Statement by Harold Wilson to the House of Commons (18 March 1975)

Caption: On 18 March 1975, Harold Wilson, British Prime Minister, gives an account of the talks in progress regarding the renegotiation of the initial conditions for the United Kingdom’s accession to the European Communities.

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Mr. Speaker, with permission, I should like to make a statement on the European Community.

I regret that this will inevitably be somewhat lengthy, but this is one of the most important parliamentary occasions in our history, and I feel a duty to state the Government's position here in the House, rather than make a short, even perfunctory, statement here and a lengthy statement outside the House where it is not subject to parliamentary questioning.

Her Majesty's Government have decided to recommend to the British people to vote for staying in the Community.

Last Wednesday, after Dublin, I told Parliament that the renegotiations, begun last April, had now gone as far as they could usefully go and that, while some of our objectives – if Britain remained in the Community – could be pursued in the continuing meetings of the Council of Ministers, we had now reached the point where Government, Parliament, and then the country, must take the decision.

The House will be familiar with the renegotiation objectives we set out in the manifesto for the February 1974 General Election, and confirmed in October.

While the judgment of hon. Members, and of the electorate, may, in taking their decision, go far wider than the terms achieved in the negotiations, I feel it is right to give the House my assessment of what has been achieved.

OBJECTIVE ONE

The manifesto called for:

"Major changes in the common agricultural policy so that it ceases to be a threat to world trade in food products, and so that low cost producers outside Europe can continue to have access to the British food market."

My right hon. Friend the Minister of Agriculture gave precision to these objectives in his statement to the Council of Ministers on 18th June, on which he reported to the House on 19th June. He asked for:

1. The establishment of firm criteria or pricing policy, taking account of the needs of efficient producers and the demand/supply situation.

2. Greater flexibility, taking account of the need for appropriate measures to deal with special circumstances in different parts of the Community.

3. Measures to discourage surpluses and to give priority to Community consumers in the disposal of any surpluses which arise.

4. Improvement in the marketing régimes for some major commodities, particularly beef, with a view to avoiding surpluses.

5. The improvement of financial control.

6. Better access for certain commodities from outside the Community, with particular regard for the interests of Commonwealth producers and of the consumer.

Now as to the outcome.

On the supply of food at fair prices, in the three CAP price settlements since the Government took office the Minister of Agriculture has succeeded in keeping price increases below cost increases, and thus in real terms reinforcing the downward trend in CAP prices. This would benefit consumers and taxpayers and also is designed to reduce the risk of surpluses.

Increasingly, price proposals are being related to the costs of efficient producers and the supply/demand situation, and this approach is reaffirmed in the Commission's report on the CAP stock-taking for which we and Germany asked.

On the greater flexibility for special circumstances and improved systems of market regulation, especially beef, the Minister has secured changes for beef under which member States are no longer obliged to maintain high prices for producers by buying beef into store and denying it to consumers. Instead, they can let it go to consumers at reasonable prices and make up returns to producers by deficiency payments partly financed by the Community.

In addition, special encouragement has been given for sugar production in the United Kingdom. More generally, the monetary arrangements have been used to differentiate the percentage price increase between member States. There has been more flexibility in the use of national aids.

On the requirements of measures to discourage surpluses and to pay more regard to consumers, the downward pressure on CAP prices is itself a safeguard against surplus production – together with our proposals, now being pursued, for the reduction of support buying prices for milk products and cereals when surpluses start to arise. Then there is the recent practice, which I understand is to be continued, that any surpluses which do develop are run down by cheap supplies to Community consumers rather than being unloaded on world markets. We have had this in the beef subsidy for pensioners and in the increased butter subsidy. British consumers again benefit from the monetary import subsidies paid to countries which have devalued and from special measures to keep Community prices below world prices, particularly the sugar import subsidy which is financed by the Community.

On the objective of improved financial control, some progress has been made – better estimates of costs and budgetary implications of new proposals, tighter monitoring of expenditure and the introduction of precautions against fraud.

On access for third-country foodstuffs, in 1971 we condemned from the Opposition benches the failure to provide security for Commonwealth Sugar Agreement producers. We constantly criticised the lack of arrangements for Commonwealth Sugar Agreement supplies after the end of 1974, which in fact turned out to be a time of world sugar famine – hence the crisis and the high prices we faced. But we have now got assured access for up to 1.4 million tons of sugar from developing countries, for which we pressed from 1971 onwards, so this objective has been achieved.

During this period of shortage, British refiners and manufacturers have purchased 170,000 tons of sugar to maintain continuity of supplies with the aid of Community subsidies of £36 million.

