

## Statement by the National Executive Committee of the Labour Party (29 September 1962)

**Caption:** On 29 September 1962, the National Executive Committee of the British Labour Party publishes its demands with regard to the conditions for British membership of the European Economic Community (EEC).

**Source:** Britain and the Common Market, Texts of speeches made at the 1962 Labour Party Conference by the Rt. Hon Hugh Gaitskell M.P. and the Rt. Hon. George Brown M.P. together with the policy statement accepted by Conference. London: Labour Party, 1962. 40 p. p. 33-40.

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### I: Labour's approach

The Labour Party regards the European Community as a great and imaginative conception. It believes that the coming together of the six nations which have in the past so often been torn by war and economic rivalry is, in the context of Western Europe, a step of great significance. It is aware that the influence of this new Community on the world will grow and that it will be able to play — for good or for ill — a far larger part in the shaping of events in the 1960s and the 1970s than its individual member states could hope to play alone.

It is these considerations, together with the influence that Britain as a member could exercise upon the community — and not the uncertain balance of economic advantage — that constitute the real case for Britain's entry.

The Labour Party, however, is also aware that membership of the Common Market would involve commitments to the nations of the Six which, in their scope and depth, go far beyond our relationships with any other group of nations. For the central purpose of the Common Market is not just the removal of trade barriers between its member states, but the conscious merging of their separate national economies into a single unit. Within this single Community the power of national governments over commercial, industrial, financial, agricultural, fiscal and social policies will progressively wither away. In their place, common policies, arrived at by majority decisions, will emerge.

Moreover the Rome Treaty is itself only one expression of the will of the Six to achieve closer political unity. The aim is to build on the foundations of the Common Market a single political Community, with a Common Parliament and, eventually, a Common Government. Powerful and ardent voices have indeed long urged the creation of a West European federal state.

For Britain, such wide commitments present special and serious difficulties. Full membership of the Common Market is limited to European states. Although there is provision for associated status for some territories, many important members of the Commonwealth will be totally excluded. Moreover our situation is not the same as that of the other countries of the Community. While our histories have certainly overlapped, they have also diverged, and this has shaped our separate institutions and policies. Our connections and interests, both political and economic, lie as much outside Europe as within it.

Membership of the Common Market could, therefore, decisively change our political and economic relations with the rest of the world. Unlike the Six, Britain is the centre and founder member of a much larger and still more important group, the Commonwealth. As such we have access to the largest single trading area in the world and political influence within a world-wide, multi-racial association of 700 million people.

Finally, although the unification of Western Europe is in itself a great historic objective, it has to be considered in the light of the effect it has on the two transcendent issues of our times: the cold war, with its immense threat of global destruction, and the ever increasing division of the world into the affluent nations of Europe and North America and the poverty-stricken nations elsewhere.

If by joining the Common Market we could mobilise the economic resources of Europe to help the underdeveloped nations of the world and to promote the cause of world peace by ensuring more creative and liberal policies in Europe, then the case would indeed be strong.

If on the other hand our membership were to weaken the Commonwealth and the trade of the underdeveloped nations, lessen the chances of East-West agreement and reduce the influence that Britain could exert in world affairs, then the case against entry would be decisive.

The Labour Party has always looked upon the question of Britain's entry into the Common Market as a matter of balance, to be judged in the light of the long-term interests of the British people.

We could not take the view that whatever the circumstances, whatever the conditions, we should enter. Nor could we take the view that whatever the circumstances, whatever the conditions, we should stay out.

It was for these reasons that the National Executive Committee at the 1961 Annual Conference of the Labour Party refused to pass judgment on the abstract question of whether Britain should join the Common Market. Instead, it insisted that judgment should be deferred until the actual terms of entry were reasonably clear.

For it is the terms that really matter. At the 1961 Annual Conference, following a long debate, the Committee accepted a resolution in these terms:

‘This Conference does not approve Britain’s entry into the Common Market, unless guarantees protecting the position of British Agriculture and Horticulture, the E.F.T.A. countries and the Commonwealth are obtained, and Britain retains the power of using public ownership and economic planning as measures to ensure social progress within the United Kingdom.’

