

Statement by Edward Heath (Paris, 10 October 1961)

Caption: On 10 October 1961, in Paris, Edward Heath, Lord Privy Seal and Head of the British Delegation, outlines to the representatives of the Six the United Kingdom's position during the negotiations on accession to the European Communities.

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Statement by the Rt Honourable Edward Heath, M.P., Lord Privy Seal, Leader of the United Kingdom Delegation, at the meeting in Paris on 10th October, 1961 between the Member Governments of the European Economic Community and Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland.

Mr Chairman,

I am very happy to be present at this historic meeting under your Chairmanship. I would like first to express our warm gratitude to our French hosts for the arrangements which have been made for this meeting. We deeply appreciate the welcome which has been given by the Member Governments of the European Economic Community to our application under Article 237 of the Treaty of Rome. May I add also that we are glad to see here the distinguished President and other members of the European Commission, from whose unique knowledge and experience I am sure we shall greatly benefit.

2. I am deeply conscious of the importance of this occasion and of the work on which we are embarking together. There can be no doubt that the success or failure of these discussions will determine the future shape of Europe. They will affect profoundly the way of life, the political thought and even the character of each one of our peoples. Her Majesty's Government in the United Kingdom have asked me to set before you today, in clear and comprehensive terms, the view they take of this enterprise and to emphasise the importance which they attach to its success.

3. The British Government and the British people have been through a searching debate during the last few years on the subject of their relations with Europe. The result of the debate has been our present application. It was a decision arrived at, not on any narrow or short term grounds, but as a result of a thorough assessment over a considerable period of the needs of our own country, of Europe and of the Free World as a whole. We recognise it as a great decision, a turning point in our history, and we take it in all seriousness. In saying that we wish to join the E.E.C., we mean that we desire to become full, whole hearted and active members of the European Community in its widest sense and to go forward with you in the building of a new Europe.

4. Perhaps you will allow me to underline some of the considerations which have determined our course of action. In the first place, ever since the end of the war, we in Britain have had a strong desire to play a full part in the development of European institutions. We, no less than any other European people, were moved by the enthusiasms which gave birth to the Brussels Treaty, the Council of Europe, the O.E.E.C., the Western European Union and the North Atlantic Treaty. These organisations, based on the general principle of cooperation between sovereign states, played an important role in developing amongst us all the practice of working together. They gave us that knowledge of one another's institutions, practices and modes of thought, which is the necessary foundation for common action. Many are the tables round which we have all sat – round which our officials and experts have sat – during the last 15 years, creating bit by bit the habit of international cooperation and joint action on which our present friendships and understandings are based.

5. Then there came a point when you decided to move a stride ahead towards a more organic type of unity; and my country, though understanding this move, did not then feel able to take part in it. It is true to say, however, that it was never agreeable to us to find that we were no longer running with the stream towards European unity. There were reasons for it and we knew them; but we did not feel comfortable to be outside. Nor, I believe, did you feel entirely comfortable to see us outside. One of our main purposes today is to discover afresh the inspiration and the stimulus of working together in a new effort of political and economic construction.

6. The second consideration has been the increasing realisation that, in a world where political and economic power is becoming concentrated to such a great extent, a larger European unity has become essential. Faced with the threats which we can all see, Europe must unite or perish. The United Kingdom, being part of Europe, must not stand aside. You may say that we have been slow to see the logic of this. But all who are familiar with our history will understand that the decision was not an easy one. We had to weigh it long and carefully.

7. In particular, we had to think very deeply about the effect on the Commonwealth of so important a development in United Kingdom policy. I hope you will agree with me that the Commonwealth makes an essential contribution to the strength and stability of the world, and that sound economic foundations and prospects of development go hand in hand with this. We believe that it is in the interests of all of us round this table that nothing should be done which would be likely to damage the essential interests of its Member Countries. Some people in the United Kingdom have been inclined to wonder whether membership of the Community could in fact be reconciled with membership of the Commonwealth. The task of reconciliation is complex, but we are confident that solutions can be found to Commonwealth problems fully compatible with the substance and the spirit of the Treaty of Rome.

8. The third factor determining our decision has been the remarkable success of your Community and the strides which you have made towards unity in both political and economic fields. This has been in many ways an object lesson. You have shown what can be done in a Community comprising a group of countries with a will to work closely together. Our wish is to take part with you in this bold and imaginative venture; to unite our efforts with yours; and to join in promoting, through the E.E.C. the fullest possible measure of European unity.