On access for New Zealand dairy produce, in the autumn of 1974 we secured an increase of 18 per cent. in the prices paid to New Zealand to ensure continued supplies, and at Dublin we got agreement on the broad lines of the continuing arrangements for access of New Zealand dairy produce after 1977.

No commitments had been made in 1971, but so far as butter is concerned the Commission has been instructed to prepare in the next three or four months a draft based on the maintenance of butter imports from New Zealand to Britain at around the level of 1974-75 deliveries – in other words, none of the degressivity which had been understood was to be brought about – together with price proposals to which the New Zealand Government attach the greatest importance.

On cheese, the Protocol to the Treaty of Entry ruled out any more access for New Zealand cheese of the kind provided for in 1973-77. But last week's statement has left the matter open, and we have given notice that we shall pursue it in the Protocol 18 review. We shall press this urgently indeed.

Improved access for other foodstuffs has been secured as a result of GATT negotiations, the trade sections of the Lomé Convention, the Mediterranean agreement and the Community's 1975 Generalised Scheme of Preferences which has now been agreed; improved access, too, for tropical oils, Canadian cheddar, soluble coffee and lard, though no achievement yet on access for certain other foods such as canned fruit and hard wheat. We have requested levy-free quotas for hard wheat and flour, and put on record that we shall at an early date seek elimination or reduction of the tariff on New Zealand lamb.

OBJECTIVE TWO

Community Budget

The manifesto commitment was:

"New and fairer methods of financing the Community budget. Neither the taxes that form the so-called ‘own resources’ of the Communities, nor the purposes, mainly agricultural support, on which the funds are mainly to be spent, are acceptable to us. We would be ready to contribute to Community finances only such sums as were fair in relation to what is paid and what is received by other Member countries."

It rapidly became clear that we could best secure our objectives not by seeking to overturn the system of financing the budget from "own resources" but by correcting its unfair impact by a mechanism which would provide a refund to us.

I reported to the House a week ago, and set out the corrective mechanism proposals, which as I said were an improvement on the Commission's proposals, and which satisfactorily met what we then proposed, involving a refund of up to £125 million a year.

OBJECTIVE THREE

Economic and Monetary Union

The manifesto commitment is as follows:

"We would reject any kind of international agreement which compelled us to accept increased unemployment for the sake of maintaining a fixed parity … We believe that the monetary problems of the European countries can be resolved only in a worldwide framework."

Since that commitment was made there has been a major change in the attitude of other European Governments to the practicability of achieving EMU by 1980. As a long-term objective it was restated in the Paris communiqué, but for all practical purposes it has been tacitly abandoned. For example, the second stage, due to start on 1st January 1974, 15 months ago, has never been adopted and practical work has been virtually at a standstill for a long time.

There is no prospect of our coming under pressure to agree to an arrangement, whether in relation to parity commitments or otherwise, threatening the level of employment in Britain. As for EMU remaining as a long-term Community objective, its realisation in the foreseeable future, as I hinted at Question Time, is as likely as the ideal of general and complete disarmament which we all support and assert.

OBJECTIVE FOUR

Our Election manifesto of February 1974 stated our objective as:

"The retention by Parliament of those powers over the British economy needed to pursue effective regional, industrial and fiscal policies."

Regional Policy

Since the turn of the year, and in the context of our renegotiations, the Commission has had an intensive discussion with us and other member Governments and has now formulated the principles under which it proposes to implement its role in the co-ordination of regional aids.

The Commission's hierarchy of assisted areas conforms to ours. No forms of national aids are ruled out in principle, and there is no interference with our existing regional aids. There is a particular problem relating to assistance given by the Highlands and Islands Development Board, for which a derogation is being obtained. In discussing the way in which regional aids might be changed to meet new circumstances, the Commission has furthermore acknowledged that national Governments are the best judges of what is required in their own country and that the Commission will be prepared to consider changes in national aid systems compatible with the Common Market, when they are justified by problems of employment, unemployment, migration and by other valid requirements of regional development policy which constitute essential national problems. The Commission has further accepted that urgent action by Governments may be necessary and that treaty procedures will not hold this up.

Industrial Policy

We have not met with any serious difficulties from the EEC in the conduct of industrial policy during the past year. We have reported aids given under Sections 7 and 8 of the Industry Act 1972. Article 222 of the Treaty of Rome specifically permits nationalisation; and Government participation in the equity of a firm does not in itself raise problems under the treaty. The Commission has accepted that in urgent cases we shall provide aid without first giving it an opportunity to comment. In such rescue cases a solution might be that when we prepare a plan to restore the firm concerned to viability we should discuss it with the Commission within the following six months. This would not be an onerous requirement.