At the same time, the National Executive Committee made it clear that we would support Britain’s entry if these terms were met. As Hugh Gaitskell put it in his broadcast of May 8th, 1962:

‘To go in on good terms would, I believe, be the best solution to this difficult problem. And let’s hope we can get them. Not to go in would be a pity, but it would not be a catastrophe. To go in on bad terms, which really meant the end of the Commonwealth, would be a step which I think we would regret all our lives, and for which history would not forgive us.’

## **II: The essential conditions**

While deliberately refraining from hobbling the Brussels negotiations by laying down in advance a series of rigid and detailed terms, the Labour Party clearly stated the five broad conditions that would be required:

1. Strong and binding safeguards for the trade and other interests of our friends and partners in the Commonwealth.
2. Freedom as at present to pursue our own foreign policy.
3. Fulfilment of the Government’s pledge to our associates in the European Free Trade Area.
4. The right to plan our own economy.
5. Guarantees to safeguard the position of British agriculture.

The acceptance by the Six of these five conditions — the arguments for which we outline below — would mean a conscious decision to liberalise their commercial policy and to become an outward-looking rather than an inward-looking community — one that recognises, in deeds as well as words, that it has obligations not only to the 170 million people within the Common Market, but to the hundreds of millions outside.

The Commonwealth

The Commonwealth countries still export twice as much to Britain as they do to the whole of the Six put together. Britain in turn still exports to the Commonwealth more than twice as much as it does to the Common Market.

This pattern of trade, which accounts for roughly 40% of our exports and imports, has been encouraged during the past 30 years by the system of Commonwealth Preference. Under these arrangements, Britain's tariffs do not apply to Commonwealth goods, which consequently enter Britain duty-free or on advantageous terms compared with the goods of other countries. British goods enjoy similar privileges in Commonwealth markets. While the size of these preferences has been reduced over the years, they are still substantial.

If Britain joined the Common Market as at present operated, we would abandon the whole system of Commonwealth preference, and in its place impose on Commonwealth goods the Common External Tariff of the Six. Thus, not only would Commonwealth countries exporting to Britain lose their preferential entry into the British market, but they would be actively discriminated against — while German, Italian, French and other European exports would enter the British market duty-free.

On Commonwealth foodstuffs, a special and crippling version of the Common External Tariff — the so-called Import Levies — is to be imposed. Whatever the efficiency of Commonwealth food producers the imposition of this system will ensure that they cannot effectively compete against European food producers inside the Community.

We cannot accept that such injurious arrangements should be inflicted on Commonwealth countries. Nor can we forget that whereas living standards in Europe are, measured by world standards, high, those of many of our Commonwealth partners in Asia, Africa and the Caribbean are desperately low.

With these points in mind the Labour Party has insisted that firm arrangements should be made to safeguard trade between Britain and the rest of the Commonwealth. Failure to do this could bring grave damage to such countries as India, Pakistan and New Zealand, the severance of the economic ties that today bind the Commonwealth, and a drastic weakening of its political cohesion.

## Foreign Policy

In economic and social policies the Rome Treaty already allows for a substantial amount of supra-national decision-making through the instrument of the Commission and the machinery of qualified majority voting.

We should be unwise to disregard the very real likelihood that in the attempt to achieve closer political union this system will be extended to foreign policy and defence.

No socialist will cling to national sovereignty for its own sake. But Britain has special relations with many countries outside Europe — particularly in the Commonwealth. These relations would be imperilled if we were to accept majority decisions taken within the European Community in this field. Moreover, on such crucial questions as Berlin, disengagement, and support for the U.N., an independent British voice is essential. For these reasons we believe that it is right to insist that Britain must retain full freedom of action in foreign policy.

## E.F.T.A.

Three years ago, when the negotiations for a wider European trade association broke down, Norway, Denmark, Sweden, Switzerland, Portugal and Austria joined Britain in forming the European Free Trade Area.

Before applying for entry to the Common Market the United Kingdom Government made a solemn pledge to its E.F.T.A. partners that it would maintain the Association 'until satisfactory arrangements have been worked out ... to meet the various legitimate interests of all members of E.F.T.A., and thus enable them all to participate from the same date in an integrated European Market'.

This pledge must be honoured. In particular we cannot accept that Sweden, Switzerland and Austria should be denied associate membership on account of their neutrality. Indeed we regard the membership of the E.F.T.A. countries as a vital British interest.

### Economic Planning

The prosperity of Britain rests far more on our ability to make intelligent use of our economic resources than it does on securing tariff-free access to the Six.

