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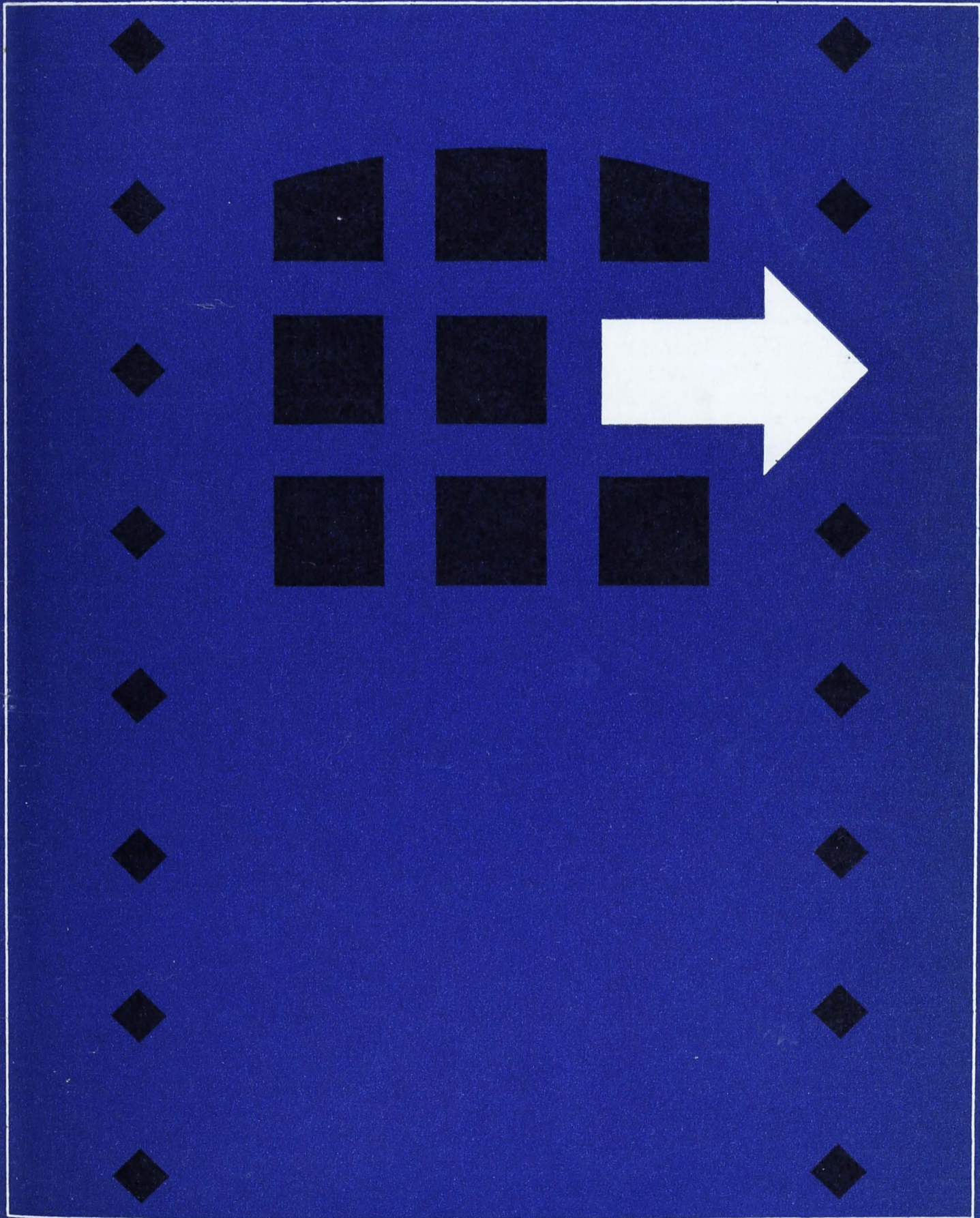
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# Europe : the way back

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Peter Shore  
fabian tract 425

30p



# fabian tract 425

## Europe: the way back

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# 1. introduction

This pamphlet sets out to do four things : to assess the British experience of Common Market membership so far—and the outlook now before us : to answer the question whether it is still open to us, if such be our wish, to change not only the negotiated terms but the nature of our relationship with the EEC : third, to outline a strategy for achieving the objectives of the radical renegotiation to which the next Labour Government is committed ; finally, to consider the alternative role for Britain on the assumption that we shall, within the next Parliament, cease to be a member of the EEC.

A great wave of disillusionment is now sweeping the country over the EEC. The majority of public opinion, according to all the polls, has been opposed to entry consistently since the start of the June 1970 negotiations. And this majority has notably increased since our actual entry this year began. But it is among the protagonists of entry—in industry and business, in the higher levels of the civil service including those in Brussels, even among ministers in the Government—that a new, significant and painful reappraisal is taking place. The reason is plain.