9. Against the background I have described you will, I hope, recognise that the United Kingdom has taken a momentous and carefully weighed decision. We are convinced that our destiny is intimately linked with yours. The decision we have taken reflects this conviction. Public opinion in my country has moved a long way during the last few years and more especially during the last 12 months. I think that opinion in the Member Countries of the Community has likewise developed. In particular I have noticed a growing understanding of the importance of the Commonwealth, and of the problems which would be created for Commonwealth countries by our entry into the Community. I have no doubt that, as all these issues continue to be debated, they will be understood with increasing clarity.

10. Our application has been made in a positive spirit. I hope that what I now have to say will amply demonstrate our determination to bring these negotiations to a successful conclusion.

The Treaty of Rome

11. Her Majesty's Government are ready to subscribe fully to the aims which you have set yourselves. In particular, we accept without qualification the objectives laid down in Articles 2 and 3 of the Treaty of Rome, including the elimination of internal tariffs and a common agricultural policy.

12. We are ready to accept, and to play our full part in, the institutions established under Article 4 and other Articles of the Treaty.

13. So far as we can judge at this stage, we see no need for any amendments to the text of the Treaty, except of course in those Articles where adaptations are plainly required consequent upon the admission of a new Member. We think it should be possible to deal with our special problems by means of protocols. This would be very much in line with the procedure adopted for dealing with the special problems of the original signatories when the Treaty was drafted.

14. In addition to the major problems mentioned in our application, about which I will speak later, there will, of course, be other subjects arising from various Articles of the Treaty which we should like to discuss with you. Since the Treaty came into force decisions, recommendations, directives and regulations have been adopted. How far these measures can be applied to the United Kingdom as they stand should, I suggest, be a matter for joint examination. In some cases this could wait until after our accession to the Treaty. On other, more vital, matters either you or we would doubtless wish to have a measure of mutual understanding before our accession.

15. The sort of things I have particularly in mind mostly concern what one might call the ancillary provisions of the Treaty. I will give you a few examples. Our system of social security and social benefits is

different from the systems in force in your own countries; this raises certain problems which we would like to discuss with you. Another example is the question of monopolies and restrictive practices: we have legislation which has the same objectives as those of the relevant Articles of the Treaty of Rome, but which provides for a procedure different in detail from that which the Treaty envisages. A third example lies in the field of establishment and services. Although we take pride in the fact that our legislation involves relatively little discrimination against foreign nationals, we may nevertheless need additional time to bring our law and practice into line with whatever programme there may be for the Community. Fourthly, we shall wish to discuss with you how our exchange control practice could be harmonised with the "First Directive" on capital movements.

16. None of these matters for joint examination should be the cause of major difficulty. We are anxious that our accession to the Treaty should not tend to slow up the progress towards harmonisation. We should be happy, if that were your general wish, to arrange for technical discussions on these matters to take place with your experts simultaneously with the negotiations on the problems of Commonwealth trade and United Kingdom agriculture.

17. Now I turn to a central feature of the European Economic Community – the common external tariff. We see no need to ask you for a re negotiation, item by item, of the existing common external tariff of the Community. We assume that some adjustments are a necessary consequence of the admission of a new Member. It seems to us that, if the common external tariff of the enlarged Community is to be broadly acceptable to GATT and to third countries, it cannot remain at precisely the level of the existing one. At the same time we recognize that the negotiation of the present common external tariff was a long and difficult process, and that you might not wish to begin detailed negotiations all over again. We are moreover anxious that the process of adjustment should raise the minimum of practical problems. We think it important, in this and in other fields, to simplify the task before us.

18. We are therefore ready – and I hope that this simple solution may be agreeable to all of you – to accept the structure of the present E.E.C. tariff as the basis of the Common tariff of the enlarged Community. In these circumstances we think that the necessary lowering of tariff levels might be achieved by making a linear cut in the common tariff as it stands today. We would suggest that this might be of the order of 20 per cent, a figure which the Community have considered in another context. No doubt both you and we would wish to single out some items for special treatment. I can assure you that our own list will not be long.

19. We are also ready, once we enter the Community, to make, in a single operation, the same cuts in tariffs on trade between Member States as you will have yourselves made by that date. In addition we are prepared to move our M.F.N. tariff towards the new common tariff by a step equivalent to that which you have already taken. This would be a considerable leap forward; but it is one which we are ready to make in the interests of the Community as a whole.

20. So far I have spoken entirely about the European Economic Community. But we recognise that the unity of the Six goes beyond the E.E.C. I should like now to say something about our attitude towards the European Coal and Steel Community, Euratom and the Bonn Declaration of the 18th of July.