Some features of economic planning cannot be easily combined with membership of the Common Market. This is due in part to the *laissez-faire* assumptions underlying the Rome Treaty, in part to its basic aim of creating a single and competitive market.

Under the Rome Treaty, limitations are placed upon the powers of governments to intervene in their economies wherever such interventions are thought to distort competition or interfere with the free flow of trade, capital and labour.

While these limitations are not necessarily disadvantageous, they could in certain cases have dangerous consequences for Britain. Our balance of payments is weaker, our reserves smaller, the weight of our overseas debts vastly greater than is the case with many of the present members of the Community. Complete free trade with the Six and the free movement of capital out of Britain could well — and in the short run almost certainly will — intensify our balance-of-payments difficulties. If the power of the British Government to take corrective measures is limited, this could have grave consequences for full employment, for the strength of the currency and for our future prosperity. We must be sure, as the T.U.C. has urged, that we can pursue policies necessary to secure full employment and the maintenance and improvement of our social services.

These are major considerations affecting the livelihood of millions of our fellow citizens. It is therefore only simple prudence to secure now either freedom of action for the British Government to tackle these problems or binding agreements with the Six on corrective action by the Community as a whole. For the same reason, the voting arrangements finally agreed on in the enlarged Community should be such as to ensure that in economic and social questions British interests cannot be overridden. This would be facilitated by the entry of the E.F.T.A. nations.

### British Agriculture

Since the war the interests of British farmers, of Commonwealth producers and of consumers have been largely reconciled (though a great deal less effectively in recent years) by allowing the market price to be determined by low-cost imports and by safeguarding farm incomes through a system of agricultural planning, production grants and deficiency payments.

The food and agriculture policy of the Six is, however, very different. The aim of their policies in the past has been, and it is likely to continue to be, to make the area as a whole broadly self-sufficient. To this end, as we have already seen, Common Market farmers are to be protected from world exporters by a system of import levies, while consumers will continue to pay prices based on high-cost European production.

British farmers would lose the security of the existing system of protection and would be compelled to take,

in return, a much less certain system whose operations would be determined not by the Ministry of Agriculture in London but by the Commission in Brussels.

We must insist that the negotiations should secure such modifications in the common agricultural policy as are necessary to give adequate security to British agriculture and horticulture.

### **III. The Economic Argument**

The Labour Party believes that these broad conditions constitute reasonable terms of entry. Only if such terms could be secured would it be right for Britain to enter the Common Market. But we emphasise that it would be the acceptance of these conditions which would tilt the balance in favour. There is no question of Britain being forced to go in. In particular we reject the widespread but false view that the economic advantages of membership are so great and the economic consequences of non-membership so disastrous that Britain has no choice but to accept whatever terms the Six may offer.

In our opinion the economic arguments for and against are evenly balanced.

The main arguments in favour are these. First, that as a member of the Community, Britain would share in a home market of over 200 million consumers. A market of such size would greatly stimulate production of low-cost mass-produced goods. Firms would be able to achieve all the economies of scale.

Secondly, in such a market it would be possible to have both very large firms and competition between them. As a result, a fresh wind would blow through British industry, bringing new ideas, accelerating change, encouraging a more competitive and enterprising economy.

Thirdly, trade between the members of the Common Market has grown very rapidly — more rapidly than in most other trade areas. If this continues in the years ahead, Britain as a member would greatly benefit.

Fourthly, if we do not go in we shall not only find it more difficult to compete with the Six in their own market, but also have to face stronger competition from them in world markets generally.

On the other hand, the contrary arguments are no less strong.

First, less than a fifth of our exports go to the Common Market. Any benefit we get from tariff-free access to the Six must be weighed against the losses of trade preferences that we now possess in Commonwealth and E.F.T.A. markets which absorb more than half of our exports.

Secondly, keener competition may well lead to the further concentration of industry, to monopoly and cartel agreements.

Thirdly, there is no evidence that a home market of 50 million consumers and a vast export market besides is incapable of providing our industries with all the advantages of large-scale manufacture.

Fourthly, it is wholly wrong to suggest that membership of the Common Market would transform Britain from a stagnant to a dynamic economy. The recent economic expansion of the Six owes little to the establishment of the Market.

Finally, our balance of payments will be adversely affected by higher food prices, by more foreign competition in the British market and by unrestricted capital movements.

