

(vi) Does Community membership serve to improve the creditworthiness of Britain at a time when we are having to borrow such enormous sums from abroad?

Yes, it probably does. Certainly the converse is true, namely that if Britain left the Community, "there could be a significant effect on confidence, affecting both investment in the UK and our ability to finance our balance of payments deficit" (Cmnd. 6003, para. 147). These were the cautious words of the Government's White Paper. In reality, if it ever came to the point, the situation would probably be much worse. The bulk of the roughly \$9,000 million of foreign funds in London is committed for very short periods and could easily be recalled by our creditors at very short notice. This country is now especially vulnerable to such a rapid and massive outflow of overseas funds and a decision to leave the Community could well be sufficient to spark it off. It would be a risk which we could not afford to take. On the other hand, our membership of the Community, which is of "great importance for our trading and financial interests" (Cmnd. 6003, para. 145) can be of real help to us.

(vii) Does Britain's large trade deficit with the rest of the Community undermine the economic case for membership?

No. It unhappily reflects a trend in our trade with all areas which began years before Britain entered the Community and it should not be attributed to Britain's membership. Indeed, it might well have been worse if we had not joined the Community. There are four main reasons for the deficit. *First*, 1973 was a year of unprecedented growth in both demand and output in Britain. In the circumstances one would normally expect a deterioration in our trade balance, both with the rest of the Community and with the rest of the world. In fact, between 1971 and 1973 our non-oil trade gap with the rest of the Community increased five times, with the Commonwealth it increased 13 times and with the United States 17 times. *Second*, 1974 was a year of considerable economic dislocation following the miners' strike and the three-day week and this prevented domestic output from adequately satisfying domestic demand. Consequently, imports were sucked in, especially steel, chemicals and plastics. For example, in 1974 our deficit with the Eight in steel products amounted to £263 million, in chemicals to £109 million, and in plastics to £143 million. *Third*, since the price of so many foodstuffs — especially grains, dairy products and sugar — was lower in the rest of the Community than on the world market, British importers switched to Community sources of supply, thus increasing our trade deficit with the Eight but reducing our overall trade deficit compared with what it would otherwise have been. Britain's trade deficit in agricultural products with the Six alone increased by over £500 million, a switch which was of direct benefit to British family budgets because it entailed buying food from the cheapest available sources. *Fourth*, Britain's deficit in trade with the rest of the Community reflects the higher cost of imported refined oil products, particularly from the Netherlands and Belgium. If Britain were not a member of the Community, we would still have to pay for these imports, because we are not self-sufficient in our refining capacity. Finally, the general point which the anti-Marketeters are notably quiet about is that the situation would not have been significantly different under the conditions which would have prevailed if Britain had simply had the industrial free trade agreement with the Eight which they continue to advocate — except of course for the fact that we would probably not have benefited from the cheaper food available from Community sources.

(viii) What are the prospects for this country's invisible earnings if Britain remains in the Community?

The prospects for this country's invisible earnings are good if Britain remains in the Community and definitely less good if Britain were to withdraw. Invisible earnings are more important for Britain's balance of payments than for those of any other Community country and in 1971 Britain was the world's second largest exporter of invisibles after the United States. It is estimated that our invisible trade with the rest of the Community represents about 20 per cent of our total invisible trade and it could be said that it is in the service industries that Britain is strongest in relation to her Community partners and therefore best placed to influence the development of Community policies. The main problem for the service industries was more one of access on equal terms than of tariff barriers. Now that Britain is a member of the Community, those industries have that valuable access. For example, now that Lloyds is specifically named as a Community insurer, it enjoys a degree of "Community preference" in the European insurance market and is in a good position to influence further developments. These advantages would be lost in the event of British withdrawal. Less Community progress has been made in the field of banking, but a more liberal approach towards harmonisation of banking rules along British lines has now been worked out. If Britain were to withdraw, it would not be easy to develop banking outlets in the Community from outside and the City of London would suffer as an international financial centre.

(c) Industrial

(i) Does Community membership restrict the Government's freedom to implement the regional and industrial policies of its choice?