21. As regards the E.C.S.C and Euratom, we shall be prepared, as I told the House of Commons during the debate on the 3rd of August, to enter into negotiations with you, at the appropriate moment, with a view to joining those two Communities when we join the E.E.C.

22. We have followed with close interest your progress towards greater unity in fields other than those covered by the three existing Communities. The latest public statement of your position in these matters was the Declaration issued by the Heads of State and of Government at their meeting in Bonn on the 18th of July. We fully share the aims and objectives, political and otherwise, of those who drew up this Declaration, and we shall be anxious, once we are members of the Community, to work with you in a positive spirit to reinforce the unity which you have already achieved. That indeed animates our whole approach. The more that we, the United Kingdom, can contribute to the unifying process of this great European Community, the

more we shall feel that we are joining the historic enterprise which the genius of the European peoples has launched.

23. I have heard it suggested that, if we join the Community, it will be our aim to slow down the pace of its development. I beg you to believe that this is not so. The concrete proposals I have put forward in the field of tariffs show that, far from wishing to slow up the progress of the E.E.C., we are determined to take the necessary action in this sphere to enable us to move at the same pace as you yourselves and in step with you. I do not imagine that any of us would care to hazard a guess as to the form which the Community may take in 15 or 20 years' time. But I am convinced that we share the same essential interests and that the habit of working closely together, which you have learned over the past four years, and in which we should now like to join, will mean, not the slowing down of this process, but a continued advance and the development of closer unity.

Three major problems

24. I will now turn to the three major problems posed by the particular circumstances of the United Kingdom for which we have to seek solutions together. As you all know, these problems are those of Commonwealth trade, of United Kingdom agriculture, and of the arrangements which could be made for our partners in the European Free Trade Association.

25. I wish to make it clear that we are not seeking a privileged position for the United Kingdom. We fully recognise that the solutions to be worked out must be compatible with, and not disruptive of, the Common Market. In drafting the Treaty the original signatories were faced with a large number of special difficulties in entering the Community. In one way or another solutions were found for all of them. I do not think that the problems for which we would wish to negotiate special arrangements differ in principle from those which you yourselves faced in the earlier negotiations. But they obviously differ in magnitude. We recognise that they will only be solved by a joint effort based on good will and on a mutual understanding of what all of us are trying to achieve, politically as well as economically.

The Commonwealth

26. We believe that you share our view of the value of the Commonwealth, not only to the United Kingdom but also to yourselves and to the whole Free World. The Commonwealth is an association of peoples stretching into every continent and comprising many races. It is a great force in the world for the promotion of ideals and purposes which are widely shared in Europe. Its origins are based in history, in the fact that the members of the Commonwealth were parts of the British Empire, and much of its strength lies in the perpetuation of the links that were then formed. I should be misleading you if I failed to say how deeply the British people feel about this association. That, I am sure, is a sentiment which the Members of the Community will fully understand.

27. Commonwealth trade is one of the strongest elements in maintaining the Commonwealth association. It would be a tragedy if our entry into the Community forced other members of the Commonwealth to change their whole pattern of trade and consequently perhaps their political orientation. I do not think that such a development would be in your interests any more than in ours. Nor, looking at it now from the point of view of a potential member of the Community, would any of us wish the Community to be met with the hostility which would flow from a large group of countries strung across the world if they were to feel that their interests had suffered at our hands.

28. The economies of most Commonwealth countries have been built up on the basis of supplying the British market, which has traditionally imported their produce duty free and often in preferential terms. In the last few decades the majority of them have sought to enlarge both the variety of their production and the range of their markets. But the British market is still of great importance to the economies of most Commonwealth countries.

29. I am sure that you will understand that Britain could not join the E.E.C. under conditions in which this

trade connexion was cut with grave loss and even ruin for some of the Commonwealth countries. For our remaining Dependent Territories we have a special and direct responsibility.

30. The problem of Commonwealth trade has analogies in the problems which faced you when you were negotiating the Treaty of Rome. Your problems concerned a considerable number of countries which were in varying constitutional relationships with Members of the Community. The total volume of trade affected was large. Your problems were dealt with, either in the Treaty or in its accompanying Protocols, without damage to the interests of the countries concerned, and in some cases with considerable advantage to them. It is a striking fact, and very relevant to the Commonwealth problem, that in no case was a tariff imposed on trade where one had not been in force before the Treaty was signed. Broadly speaking, it appears to us that two alternative solutions were applied according to the different circumstances. For some countries – Morocco and Tunisia for example – the problem was solved by maintaining, unimpaired by the Treaty, their right of access to the market of the country with which they were associated. For others, who became Associated Overseas Countries or Territories, not only was their right of access to their metropolitan country preserved, but they gained a preferential position for their products in the Common Market as a whole.