Entry into the Common Market will not offer, in itself, an easy escape from our economic difficulties. The truth is that the growth of our economy and of our trade will owe far more to our own exertions, to the sensible planning of our economy, to reasonable restraint on incomes based on a fairer division of wealth, and to our ability to put investment and exports before home consumption, than to any consequence of our entry or non-entry into the Common Market.

#### IV. The negotiations so far

In August 1961 the Prime Minister first announced the Government's decision to make formal application for membership of the Common Market. Presenting his case to the House of Commons, the Prime Minister emphasised that the decision to apply was not a decision to join but rather, as the Government's Motion put it, 'to see if satisfactory arrangements can be made to meet the special interests of the U.K., of the Commonwealth and of the E.F.T.A.' Further, he pledged himself not to make a firm agreement 'until it had been approved by the House after full consultation with other Commonwealth countries'.

These sentiments have been reiterated on a number of occasions and every senior Minister, from the Prime Minister downwards, has pledged himself not to support arrangements that would injure the Commonwealth. Only three months ago Mr Duncan Sandys repeated in the House of Commons the solemn assurance that he had delivered at the 1961 Conservative Annual Conference: 'We have promised our partners in the Commonwealth that we shall not join the European Economic Community unless we can make arrangements to safeguard their vital trading interests. We made that promise, we stand by that promise, it remains as it was, unqualified and unaltered'.

Against these statements the proposals in the August White Paper, issued shortly after Parliament had recessed, have come as a profound disappointment. The contrast between the Government's solemn pledges and its proposals in the White Paper caused the explosion at the Commonwealth Conference. No Prime Minister of any major Commonwealth country was prepared to agree that the White Paper provided the necessary safeguards.

Although a number of important issues are still left open, the White Paper's main proposals are clear enough. First, the Government has agreed to end the system of Commonwealth Preference. Secondly, the Government has agreed to impose on the manufactured goods of all the Commonwealth countries — and this is most serious for India, Pakistan and other developing countries — the Common External Tariff of the Six. Thirdly, the free entry into Britain of temperate foodstuffs from Australia, Canada and New Zealand is, apparently, to be replaced by the Common Market system of Import Levies. Fourthly, the Government has agreed to accept the Common Market's agricultural system under which revenues derived from Import Levies will be paid to the Commission to finance the agricultural expansion of the Community.

These changes are to be introduced in stages, beginning at the point of entry and reaching completion in 1970. Thus, by that year, if no new proposals are agreed, our present system of Commonwealth Preference and agricultural protection will have been abolished and Britain will have accepted the policies of the Six instead.

In return for these major, precise and most damaging British concessions the Government has gained only two specific concessions and a number of vague promises. The concessions are (1) the limited offer of Overseas Association to the African and Caribbean Commonwealth countries, and (2) the abolition of a few tariffs, of which the most important is tea. While this will help preserve the U.K. market for Indian tea exporters, it will have little effect on their trading opportunities in the Six, where teas consumption is discouraged by high Excise Duties.

Apart from these, there are only the vague promises to take account of New Zealand's particular difficulties and to negotiate, but only after Britain has joined, 'comprehensive trade agreements' with India, Pakistan, and Ceylon, world-wide or more limited agreements on the major temperate foodstuffs and to pursue a 'reasonable' price policy towards their own agricultural producers.

These proposals are wholly inadequate.

The promise of a 'reasonable' price policy for the agriculture of the Six gives no guarantee that Commonwealth farmers will be able to continue any substantial volume of exports to Britain or the Community.



There is no certainty that India and Pakistan will secure, under the 'comprehensive trade agreements' easier access to the Common Market to compensate them for the certain disadvantages that they will suffer.

Again, as the Commonwealth Conference made clear, many, if not all, of the African states will reject the offer of Overseas Association on the grounds that the political disadvantages of linking with the Six and the consequential division of Africa into Associated and non-Associated states would outweigh any economic benefits that they might gain.

The failure to obtain anything more than these totally inadequate terms suggests three conclusions. First, in pursuing its present course — with no mandate from the British people — the Government has succeeded in causing a major crisis in Commonwealth affairs. If this is allowed to continue, it may well damage Commonwealth relations beyond repair. Secondly, the Government's readiness to surrender on the Commonwealth issue must make clear to the Six that it is so desperately anxious to join that they, for their part, need make no further serious concessions to bring Britain in. Thirdly, the apparent unwillingness of the Six themselves to pay due regard to the economic problems of the hundreds of millions of miserably poor people in the Asian and African Commonwealth countries, raises most seriously the question whether they are basically an inward-looking or an outward-looking Community.