The Commission has not yet commented on the Industry Bill. The proposals for the National Enterprise Board and for Planning Agreements have much in common with arrangements in other member States. They are in no way incompatible with the treaty, provided that the Government's powers are not exercised so as to damage the competitive position of undertakings in other member States – a principle which we accept, as we have in the case of regional policy.

I should add that, as regards State aids, we had just as stringent an injunction on us as members of EFTA, and non-market EFTA countries which have agreements with the EEC have accepted obligations just like the EEC obligations without having any part in EEC decisions in these fields.

I believe that this meets our objective. Steel is more difficult, partly for inherent reasons, partly because of action taken by the previous Government when they repealed Section 15 of the Iron and Steel Act.

I am satisfied that potential problems over prices can be resolved by close contact between the Government and the Steel Board, and possible difficulties about mergers are also capable of a solution.

There is nothing in the Treaties of Rome or Paris or in practices or policies under the treaties which precludes us from extending nationalisation of the present private sector – even total nationalisation of the industry.

On the control of private investment there were, until the repeal of Section 15, powers under legislation passed by this House to prevent investment by non-British non-Community country steelmasters – and the much publicised minimill proposal at Newport could have been dealt with if Section 15 was still in force. It is not against the treaty in any way to use it.

My right hon. Friend the Foreign and Commonwealth Secretary gave notice at the Council of Ministers on 3rd March that it might be necessary to ask for treaty revision if there is no other way of solving this problem. If, as part of the control of the economy, the Government – any Government – have to hold back the level of new investment in the public steel sector, it is unacceptable that the private sector should be free to expand where it wants and by as much as it wants, thus adding to the inflationary pressure on resources, quite apart from the location and regional problems, for example, in areas where steel men have been made redundant by technological change.

Since it is well known that other member countries have met with those and similar problems and have found administrative means of dealing with them without asking for an amendment of the treaty, I told the other Heads of Government in Dublin that we would study the methods they have used, whether by environmental controls, planning controls, industrial development certificate controls, or other means.

Were this to fail, we could still have recourse to extending public ownership or to proposing treaty revision. Concerning this continuing objective, the reference in the manifesto objective to fiscal policies has not proved difficult. There are proposals for certain measures to harmonise the structure of some indirect taxes, but any which were objectionable to us would require our agreement. I will come to this again on VAT.

OBJECTIVE FIVE

Capital movements

The manifesto commitment says:

"Equally we need an agreement on capital movements which protects our balance of payments and full employment policies."

We have made use of the relevant Articles of the Treaty of Rome to revert to broadly the same exchange control régime as applied before entry. We can continue to take action under those Articles to protect our balance of payments.

OBJECTIVE SIX

The Commonwealth and developing countries

The manifesto said:

"The economic interests of the Commonwealth and the developing countries must be better safeguarded. This involves securing continued access to the British market and, more generally, the adoption by an enlarged Community of trade and aid policies designed to benefit not just 'associated overseas territories' in Africa, but developing countries throughout the world."

I have referred to Commonwealth sugar and New Zealand dairy products.

Another major achievement was the Lomé Convention. What was achieved – and a great tribute is due here to the work of my right hon. Friend the Minister for Overseas Development – was the transformation of a paternalistic arrangement with a restricted range of mainly ex-French and Belgian Colonies or Territories, in which they had to offer the Community reciprocal trade benefits, into a relationship based on co-operation with 46 countries in Africa, the Caribbean and Pacific – 22 of them from the Commonwealth. The new convention governs access without requiring reciprocity, a completely new scheme for stabilisation for commodity earnings, and much increased aid. The convention has rightly been described as historic. For this and other reasons, almost all Commonwealth countries, advanced and developing, have expressed their hope that Britain will stay in the Community.

As to the Asian countries such as India, Sri Lanka, Bangladesh and Pakistan, a good deal has been achieved for them already. They have benefited from EEC emergency aid to those countries most seriously affected by the oil price rises. India has an agreement with the EEC, and the other three are negotiating them. The Generalised Scheme of Preferences has been much improved, and earlier this month the Council of Ministers agreed to work for continuing improvements to the scheme, with particular emphasis on the interests of the poorest developing countries, including those of the Indian subcontinent.

But it cannot at this stage be claimed, putting aside what has been achieved, good and less good, that all the problems so far as Asian countries are concerned have as yet been solved. In principle, yes, but there is so far no commitment about the necessary financial provision.

OBJECTIVE SEVEN

Value Added Tax (VAT)

The manifesto commitment is:

"No harmonisation of value added tax which would require us to tax necessities."

The proposals now being discussed in the Community are concerned with agreeing a uniform assessment base for VAT. They provide for our system of zero rating. We will be able to resist any proposals which are unacceptable to us.