31. We recognise that the problem of Commonwealth trade is more extensive in scale and range than these earlier problems. The differences should not be exaggerated. Thirty six per cent of our imports come from the Commonwealth; but I think I am correct in saying that over twenty per cent of metropolitan France's imports come from territories having a special relationship with her. Be that as it may, the trade is of very great importance to the Commonwealth countries concerned. For example, among the dependent or newly independent countries, Mauritius sends 82 per cent of her exports to the United Kingdom; Sierra Leone 70 per cent; and Nigeria 51 per cent. Of the older Commonwealth countries, New Zealand is also heavily dependent on the United Kingdom market, sending 56 per cent of her exports to us. The proportions of their exports which Australia, India and Ceylon send to the United Kingdom are of the order of 30 per cent.

32. On the assumption that there is general recognition of the need to devise satisfactory arrangements to protect vital interests of Commonwealth countries, and with this background in mind, I think it would be helpful to suggest in more detail how the problem might be split up into its different components, and how each of these might be treated.

33. I would like to begin with the less developed members of the Commonwealth and those territories which are still dependent. May I start by trying to describe briefly the nature and needs of these countries and territories? Of the Dependent Territories some are moving towards independence and at least one, Tanganyika, will be an independent member of the Commonwealth by the time our negotiations are completed. For others we cannot foresee, at any rate for some time to come, a constitutional position more advanced than that of internal self government. Of the less developed countries which are already independent members of the Commonwealth, three – Ghana, Nigeria and Sierra Leone – are in Africa; four – India, Pakistan, Ceylon and Malaya – are in Asia; and one, Cyprus, is in Europe. Apart from Cyprus, Malta, Gibraltar and the Falkland Islands, all these countries and territories have tropical or sub tropical climates. They nearly all produce tropical products and raw materials, many of which are also produced by the countries and territories at present associated with the Community under Part IV of the Treaty of Rome. Many of them are seeking to establish secondary industries in order to diversify their economies and reduce their very great dependence upon imports. India, Pakistan and Hong Kong are also exporters of certain manufactured goods; and some others, such as Malta and the West Indies, hope to follow their example, though on a much lesser scale.

34. All these countries and territories attach importance to the preferences and duty free entry which they enjoy in the United Kingdom market. There are a few other special arrangements which are vital to certain of them. For some territories it is also of importance – in some cases of great importance – to be able to compete in the markets of the rest of Europe on equal terms with other exporters of similar products. They would certainly not understand if, as a result of becoming a Member of the Community, the United Kingdom were obliged to discriminate against them in favour of other non European countries. Another feature of many of these countries and territories is that their need to encourage industrial development and their unavoidable reliance on indirect taxation for revenue makes it necessary for them to put tariffs on

imports of manufactured goods.

35. In considering the problems which our entry into the Common Market would create for these countries and territories we have studied with great interest the arrangements laid down in Part IV of the Treaty of Rome and in the related Convention for the Association with the E.E.C. of certain Overseas Countries and Territories with whom members of that Community previously had special relations. Some Commonwealth countries have expressed the opinion that the present arrangements for the Association are not appropriate for independent states. But this view may not apply to the new arrangements when it is known what they will be. In any case we should like to see the less developed members of the Commonwealth, and our Dependent Territories, given the opportunity, if they so wish, to enter into Association with the Community on the same terms as those which will in future be available to the present Associated Overseas Countries and Territories. This is something we shall need to discuss, and we know that you are already at work on a review of the present arrangements for Association.

36. Association may, therefore, be a solution for the problems of many Commonwealth countries and territories. But for others it may not be possible. One way of dealing with the problems of those who are not associated would be to arrange for them to have continued free entry into the United Kingdom market, in the same way as was done for Morocco's trade with France, or for Surinam's trade with Benelux, under the relevant Protocol to the Rome Treaty. But we recognise that this solution would not be applicable in all cases. Another method of proceeding would be to consider the problems on a commodity by commodity basis. Perhaps it would be helpful if I were to say something, at this point, about the main groups of commodities – tropical products, materials, manufactures and temperate foodstuffs.