No. The Government is satisfied that "new principles for the co-ordination of regional aids with the Community will allow the United Kingdom to continue to pursue effective regional policies adjusted to the particular needs of individual areas of the country" (Cmnd. 6003, para. 53(a)). It is also satisfied that the

Commission acknowledges that national governments are the best judges of what is required in their own countries. As regards industrial policy, the present Labour Government is satisfied that its policies for aid to industry generally, its nationalisation proposals, and its plans for the establishment of the National Enterprise Board and of Planning Agreements will not be hampered by Treaty obligations (Cmnd. 6003, para. 53 (b)). The Government has doubts in the particular case of the steel industry, but this is only because it appears that neither the Commission nor the Government itself now has powers to control private sector investment. However, Conservatives have always believed in leaving the private steel sector as free as possible to pursue its own investment policy. Indeed, one strong Conservative argument for British membership of the Community is that it can be a safeguard of free competition and free investment policy within the limits of the national interest.

(ii) Does Community membership threaten the ownership or control of our North Sea Oil?

No. There is no question of our being forced to share our North Sea oil with our Community partners. This was made clear by the last Conservative Government and it has been confirmed by the present Labour Government. It was clearly stated in the recent White Paper that "they (HMG) will never allow it (Community energy policy) to develop in ways which could threaten our ownership or control over our own national resources — North Sea oil and gas for example — and the Commission have made it quite clear that this is no part of their purpose" (Cmnd. 6003, para. 108).

As for Mr. Benn's four questions on North Sea oil, the answer to the first, "will there be a Common Market energy policy and what will it mean for North Sea oil and gas?", is that such a policy is now being formulated in the Community and the Government intends, while contributing to the process, to ensure that it is consistent with British energy policy, including that for North Sea oil and gas. The answer to the second question, "will the Commission accept that the British Government has absolute discretion over the rate of depletion?", is that the Commission does accept this. The answer to the third question, "will the Treaty of Rome be applied to the Continental shelf and what legal powers will this give the Commission?", is that if the Treaty were applied, this would not mean the creation of any new powers for the Commission beyond those already applicable on land and that the British Government would retain full sovereignty over mineral deposits. The answer to the fourth question, "will we be allowed to discriminate in favour of home-based industries by permitting them access to this oil at more favourable prices than we charge for exporting it?", is that the Government intends to sell the oil at the market price. In any case, there is no good economic argument for price discrimination of this kind.

(iii) Will Continental manufacturers and exporters swamp the British market once the tariffs are completely down?

No, not unless their British competitors prove completely incapable of meeting the competition. There is nothing in Community trade policy which favours the other member states at our expense. If when the industrial tariffs between us and our partners are totally dismantled in July 1977, British industry's confidence is demonstrated in a healthy export performance, there should be no danger of our economy proving uncompetitive with that of our Community partners. At least on the evidence so far, there is no need to fear for the future, since our exports to the rest of the Community have grown at a faster rate than our exports to the rest of the world. As **Mr. Griffiths**, Conservative spokesman on European affairs, has argued:

"Success is not just something that happens to the Germans, the French and the Dutch; but never to the British. Given opportunities and equal conditions in which to operate, our farmers, traders and businessmen can be a match for anyone in the world." (Chelmsford, 7 April 1975.)

(iv) Has Community membership resulted in the concentration of industry and jobs in the South East of England to the detriment of other parts of the United Kingdom?

No. The pull to the South East existed before Britain entered the Community and it is likely to continue, whether or not we remain in the Community. The same sort of regional problem affects Southern Italy, Ireland and South-West France. The Community as a whole is well aware of the problem which can be significantly alleviated by the development of comprehensive Community policies for the regions and for transport. The recently created Regional Development Fund is a step in the right direction. However, in many of our most important export industries — such as motor vehicles, steel and machine tools — transport costs and location are factors which are not as significant as delivery dates and quality; and in many of our most profitable industries — such as whisky and woollens — these factors hardly count at all, since the products concerned have an excellent market around the world. So for these industries, at least, there is not necessarily any advantage in moving to the South East and it may well be more advantageous — in the light of existing regional incentives etc. — to set up or expand in one of our development areas and to supply the large Community market from there. Furthermore, the economic and industrial activity associated with the development of North Sea oil, will be an additional factor working against this pull to the South East.

(v) Does Community membership mean that small businesses will suffer at the expense of the industrial giants, particularly the multinationals?