Few will now dispute that membership has plunged, or has helped to plunge, this country into a profound and pervasive crisis. Not only is our prosperity, indeed our viability, desperately at risk, but we face a political crisis without parallel in our modern history : a crisis that threatens to engulf both our democracy and our very existence as an independent state. These great problems confront the great mass of our people—regardless of political party, outlook or interest. But for the Labour Movement, with its special commitment to democracy and socialism, there is a separate and additional dilemma that membership of the EEC inescapably presents.

## Labour's dilemma

It is that while the central purpose of the Labour Movement has been to bring economic forces within the ambit of democratic control and decision, the

central aim of the European Communities is to create a Common Market and thus to remove economic decision making from the authority of the member states. For the one, public control of economic decision making is essential for the achievement of socialist ends ; for the other, the destruction of the power to make such decisions is essential for the construction of Europe.

That is the special problem for Labour. It has not been invented by mischief makers. It will not go away if we pretend it is not there.

Although many seek to evade it, the hard truth is that the purpose of the EEC is, and must be, to destroy the greater part of the economic power acquired by modern democratic states only in the post-war period—a power to help end the appalling unemployment and inequality that were the bitter fruits of the pre-war, “free” economy. In part this reflects the neo-Federalism of the Treaty's authors but it mirrors still more the dominant pro-business and *laissez-faire* philosophy of the 1950s in which the Rome Treaty was grounded. It is this that gives the pronounced free enterprise tilt to the EEC—a tilt that can be recognised not only in the main provisions of the Rome Treaty but in the particular powers of its institutions and in the policies and laws which it has subsequently produced. It follows therefore, that those British socialists who wish for continued and deepening membership of the EEC must connive in the dismantling of the state power, and at the steady erosion of democratic power in Britain.

Yet, it is precisely the build-up of counter market economic power, the development of state agencies and policies to bring private business and private capital under human and democratic control, that is the main justification of democratic socialism itself.

What makes the Common Market so inherently difficult for socialists is of course what makes it so attractive to their opponents. Looked at from the standpoint of business enterprise, the

Rome Treaty is a contemporary Magna Carta of business freedoms, liberating commerce and industry throughout the Community from state intervention and public control. Not only is trade free of tariffs and quotas between the countries of the Common Market, but labour and services and above all capital and firms are set free to move across national frontiers, according to the pull and push of market forces and the dictates of private profit.

There is therefore no problem here for those whose economic and political philosophy leads them to believe that it is inherently desirable that the forces of production should be released from state control and that positive benefits ensue when market forces are unleashed.

But clearly, no such thoughts can comfort democratic socialists. For them the problem posed by the EEC can only be resolved, in theory and in practice, if there exists or can be created, a European democratic and socialist power able to operate upon the Market economy; able to do, on the European level, what we shall cease to be able to do within the territory of the UK. But the fact that the pro-entry democratic socialists must *wish* for such a power on the level of the Community, does not mean that such a power actually exists, or even that it is reasonable to expect that it can be created. And, certainly, what power of Common Market decision making there is, falls right outside the control of the Strasbourg Assembly.

### Strasbourg Assembly

When Commissioner Dahrendorf wrote of "a powerless parliament" which does not "control the phony Government in the Commission," he wrote the truth. Nor is it possible seriously to disagree with his judgement that, "a democrat can only feel shame when he sees adult and in their own countries, properly elected members of parliament playing out the farce that they have to put on 10 times a year for a week at a time in Strasbourg or Luxembourg."

This is not because of any personal inadequacies of those who sit in the Strasbourg Assembly but because that Assembly was deliberately designed by the architects of the Rome Treaty *not* to be a parliament—*not* to have any of the powers that parliaments everywhere possess: the power to make laws, to raise taxes, to make decisions, to appoint ministers. It was designed instead to give "opinions," when asked, to the real masters of the EEC, the Council of Ministers and the Brussels Commission.

True, the Assembly at Strasbourg could become an elected body: that is, its members could be elected by the peoples of the EEC rather than, as now be nominated by the party managers and the chief whips from selected MPs in national parliaments.

But election itself would change little. The powerlessness of the European Assembly can only be changed if the Rome Treaty itself can be changed: only if there is an unanimous wish to so amend it. Today no such unanimity exists—nor has it existed at any stage in the 15 years of the Strasbourg Assembly's existence.

But there are still deeper reasons why the problem of democratic control in the EEC is in truth, insoluble. A real EEC parliament presupposes an EEC government and an EEC state—whether it be federal or unitary, presidential or parliamentary, in its governmental form. Such a state does not exist. Nor is it likely to exist, for it in turn presupposes what is conspicuously absent: an overriding necessity; a willingness by existing EEC states to transfer major additional powers to European institutions and the prior existence of a genuine sense of political community, a strong desire among the 250 million people in Western Europe to become one nation.

Clearly the creation of a new West European state is not a realistic objective. Nor, in my view, is it even a desirable one. We must stop confusing the internationalist creed of socialism, the obligation that arises from the recog-

dition that we are involved one with another in the whole of mankind with the desire to create a "West European" super state.