37. Difficulties will arise over tropical products if one or more of the less developed countries or territories of the Commonwealth do not enter into an appropriate form of Association with the Community. There does not appear to be any complete solution of such difficulties. But we see two alternative lines of approach. The first, which would be appropriate when not only equality of opportunity but also some measure of protection is essential, would be to grant free entry into the United Kingdom market alone for the Commonwealth country or territory which is not associated, and then to fix the common tariff of the enlarged Community at a level which would safeguard the interests both of that country and of the countries and territories associated with the Community. The second line of approach would be to fix a zero, or a very low, level for the common tariff. For a few important commodities we believe that it would be possible to do this without significant damage to the interests of the countries and territories associated with the Community. For example, tea is a commodity of great importance to India and Ceylon, and so is cocoa to Ghana. A zero common tariff would go a considerable way to meet the trade problems of those countries if they were not solved by Association.

38. Materials should not in general give rise to difficulties, as the common tariff on most of them is zero. There are, however, a few on which it is substantial. Five of them – aluminium, wood pulp, newsprint, lead and zinc – are of great importance to certain Commonwealth countries: on these five materials we would wish to seek a zero tariff.

39. Manufactures are, with very few exceptions, imported duty free into the United Kingdom both from the developed countries in the Commonwealth – Canada, Australia and New Zealand – and from the less developed Asian countries. Exporting industries in all these countries have been assisted in their development by free entry and the preferential position they have enjoyed in the United Kingdom. They would be seriously affected, not only by loss of preferences in our market, but also if their position were transformed into one in which the whole of their export trade was affected by reverse preferences in favour of the major industrial countries in Europe. Nevertheless we recognise that indefinite and unlimited continuation of free entry over the whole of this field may not be regarded as compatible with the development of the common market and we are willing to discuss ways of reconciling these two conflicting considerations. I believe that the problem is of manageable proportions. The trade in question is important to the Commonwealth countries concerned, but it is not large in total in comparison with European trade.

40. The problem arises in a special form for manufactures from the less developed countries, the so called

low cost manufactures. It occurs most acutely in relation to Asian Commonwealth countries and the Colony of Hong Kong. There is increasing international recognition that developed countries have a duty to facilitate international trade in this field as much as they can. But what the nature of the solution should be in the context of our joining the E.E.C. must depend on how far it can be dealt with under arrangements for a Part IV Association. You will probably agree that it would not be in the general interest that the United Kingdom should erect fresh tariff barriers to cut back such trade.

41. A major concern of the more fully developed members of the Commonwealth is their trade with us in temperate foodstuffs. Australia, New Zealand and Canada, in particular, have vital interests in this field for which special arrangements must be made.

42. I should like to give you some figures to demonstrate how essential to these countries exports of temperate foodstuffs are. New Zealand's total exports in 1959 were valued at £290 million. Of those £170 million worth, or about 60 per cent, were temperate foodstuffs. £130 million worth, out of the total £170 million, came to the United Kingdom. The bulk of these exports to us consisted of mutton, lamb, butter and cheese. Over 90 per cent of total exports of these commodities came to the United Kingdom. If, in the future, New Zealand cannot, by one means or another, be assured of comparable outlets for them, her whole economy will be shattered. New Zealand's problem is particularly acute because of her dependence on a relatively limited range of exports. But other Commonwealth commodity problems are the same in kind if not in degree. For example Australia, even though she exports a much more varied range of products, relies on temperate foodstuffs for 35 per cent of her exports. The temperate foodstuffs she sends abroad are valued at £250 million: of these £100 million worth come to the United Kingdom. I hope that these figures will help to illustrate the problem. But figures alone cannot tell the whole story. We must bear in mind the effect of what we do, both on particular localities and on individual producers in Commonwealth countries.

43. To many Commonwealth countries the United Kingdom has both moral and contractual obligations, on the basis of which they have planned the development of their economics. I will mention only the Commonwealth Sugar Agreement with which you are all familiar since it is recognised in the International Sugar Agreement. It provides an assured basis for sugar production which is particularly important in the case of our Dependent Territories.

44. The problem therefore is to reconcile our obligations to the Commonwealth with the common agricultural policy as it evolves. We believe that solutions can be found which will prove satisfactory. The Commission's proposals emphasize that trade policy in agricultural products should take into account, not only internal agricultural considerations but also the need to maintain trade with third countries. This is a liberal approach and one with which we fully agree.

45. I therefore hope that we can reach agreement in principle that full regard should be paid to the interests of the Commonwealth producers concerned, and that they should be given in the future the opportunity of outlets for their produce comparable to those they now enjoy.