No. The Community's competition policy, based on Articles 85-90 of the Rome Treaty, contains provisions which protect small businesses and which are similar to and in some respects tougher than those operated in this country. The Community is capable of exercising a degree of control over the multi-nationals that individual member states may never achieve. The Commission's investigations of certain business practices by large multi-national companies, as well as the oil companies during the energy crisis, have shown that the Community can be most effective in dealing with industrial problems which go beyond national boundaries. The Commission has also encouraged member Governments to work together to combat tax evasion by multi-national companies. If action is taken at Community level in this way, it is possible to get the best of both worlds. The multi-nationals are unlikely to withdraw their investment, because the Community market is too important to them. But the member states — as a Community — are better placed to control them for the common good.

(vi) Is the Community taking steps to ensure that businessmen will not have to deal with more and more paperwork and bureaucratic interference?

Yes. In answer to a question in the European Parliament, **Mr. Finn-Olav Gundelach**, the Danish Commissioner responsible for internal Market affairs, said:

"In a customs union one must expect goods to be able to circulate freely, not only from the point of view of tariffs but also from the point of view of not being hindered unnecessarily by complex and lengthy administrative procedures. As to the latter point ... it is a matter of principle to do away with the unnecessary part of this very cumbersome administrative set-up." (*Official Journal*, No. 186, February 1975.)

The Commissioner then went on to outline the proposals already made for the simplification of customs procedures. These are concentrated on three main areas: the rules of origin, the common customs tariff and transit procedures at the Community's internal frontiers.

(vii) Why are so many trade unions in Britain opposed to this country's continued membership of the Community?

Mr. Jack Peel, who was a member of the TUC General Council from 1966-72 and is now Director of Industrial Relations in the European Commission, wrote that "the General Council (of the TUC) are either unaware of what is happening in the Community ... or they are inhibited by the vociferousness of their anti-Marketeers" (*The Observer*, 13 April 1975). He should know, because he has had experience in both camps. If trade unions are unaware of what has been achieved in the Community, then they need to be told that pensions in the rest of the Community are two-thirds and sometimes three-quarters of average earnings as against one-third in Britain; that paid holidays on the Continent, both annual and statutory, are longer and better paid than in Britain; and that — sadly — Britain is currently lying eighth out of nine in the Community league table for expenditure on social security, health and welfare. Equally, if trade unions are unaware of the Community's potential for the future, they should be told about some of the measures in the Social Action Programme. Of the 40 measures put forward by the Commission, 7 have already been approved by the Council of Ministers and these include the use of the Social Fund for migrant, handicapped and disabled workers (Britain has already received about £10 million for such people); the extension of the Miners' Safety and Health Commission; Directives on the collective redundancies; the application of equal pay; and the establishment of European centres for vocational training. (British workers have benefited from Community retraining schemes over the past two years alone to the tune of over £58 million.) However, it seems more likely that trade union opposition to Britain's continued membership of the Community is based on an ideological dislike of capitalism and a fear that the Community itself is little more than an organisation for the perpetuation and reinforcement of capitalism at international level. Fortunately, not all British trade unions seem to have swallowed this ideological line, since two of them — the NUR and APEX — have already adopted a pro-Market position and several more — including the large and influential GMWU — may yet come out in favour of Britain's continued membership.

[...]

(e) Political

(i) Is it wise to link our national destiny so closely with countries which are alleged to be politically unstable and which — in the cases of France and Italy — have large Communist Parties?

All the Community member states are democracies with similar rights of free speech and free election to those which we enjoy in Britain. Although their democratic traditions may not in most cases be as old as our own, the consensus of opinion in all of them clearly supports their democratic institutions. As a member of the Community, Britain can have a stronger influence in maintaining democracy in Western Europe than she could from outside. Although it is true that there are large Communist Parties in France and Italy, for some time now both Parties have shown more interest in consolidating their electoral support within existing political structures than in overthrowing these structures. There is therefore no reason for us to fear any disruptive effects from closer political association with these countries.

(ii) Is there any Commonwealth country which wants Britain to leave the Community and return to our previous Commonwealth trading arrangements?

No. All the Commonwealth countries, both developed and developing, have realised that it is more to their own advantage to have trade or association agreements with the enlarged Community of more than 250 million people than with the much smaller market of 55 million in Britain. Furthermore, they recognise that in the Community, Britain can be of real help to them by using her influence to secure changes and developments strongly directed to Commonwealth interests. Nowhere has this been more apparent than in the helpful provisions of the historic Lomé Convention. Not surprisingly, therefore, no Commonwealth country has called for a return to the previous Commonwealth trading arrangements with Britain and all of them now want us to stay in the Community.