Contrary to the situation four years ago, this VAT problem of harmonisation is no longer a real threat. So far from harmonising, a number of countries are insisting on increasing the number of VAT rates within their own tax systems and it seems there is no danger to our freedom here at all. That was not the position four years ago.

To sum up, therefore, I believe that our renegotiation objectives have been substantially, though not completely, achieved.

I have set out at some length the outcome of the negotiations on each objective mentioned in the manifesto, including those where the passage of time has diminished or eliminated the threat that we foresaw.

What now falls to be decided is whether on these terms, the renegotiated package as a whole, the best interests of Britain will be best served by staying in or coming out.

It will be seen from what I have said that the Government cannot claim to have achieved in full all the objectives that were set in the manifesto on which the Labour Party fought and won two elections last year. Some we have achieved in full; on others we have made considerable progress, though in the time available to us it has not been possible to carry them to the point where we can argue that our aims have been completely realised.

It is thus for the judgment now of the Government, shortly of Parliament, and in due course of the British people, whether or not we should stay in the European Community on the basis of the terms as they have now been renegotiated.

So I do not believe that in taking this decision, if that is the decision which the country takes, we are entering into a narrow regional grouping to the detriment of our world-wide relationships. My first regard, ever since I entered this House, has always been more to the Commonwealth than to Europe. We have to face the fact that practically all the members of the Commonwealth, deciding on the basis of their own interests and what is good for them, want Britain to stay in the Community. Of course, it is a fact that many have diversified their trade away from Britain in the past four years. In many cases they felt themselves forced to do so as a result of the 1971 decision and terms. But a number also, New Zealand for example, have entered on a radical reorientation of their political stance related to the region surrounding them and are developing their economic policies in a similar direction.

Again, I would not commend what I have announced to the House if this meant in any way weakening our transatlantic relationships. Relations with the United States are closer and better than they have ever been at any time, certainly in this generation, and in some contrast to what they have been in very recent times. Nothing in today's decision will in any way weaken that relationship.

Her Majesty's Government have decided to recommend to the British people that they should vote in favour of staying in the Community on the terms which I have described. I have given the Cabinet's view. I have only this to say before I sit down.

First, while perhaps some of these things might have been improved even if the Government had not entered into these tough negotiations – I say might have been – the renegotiations have themselves been more than a catalyst of change, they have been an initiator of change.

The second thing is this: many of us, including myself, have at various times been half terrified by reading the legal jargon, the apparently fussy legalism and theology, not to mention some speeches and statements of enthusiastic supporters, and not to mention interference in things, such as beer, milk, hops and un-eviscerated chickens. Much of this nonsense has now stopped – certainly those fussy Commission initiatives to which I have referred on those items. The Foreign Secretary and I have found the Market much more flexible than I think either of us expected, both in individual questions and in what we have noted as a substantial shift of power over these past 12 months. It is remarkable how flexible it can be when there is a British Government who are prepared to stand up for British interests, and not the kind of people who negotiated in 1971. They never even gave the Market a chance to be flexible.

Renegotiations, agricultural and financial crises, whatever the causes may have been, all have played their part in putting more power into the hands of national Ministers meeting in the Council of Ministers. I believe that few would have thought, even a year ago, that we would have got agreement, through what the Minister of Agriculture negotiated on beef, to what in practice is freedom to return to the principles of Tom Williams' Agriculture Act of 1947 in the matter of deficiency payments, which had been specifically excluded as a means of farm price guarantees as a result of the 1971 negotiation package. We got that changed, and no one would have thought that likely a year ago.

A fundamental change not in the Treaty but in the practice has been brought about by the new system of Heads of Government summits of a regular, routine character, started with that convened by President Giscard d'Estaing in Paris last September, and continued by the December meeting, and now the Dublin meeting. This system has, already, *de facto* reasserted a degree of political power at top level, not only over the month-by-month decisions but over the general method of operation of the Market. This does not mean it has become a Europe *des patries*. It is a Community. But, as compared with even a year ago, vital interests of individual nations are now getting much more of a fair hearing, and the political power in asserting those interests has certainly increased more than appeared possible in the battles of 1971, 1972 and 1973: more, in my view, than even a year ago, when the result of the February election made the manifesto objectives for the first time no longer a domestic, political argument but a governmental mandate for renegotiation.

My right hon. Friend the Leader of the House will announce our proposals for a two-day debate immediately after the Easter Recess. What I have said this afternoon, including the announcement of the Government's decision, means that, for that parliamentary debate, the case now rests, and thereafter, following the referendum campaign, the case will then rest for the people to decide.