46. The precise form of the special arrangements needed to protect vital interests of Commonwealth countries in this field will need careful consideration. To a large extent it must depend on the way in which the common agricultural policy is developed. We want to work jointly with you in examining these problems and their relation to the common agricultural policy. We shall no doubt have to consider a whole range of possibilities, including duty free, levy free, or preferential quotas, market sharing agreements, and long term contracts, but we are satisfied that, if you are prepared to accept the basic principle of comparable outlets which I have put forward, then agreement on the detailed arrangements required should be possible.

United Kingdom Agriculture

47. I now turn to the question of United Kingdom agriculture. Here, let me say at once, we start from common ground. The agricultural objectives of the Treaty of Rome are in line with the objectives of our own agricultural policy. We, like you, are fully committed to the maintenance of a stable, efficient and prosperous agriculture. The Treaty of Rome aims at increasing agricultural productivity, a fair standard of

living for the agricultural population, stable markets, regular supplies, and reasonable prices and supplies to consumers. These objectives command our whole hearted support. Moreover, we are now prepared to take the major step of participating with you in a common agricultural policy and in developing a common organisation of agricultural markets. We fully accept that the Common Market must extend to agriculture and trade in agricultural products.

48. This, however, poses big problems for us. Our system of support, except for horticultural produce, relies mainly on Exchequer payments to ensure the maintenance of a satisfactory standard of living for our farmers. Our tariffs on foodstuffs are low and a large proportion of our supplies, particularly those from the Commonwealth, enter our market free of duty. We make very little use of import restrictions. Broadly speaking, we buy our food at world free market prices. Our people are therefore accustomed to low prices for food. Their tastes are related to a traditional pattern of food supplies.

49. At the same time our farmers have guaranteed prices for all their principal products. These guarantees are provided by means of Exchequer payments which make up the difference between the average price realised by farmers on the market and the guaranteed price determined by the Government. In addition we make direct farming grants designed to encourage improved farming methods and to raise the general efficiency of the industry. The level of the guaranteed prices, and of the direct farming grants, is settled annually by the Government after consultation with the producers' representatives. We have legislation which sets definite limits to the amount of the reductions which may be made from one year to the next, both in the general levels of support and in the guaranteed prices for individual commodities. The United Kingdom Government have pledged themselves to make no change in these statutory limits during the lifetime of the present Parliament which can continue until October 1964.

50. Our farmers are thus assured of reasonable stability of income. Furthermore the annual review of the guarantees provides the opportunity for a careful examination of the economic condition and prospects of the industry. This annual review is a key feature of our system. It enables us to look, not only at the prices of individual commodities, but at all the main factors affecting the industry's prosperity. The review is conducted on the basis of statistics which have been discussed fully with the farmers' representatives. We assess the extent of changes in farmers' costs since the last review and make assumptions about the gain from increasing efficiency. In order to discount the effects of particular weather conditions, we look at the level of farmers' incomes not only as they have actually developed but as they would have done under normal weather conditions. We also study the trend of production of individual commodities, the likely movement of imports, the prospective course of demand, and the way in which market prices can be expected to develop in the coming year. We take account of all these factors, together with the cost of Exchequer support, in determining the level of guaranteed prices and direct farming grants. We are also able to take account of the effects of our policy on our trade relations with the Commonwealth and with other overseas suppliers.

51. The annual review is therefore a comprehensive examination of the agricultural situation, and the United Kingdom Government are able to relate their decisions on the level of the guarantees to the national economic situation and to the prospects for the farming community. The Government and the farmers' representatives do not always agree on the measures to be taken. But the farmers have the assurance that their case will be fully examined in all its aspects and that the Government's decisions are not taken without due regard to their interests. They are protected, not only by the legislation about the fixing of guarantees, but also by this institutional machinery which ensures a thorough examination of the effects of Government policy on their financial position. The Government can in fact judge, year by year, whether they are carrying out their obligation to provide the conditions needed to maintain a satisfactory standard of living for the farming community.

52. The method of support which characterises our present system is very different from the methods to which you are accustomed. It has been developed to meet our particular situation, and it is one in which our farmers have come to place great faith. They value especially the stability it secures, the sound basis it provides for planning ahead, and the fact that the system of annual reviews ensures that changes are made gradually and with due regard to their effects on the level of farming incomes. I need not emphasise the

advantage which the consumer enjoys under our system and which in turn helps the producer, since low food prices encourage demand. In moving towards your methods of support we should have to introduce great changes affecting both producers and consumers. But provided we can see that in future – with the new methods decided upon – we are able to maintain the stability and living standards that we have established for our farmers, I believe that the problems raised by the differences in or present methods are in no way insuperable.