(iii) Could Britain revert to her former trading arrangements with the EFTA countries?

EFTA these days comprises seven fairly small countries which do more trade with the Community than with each other and whose crucial trading relationship is with the Community as a whole rather than with Britain alone. That is why each signed a free trade agreement with the Community in 1972. These free trade agreements have produced an incredible change in the whole European trade situation. If we simply tried to go back to EFTA, we would find that it had changed radically in two major respects. First, we would no longer enjoy our former privileged position as one big country free trading with seven fairly small ones. France, Germany, Italy and the Benelux countries are now moving towards free trade with the EFTA countries and the results are already beginning to show. For example, British exports to Norway in 1973 went up 10 per cent, whereas French exports to Norway went up 68 per cent. Second, in order to get free trade with the Community, the EFTA countries had to accept very tight new rules of origin both in their trade with the Community and between themselves. These rules are complicated but crucial, since they are designed to ensure that goods traded free between the Community and the EFTA countries are genuine Community or EFTA goods. If Britain rejoined EFTA but did not secure her own free trade agreement with the Community, she would find herself at a disadvantage. For example, Volvo would have to cut down on its use of British components for fear that the Community would declare its cars to be no longer Swedish and thus liable to full duty. The rules of origin are toughest on textiles (starting from the yarn) and machine components, but many other sectors would be affected. Finally, of course, a return to EFTA would offer Britain an additional market of only some 40 million people instead of the extra 200 million or so to which we now have access in the rest of the Community. Thus Britain could conceivably revert to her former trading arrangements with EFTA, but at an unacceptable price.

(iv) What is the attitude of the American Government towards Britain's membership of the Community?

The political leaders of the American Government have been diplomatically reticent on the issue of Britain's continued membership of the Community. However, there is no doubt about the view taken in Washington. As an official US State Department spokesman said recently:

"In keeping with our consistent support for closer co-operation in Europe, the United States welcomes the decision of the British Cabinet to recommend continued United Kingdom membership of the European Community. However, the decision to remain in it, of course, is a matter for the British people." (Washington, 19 March 1975.)

A perusal of press reports suggests that this statement is very much in line with the privately expressed views of Dr. Henry Kissinger, the US Secretary of State. (*Financial Times*, 9 December 1974.)

(v) Are there any foreign governments which would like to see Britain leave the Community?

Yes. The Soviet Government would like to see Britain leave the Community and it has made its view known in frequent broadcasts on Moscow Radio. In Moscow the Community is regarded as an instrument of international capitalism designed to oppress the working classes in the member states. Nearly every day Moscow Radio broadcasts news on Community developments, laying particular emphasis on disagreements — however minor — and studiously avoiding to mention any of the achievements of what is consistently referred to as "little Europe". These broadcasts have a marked similarity with the line taken by the extreme left wing anti-Marketeters in the Labour Party, by the British Communist Party and by its mouthpiece, the *Morning Star*. But the most discreditable feature of the Soviet position is the support which is given to anti-Market arguments on sovereignty. After all, the Soviet Union is not noted for the effective sovereignty which it has allowed to its Eastern European satellites (e.g. East Germany in 1953, Hungary in 1956 and Czechoslovakia in 1968).

(vi) Is the European Community at best irrelevant and at worst an obstacle to the solution of the global

problems of today?

No. The Community is both relevant and necessary to the solution of many of the global problems of today. On energy, the Community has begun to act as an effective unit, notably when the member states successfully adopted a powerful common position in the IMF discussions which led to agreement on the establishment of a useful mechanism for the re-cycling of surplus oil revenues. On food, the Community is a major factor in almost every aspect of this global problem, whether in its capacity as a major — and nearly self-sufficient — producer of temperate foodstuffs or in its capacity as a major food aid donor to the poorer countries. On raw materials, which is likely to be a global problem of increasing importance in the years to come, the Community (which accounts for about 40 per cent of world trade) is well placed to be able to hammer out mutually advantageous co-operative arrangements with the raw material producing countries in the developing world. The Community is one of the international organisations which best exemplifies the realities of inter-dependence and acts upon them.