### **V: The next steps**

There can be no doubt where the Government's duty lies. Ministers ought now to return to Brussels and present those terms which alone are consistent with their own pledges and with the interests of Britain and the Commonwealth.

The basic changes required have already been outlined both by the Commonwealth Labour Leaders and by the Prime Ministers meeting in London.

Our major proposal is that the negotiations for world commodity agreements, the proposed special arrangements for New Zealand, and the comprehensive trade agreements with India, Pakistan and Ceylon, as well as new proposals to safeguard the trade of African and Caribbean Commonwealth countries, should not be put off until after Britain has joined but should start now. Until these negotiations have achieved satisfactory results the present system of Commonwealth Preference should remain unimpaired.

These agreements should then be submitted, if this is desired by the other member states, to a further Commonwealth Conference.

Apart from the delay that would be involved, there can be no serious objection to such a step. If both the Government and the Six mean what they say about these agreements, they could still be brought to a successful conclusion.

At the same time the Government must show, in relation to the other major issues that have still to be negotiated, that it has no intention of deserting its partners in E.F.T.A.; that it will really insist on firm guarantees for British agriculture; that it will retain the right to pursue an independent British foreign policy; and that it means to retain for the British Government effective powers for safeguarding full employment and the balance of payments.

If these demands are met by the Six — as we still hope — then Britain should join the Common Market.

But should they be rejected, then Britain should not enter and the present negotiations should be brought to a halt.

We do not doubt, however, that the future will bring, and bring soon, new opportunities for increasing our trade with the Six. Nor do we rule out the possibility that a Labour Government would conduct new and successful negotiations at a later stage.



In the event of breakdown, however, it will not be enough for the Government to leave things as they are. Britain must join the United States in their efforts to negotiate downwards the Common Market's external tariff — and we must be ready to cut our own tariffs in return. Already this year a substantial (20%) cut had been agreed between Britain, the Common Market and the United States.

Now that President Kennedy has won Congressional support for his policy, further and sweeping tariff reductions — which will certainly include Britain — are at last in sight.

But more than this is needed. The challenge to traditional assumptions that has been made in the course of this past year of negotiations has released creative as well as destructive forces. The Commonwealth trade system is in need of reform and the new atmosphere that has been engendered should make it much easier for new and radical proposals to be agreed. Across the Atlantic, too, the major re-examination of tariff policy to which we have just referred includes not only trade relations with other industrialised nations but, still more important, trade with the underdeveloped countries. It can also be expected that the Brussels negotiations will have brought home to the Six, more clearly than before, the need for them to pursue a more liberal trade policy with other continents.

As a first step, therefore, we should propose a conference of Commonwealth and E.F.T.A. countries to consider measures to promote their trade and economic development. This should then be widened to cover the major problems of world trade.

A great effort must be made to ensure that agricultural surpluses in the developed countries should be used, on an increasing scale, to relieve hunger and to raise living standards in other parts of the world. The truth is that whether we join the Common Market or not it is imperative to move forward to a new system of international trade, payments, economic aid and world commodity agreements.

If we look to the future, we can get our priorities right. The real dangers that confront us are not the old rivalries of France, Germany and other West European powers but those that arise from the continuing hostilities of the Communist and non-Communist worlds and from the terrible inequalities that separate the developed and the underdeveloped nations, the white and the coloured races.

Britain by herself cannot, of course, solve these problems; but more than any other advanced country of the West, we have the greatest opportunity and the greatest incentive to tackle them. For the 700 million people of the Commonwealth, with whom history has linked us, form a truly international society, cutting across the deep and dangerous divisions of the modern world. By its very nature the Commonwealth must think of global not regional problems; of the interests of all races, not just of one; of the problems of age-old poverty as well as those of new-found affluence; of non-commitment as well as of cold war.

If we are ever to win peace and prosperity for mankind, then the world community that must emerge will be composed of precisely such diverse elements as exist in the Commonwealth today — pledged, as we are, to friendship and mutual aid. This is our vision of Britain's future and the world's future — and it must not be allowed to fade.