53. I am sure that the pooling of ideas and experience will have fruitful results; indeed, some features of our arrangements may prove attractive to you. Our object will be to consider with you how the essential interests of our farmers can be effectively safeguarded within the framework of the Treaty of Rome and in consonance with the objectives of the common agricultural policy.

54. We are encouraged by the recognition which the Treaty itself gives to the importance of ensuring that changes in agriculture are brought about gradually. If the necessary changes in the United Kingdom are to be introduced without harmful effects to our agricultural economy, or indeed to our economy as a whole, the period allowed must be long enough to give our farmers time to adjust to new conditions and to permit increases in food prices to the consumer to take place gradually. We start, as I have said, with a system of support very different from yours, and one that has been developed to meet our particular situation. Perhaps one or two figures will help to bring out the importance of our support system in relation to the standard of living of our farmers. The agricultural industry's total receipts amount to about £1600 million a year. Its net income is about £360 million. The total of Exchequer payments to the industry is of the order of £270 million a year, or three quarters of the industry's net income. We should thus be facing more fundamental changes in our system than you have to face and we should be joining the Community some years later. I feel sure that you will agree that the transitional arrangements for the United Kingdom should take account of these circumstances, and that the conditions under which our agriculture is brought within the common policy should not be more onerous than those which were open to you when the Treaty of Rome entered into force. On this basis the transitional arrangements for the United Kingdom could, where necessary, continue for a period of between twelve and fifteen years from when we join. Timing will, of course, differ for different commodities. For some we should certainly hope that a shorter period would be sufficient. In general we should wish to keep pace with you as far as we are able.

55. We should be moving continuously in the direction of a common policy. However, the changes we shall need to bring about are of such fundamental character that it is impossible for us to judge what their effect will be on the standard of living of our farmers when we have reached the end of the transitional period. Consequently, we regard it as of the utmost importance that we should continue to be able to use such means as are necessary to safeguard our farmers' standards of living. It may be that this concept would on examination commend itself to you for use by the Community as a whole. The maintenance of a stable, efficient and prosperous industry is a basic objective of the United Kingdom Government's long established policy for agriculture. This objective is entirely consistent with the principles of the Treaty. The importance of maintaining the standard of living of the agricultural population is clearly acknowledged in the Treaty. We have much in mind the Treaty provisions which recognise the need to ensure that the Common Market organisation should provide "equivalent guarantees regarding the employment and standards of living of the producers concerned". Indeed, as we understand it, the Treaty envisages a levelling up of standards and not a levelling down. Our purpose in our discussions with you will be to gear what has already been achieved for our own farmers into the general aims and framework of the Treaty. I would hope that, in harmony with the Treaty provisions, we could establish with you arrangements which will enable us to assure our farmers that the development of the common agricultural policy will effectively protect their standard of living.

56. The United Kingdom Government are also pledged to ensure for horticulture a measure of support equivalent to that given to the agricultural industry generally. In the United Kingdom we mainly rely on the tariff as the instrument of support for horticulture and not, as for agriculture generally, on direct Exchequer subvention. You will therefore appreciate that the adoption of a common policy for horticulture will face us with some particularly complex problems. The problem of the removal of our tariffs on imports from the Community countries cannot be considered in isolation from your own existing arrangements and from those which may be made for these producers in the common agricultural policy. We shall therefore need to

devise, in consultation with you, arrangements for the different horticultural products which will enable the United Kingdom Government to continue to implement its pledges to horticulture.

57. I believe that together we can work out the arrangements needed to accommodate all these United Kingdom interests and that this can be done without detriment to the development of the common agricultural policy. I trust that our approach to the examination of our common task will commend itself to you as constructive and as being in accord with both the spirit and the letter of the Treaty.

E.F.T.A.

58. I should next like to consider the position of the countries associated with the United Kingdom in the European Free Trade Association. It has long been our view that the present division of Western Europe into two economic groups – a division which in our opinion has political as well as economic dangers – should be brought to an end. We believe that the other members of E.F.T.A., including the neutral countries, have a significant part to play, and that it would be wrong from the political as well as the economic point of view, if they were excluded. In recent months we and our E.F.T.A. partners have considered this problem very carefully. As you will know from the statement issued by the E.F.T.A. Council on the 31st of July, we concluded that each member of E.F.T.A. should examine the possibility of entering into a direct relationship with the Community.