(f) Constitutional and Institutional

(i) Is the Queen's position in any way threatened by Britain's membership of the Community?

No. Membership of the European Community does not affect the position of the monarchy in any way. Indeed, five of the nine present Members are monarchies, and of these, three — the Netherlands, Belgium and Luxembourg — have been Members since the Community's inception in 1958.

(ii) Does Community membership subordinate Parliament at Westminster to the Commission and Council of Ministers in Brussels?

No. The Institutions of the Community work in harmony with the national governments and their Parliaments. They do not seek to dominate. All major Community decisions are taken by the Council of Ministers in which the British Government is always represented. As **Mr. Hattersley**, Minister of State at the Foreign Office, has said:

"In the Council, a British Minister can veto the passage of new Community law. Therefore, as long as Parliament can control its Ministers, it can control all important new laws that are made in Brussels and Luxembourg." (Bristol, 6 January 1975.)

Secondly, a Select Committee exists in each House of Parliament to scrutinize draft Community legislation and make recommendations on how it should be dealt with by Parliament. This enables issues of vital importance to be debated on the floor of the House before going to the Council of Ministers for decision.

(iii) Does the Commission's ability to issue regulations and directives which have the force of law in Britain mean that we are now subject to an alien political authority over which we have no democratic control?

The Commission has the power to issue legislative instruments in the fields in which such authority has been expressly delegated to it in the original Treaties or by the Council of Ministers. However, the scope of this authority is extremely limited. Most Commission instruments are of short duration and are concerned only with the detailed implementation of legislation made by the Council of Ministers. This provides the effective day to day management of such activities as the Common Agricultural Policy and the Customs Union.

(iv) Does Community membership mean that Britain could be overruled by a majority in the Council of Ministers and eventually submerged in a European super state?

Since the Luxembourg agreement on this subject on 28 January 1966, it has been the practice that the Council of Ministers takes decisions by consensus, so that each member state is in a position to block agreement unless interests to which it attaches importance are satisfied. This procedure has not been changed by the decision of the Heads of Government in December 1974 "to renounce the practice which consists of making agreement on all questions conditional on the unanimous consent of the member states". (Cmnd. 5830.) The purpose of this was to encourage member states not to obstruct agreement on minor issues. However, as the Labour Government's White Paper, *Membership of the European Community — Report on Renegotiation*, makes clear, "it remains the unchallenged right of each member state to decide which issues it does regard as sufficiently important to require unanimous decision". (Cmnd. 6003.) Any move towards qualified majority voting on important issues in the Council of Ministers is most unlikely to come in the near future and would itself require the unanimous consent of all member states. As for the allegation that Britain will eventually be submerged in a European super state, no single pattern or pace of political development is automatic or inevitable in the Community. It is an organic Community which reflects the agreed priorities and objectives of the member states at any given time. Neither in the Rome Treaty nor in any other basic Community document is there any commitment to work towards the creation of a European super state.

(v) Is it wise to commit this country irrevocably to a rigid and inflexible Community whose basic Treaties make no provision for withdrawal?

The Community is neither rigid nor inflexible. This has been amply proved by its positive reaction to the Labour Government's awkward and often inconvenient "renegotiation" demands over the last year. The Community exists for the common good of its members, whose interests and aims are so similar. If exceptional circumstances arise in a member state, which are likely to lead to a potential clash between the interests of that state and the broad framework laid down by the Treaties, the customary course of action for the Community is either to find a compromise acceptable to both sides or to agree to a temporary derogation from the normal rules. The Treaties make no provision for withdrawal, because it is intended that the European Community should be a permanent organisation. However, if a member wanted to leave, there would be neither power nor desire to prevent it. Few have suggested that if the British people voted overwhelmingly to leave the Community in the referendum, and if Parliament subsequently endorsed such a course, the absence of such a provision in the Treaties would make any difference.

(vi) Is the Community — and especially the Commission — just a large, remote and faceless bureaucracy?

No. The Commission, in particular, is headed by 13 Commissioners who are in many cases former politicians and who are directly accountable to and can be dismissed by the European Parliament. Compared with most Ministries in national administrations, the Commission is a compact institution with about 7,000 international civil servants to administer policies which affect more than 250 million people. It should be borne in mind that Community activities have to be conducted in six languages; therefore it is necessary to employ a substantial number of interpreters and translators. About 12,600 people work in the Community institutions, slightly fewer than in our Ministry of Agriculture. Though centred in Brussels and Luxembourg, the Community institutions are in many ways more open and accessible to the representations of interested parties and ordinary people than already many institutions of government in the national capitals.

(vii) Does the Community — and especially the Commission — seek the imposition of dreary uniformity and harmonisation for its own sake?

No. The only purpose of harmonisation is to fix common standards where necessary to encourage the free flow of goods within the Community without imposing restrictions on national tastes. This usually involves setting minimum standards to which goods passing from one country to another should conform, often for

reasons of health or hygiene, thus protecting the consumer. A whole series of myths have grown up on this subject. The Commission has no intention of imposing standardised Euro-bread or Euro-beer in this country. Furthermore, there is no threat whatever to the King Edward potato, Scotch whisky or British hops.

(viii) Does membership of the Community commit us to holding direct elections to the European Parliament?

Article 138 of the Treaty of Rome has always provided for the eventual introduction of direct elections to the European Parliament. Until recently all progress in this area had been prevented by differences of opinion between the member states on this subject. However, the meeting of the Community Heads of Government at Paris in December 1974 pronounced in favour of the introduction of direct elections in 1978 or thereafter. Many people will regard this target date as being unduly optimistic. However, the timing of their eventual introduction will no doubt reflect the degree of progress in other aspects of the political development of the Community. Any scheme for direct elections to the European Parliament would require an Act of Parliament. Equally, any revision of the powers of the European Parliament would require the specific approval of the United Kingdom Parliament.

(g) Miscellaneous

(i) What have been the tangible benefits of membership for Britain?

A summary of the benefits received so far will be found in Chapter 4 (e).

(ii) What material advantages has membership of the Community brought for the ordinary working man and his family?

Two principal advantages have stood out so far. First, Community membership has enabled people in this country to buy some food more cheaply than would have been possible if Britain had not been a member. For example, we got grain from our Community partners at prices up to £40 a ton cheaper than from the world market, and the Community pays a subsidy on sugar imported into Britain — worth some £37 million so far. This has been of direct benefit to every housewife and family in the land. Second, the investment by British and foreign firms and the money which has come into this country in the shape of grants and loans from Community funds and institutions has helped to safeguard existing jobs, create new jobs and protect workers against the worst effects of redundancy and recession. This has been of direct benefit to many workers, particularly in our regions.

(iii) Is the Community just a rich man's club, unconcerned with the problems of its own poorer regions and of the poorer countries of the world?

No, it is not. First, there is the commitment in the preamble to the Treaty of Rome which declares that the member states are "anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less-favoured regions". The practical expression of this commitment was the agreement to establish the Regional Development Fund at the end of 1974 which over the initial three-year period should bring the United Kingdom about £150 million to help investment and jobs in our regions. Other Community institutions which have been particularly helpful to people in poorer regions throughout the Community are the European Social Fund (from which the UK received nearly £50 million in 1973 and 1974) and the European Investment Bank (which has made total loans to the UK of some £113 million so far). As regards Community concern for the poorer countries of the world, the record of the original Six and now the Nine has been pretty good. The enlarged Community gives more foreign aid than the United States and it uses its considerable economic power and political influence for beneficial purposes. It recently concluded the

historic Lomé Convention with 46 African, Caribbean and Pacific (ACP) countries, including 22 Commonwealth countries. This gives the ACP countries free access to the Community market for 96 per cent of their exports; financial assistance of about £1,600 million over the next five years; and arrangements to stabilise their export earnings from such commodities as coffee, cotton, copra and iron ore. Asian Commonwealth countries stand to gain from the improvements which the Community has made in its Generalised Preferences Scheme and from the implementation of the commitment to distribute aid more widely than hitherto.

(iv) What are the chances of the Government negotiating a satisfactory free trade agreement if Britain left the Community?