59. The United Kingdom and Denmark have already applied for full membership. We were delighted to hear of your decision to open negotiations with the Danish Government later this month. Some members of E.F.T.A. consider that for political reasons they cannot apply for full membership. We believe that this should not be allowed to prevent them finding an appropriate relationship with the Community. At the E.F.T.A. Council Meeting in London last June we agreed with our E.F.T.A. partners to maintain the Association – and here I quote from the Communiqué – "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". Her Majesty's Government earnestly trust that, when the other E.F.T.A. countries have explained where they stand, it will be possible to agree on ways and means of meeting their legitimate interests. I am sure you will appreciate that, given our obligations to our E.F.T.A. partners, we should not ourselves be able to join the Community until this had been done.

60. There may in the past have been some misunderstanding of our views about arrangements for the E.F.T.A. countries. At the risk of some repetition I would like to make them perfectly clear. We hope to see an enlarged Community including ourselves and as many of our E.F.T.A. partners as may wish to become full Members. As to the remainder of the E.F.T.A. countries, we should like to see an association between each of them and the enlarged Community. If satisfactory arrangements could be made on these lines the wider trading area thus created would include, not only the Members of the enlarged Community, but also the remaining Members of E.F.T.A., and, of course, Greece. E.F.T.A. itself would disappear. Contrary to what some people seem to have thought, therefore, there is no question of the United Kingdom seeking to maintain for itself a trading relationship with its present partners in E.F.T.A. in any way different from that which would be enjoyed by all other members of the enlarged Community.

Finland

61. I should like to say a special word about Finland, whose case does not present the same problems as that of the Members of E.F.T.A. Finland, although associated with E.F.T.A., is not, of course, a full member. Given her difficult political position, it may not be possible for her to establish a formal relationship with the E.E.C. But I am sure we should all wish that something should be done, in due course, to enable her to preserve her commercial links with Western Europe.

The Irish Republic

62. There is one other European country I should like to mention, namely the Irish Republic. We have special trading arrangements with the Irish, deriving from the days when they were part of the United

Kingdom. I do not think it necessary to describe these in detail. I will limit myself to saying that we in the United Kingdom were pleased to see that the Republic had applied for membership of the Community. If their application succeeds – as we hope it will – our trading arrangements with them will be subsumed in the wider arrangements of the enlarged Community, and no special problems need arise.

Procedure

63. I should like to say a word now about procedure. I do not, of course, expect you to comment on my statement in any detail at this opening meeting. You will no doubt wish to consider it carefully and to discuss it among yourselves. I am therefore arranging for copies to be made available to you in the four official languages of the Community. I must ask you to forgive any imperfections in the translations. We have not yet become accustomed to multilingual working. It may be that you will wish to have some explanations and clarifications of what I have said. If so I am completely at your disposal for the purpose.

64. When the time for our next meeting comes I hope that we shall be able to discuss the principles on which the negotiations should proceed and give our officials instructions which will enable them to get down to work at once.

Conclusion

65. All of us here have come a long way in the brief span of time since the end of the Second World War. The application which we have made for membership of the Community, if it raises the difficulties which I have dealt with at some length, presents us all with a great opportunity for new advances together. We in the United Kingdom will regard the successful conclusion of these negotiations as a point of departure, not as the end of the road. The present dangers which confront the Free World generally, and Europe in particular, are an added spur to us in seeking a new step forward in European unity. On the one hand we have a situation in which – owing to the advent of so many new States – the old and experienced voices of Europe find themselves more and more in a minority in world councils. We also have the phenomenon of blocs and groupings forming amongst these new States for the purpose of furthering their interests and increasing their influence in the world. On the other hand, nearer home, we have the direct threat to the security and well being of European peoples from Communist expansionism, and in particular the threat to Berlin which weighs so heavily upon us at the present time. Great European nations have heard themselves described as "hostages". I can imagine no better way of counteracting the anxieties to which these events give rise in all our countries than by making rapid and visible progress with the task which we are undertaking today. An early success in this would, I think, do more than anything else to restore confidence in the future. It would compel our adversaries to treat us all with new respect, and encourage all who believe in the future of free peoples.

66. I have done my best to describe the United Kingdom's special problems. Important as they are, their compass is small compared with the vast field in which the problems and the objectives are the same for all of us. I am confident that together we shall find solutions to them. The United Kingdom Delegation will spare no effort to see that this is done and to bring the great enterprise on which we have embarked to an early and successful conclusion.