Not very good. We would be in a weak negotiating position and our partners would at the very least be in no hurry to oblige us. We would have to pay heavily for the privilege, since we need them more than they need us. (Over 33 per cent of Britain's exports go to the Eight, but only 8 per cent of their exports come to us.) We might get free trade in industrial products, but probably nothing more — unless we paid even more dearly. The renunciation clause, which would probably enable either party to end the agreement on 12 months' notice, would scarcely be a recipe for long-term commercial security. Our industry would be penalised in the case of "sensitive" products (e.g. textiles), because in these cases tariffs between Britain and the Community would probably go up again for several years. The agreement would probably include conditions which would limit the Government's freedom to give assistance to British industry (e.g. steel, aircraft and shipbuilding), since — as Mr. Wilson himself has pointed out — our former EFTA partners, who have remained outside the Community but in association with it, have found that the EEC/EFTA agreements have required their assent, as a pre-condition, to requirements which are in force within the Community itself where they have no effective say. Other drawbacks to any such agreement could well include the need to alter our basic tariffs on processed agricultural products (e.g. confectionery, tobacco and spirits); the obligation to align our steel prices with those of the Community without prior consultation; the need to give satisfactory assurances that, whatever our theoretical fishing limits, we would continue to allow Community fishermen to fish in our waters where they have always fished; the need to give far-reaching assurances on the supply, price and participation aspects of our oil policy; and the need to give the Community important agricultural tariff concessions — perhaps on grain and dairy products — as a precondition for the agreement. In short, it is clear that such a free trade agreement with the Community, even if it could be negotiated, would be far from the best way of protecting our national sovereignty.

(v) Does Norwegian experience of the last few years suggest that Britain would be better off outside the Community?

No. The economic position of the two countries are not comparable. Britain has a population about 14 times the size of Norway and a national product about 10 times as large. Whereas the British economy is in competition with that of the other Community countries, the Norwegian economy is largely complementary to that of the Community. Even before Norway had a free trade agreement with the Community, over 35 per cent of her exports to the Community went in duty-free under various quota arrangements. This is because they are vital metals and alloys and other raw materials (e.g. pulp, timber, aluminium and magnesium) which the Community needs to import in order to supply its manufacturing industries. The same is not true for Britain. Norway may have her oil and her earnings from shipping, but she has also got a very high price agricultural system which makes food more expensive than in Britain (e.g. milk in Norway is about 13p a pint). Furthermore, snags have already occurred for Norway: to retain free trade in steel products, she has had to adapt her own steel pricing system to changes made by the Community; to retain her tariff concessions on fishing products, she has had to agree to the maintenance of present conditions of fisheries competition and to cut back by over half her proposal for trawler-free zones; and to get her sugar supplies, she has had to pay the full world market price, since her traditional supplies from Denmark have been subject to a Community export levy and have in any case been largely diverted to Britain and other members of the Community.

(vi) Will North Sea Oil so turn the tide in our favour that Britain will no longer need to be a member of the Community?

It is a dangerous illusion to think that North Sea oil or any other single factor will so transform the prospects of this country that Britain will no longer need the advantages of Community membership. As the recent **Hudson Report** put it, "abundant oil, at whatever price, does not, as if by magic, transform outmoded economic and social structures". (*The United Kingdom in 1980*, Associated Business Programmes, London, 1974.) Inside or outside the Community we in this country will have to work hard for the national progress which we want to achieve. Community membership is no panacea for Britain, but neither is North Sea oil.

(vii) Would Britain stand a better chance of running her own affairs if she remained wholly independent?

No, for the very simple reason that the question is based on a false premise. Britain is not now wholly independent and has not been for many years. Indeed, in today's interdependent world no country — not even a super-power — can be wholly independent. Successive Governments since the war have undertaken a series of international obligations on behalf of this country, some of which could be held to be more far-reaching than membership of the Community. Under Article 5 of the NATO Treaty, Britain undertook obligations towards the other members in the event of their being attacked and bound herself to deploy her forces according to NATO strategic requirements. Under Article 11 (1) of the GATT Agreement, Britain undertook (with certain exceptions) the obligation not to introduce "prohibitions or restrictions (on free trade) other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures". And most recently, the present Labour Government committed this country in the International Energy Programme to international obligations on the level of oil stocks, the restraint of demand in emergencies and the emergency sharing of imports and stocks which are far more exacting than anything suggested in Community proposals for an emergency energy policy. These examples are not given in order to suggest that successive British Governments were unwise to accept such obligations which limited our theoretical independence. Quite the contrary. The point is that by pooling our national efforts and taking on mutual obligations of this kind, Britain and her partners have been able to increase their effective contribution to their own security and prosperity to an extent that none of them would have achieved on their own. The argument applies with equal force to Britain's membership of the Community.

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