And we must stop the worship of bigness. Neither equality nor liberty, nor fraternity and certainly not effective democracy would be served by constructing a giant political conglomerate of 250 million people. A major element in the current crisis of political democracy is the growing size of institutions and its concomitant, the remoteness of government from the the governed. If the USA has anything to teach us here, it is that—with all its special historical advantages—democracy on a continental scale faces problems of the most formidable kind.

It is idle therefore to follow the will'o the wisp of an unborn and hypothetical EEC democracy. Instead we must turn to the task of strengthening, defending and improving what already exists: democracy in Britain.

## 2. the experience so far

The Treaty of Accession which binds Britain to the Common Market was signed on the 22 January 1972—18 months ago. The European Communities Act which gives the Treaty's provisions the force of law in the UK received the Royal Assent on the 17 October, 1972. Heralded by the ill-judged fanfare celebrations, Britain's membership of the EEC formally commenced on the 1 January 1973.

Clearly, these dates allow only an interim verdict to be given. While the political, legal and constitutional implications of membership can be assessed with rather more confidence, the time scale for its economic and industrial effects is obviously short. It is, in reality, however rather longer than the dates mentioned above suggest. For Britain's entry can realistically be dated from May 1971 when, following the Heath/Pompidou talks at the Elysee Palace, the President of France formally lifted his country's veto on Britain's membership. From that moment on, the major uncertainty ended. The decision makers in industry and government, already strongly influenced by the wish to join and the hope of success, knew that they were in — and began to plan and act accordingly.

### the impact effects

What has happened to the economy in the two years since the Heath/Pompidou talks is all too clear. We have suffered the worst bout of inflation in living memory. Prices generally have risen by 16 per cent while food prices have shot up by no less than 22½ per cent. Not all of this should be attributed to the EEC. Domestic inflation due to mismanagement of both cost and demand factors has operated strongly on prices at home, while world prices particularly those of some of our major foods following widespread and prolonged crop failures in both the Northern and Southern Hemispheres, have been a major cause of higher food prices in Britain.

But while it would be wrong to attribute rising prices in Britain wholly or even predominantly to the EEC, it would be equally foolish to pretend as Mr Heath

so perversely does, that the EEC has had no measurable effect. The price of many foodstuffs including bacon, sugar and butter have risen as a direct consequence of Britain's entry and the Treaty requirements to raise our prices in five installments, the first in 1973, to those ruling in the EEC—and to the requirement that existing British subsidies on sugar and bacon be rapidly phased out. Beef prices too, have undoubtedly been affected by the inability or refusal of the Government to check the massive export of British beef to the Common Market when shortage developed there last year and where much higher prices can be obtained.

Outside of food, the price of steel which is a major factor affecting costs in most of our metal using industries was raised by 10 per cent in April 1973 at the direct request of the Brussels Commission and will rise again by at least a further 7 per cent in the autumn.

Further, the introduction in Britain of VAT on the 1 April 1973, a tax that we are required to operate under the Treaty of Accession, is already exerting a strong, new and predictable upward pressure on prices. Finally, the almost unbelievable increase in farm land prices, an increase between March 1972 and March 1973 of no less than 100 per cent, is mainly due to the massive further increase in guaranteed prices under the CAP which will be paid to farmers by 1978.

The effect of these inflationary developments felt increasingly since the signature of the Treaty of Accession in January 1972 would have made it impossible to hold the pound for long at its previous parity. But, with incredible folly and in advance of membership, the Government joined the Six in its rigid "snake in the tunnel" currency arrangements, whereby, exchange rates have to be supported by central banks if they depart from the narrow 1.25 per cent margin around their parities. Weeks later in June 1972, the pound was blown out of the tunnel—but not before £1,000 million had been lost from our reserves in a single week—and began its unilateral float. As events have demonstrated, the float has become

a steady sink and the pound now stands a full 18 per cent below its Smithsonian level of December 1971.

Britain's annual contribution to the Community's budget, fixed by the Treaty of Accession at  $8\frac{3}{4}$  per cent in 1973, rising to 19 per cent in 1977, was supposed to cost us only £125 million gross and £65 million net of receipts in Year One of entry. Although this is not yet a major factor, our net contribution has been raised this year to nearly £100 million as a result of a vast supplementary estimate of £400 million presented by the Brussels Commission to finance its swollen stockpiles of Community butter and Community wheat. Worse still, our trade balance with the Six, as manufacturers both on the continent and in Britain prepared for the rapid rundown in their respective tariffs, has been disastrously upset. From a deficit of a mere £17 million in 1970 and £181 million in 1971, Britain's trade deficit with the Six leapt to £499 million in 1972, and is running, in the first half of 1973 at not less than £1,000 million a year. The argument about the vast home market that British industry would enjoy once we were in can already be seen to be illusory. The modest corrective to Euro-euphoria made by those critics who insisted that while we should be able to sell more to the Six, they equally, would be able to sell more to us and that there was no reason to believe that the balance would be to our advantage, has been more than justified.

In addition, the first step towards freeing capital movements has been taken. Directly anticipating entry, firms have been, since the budget of March 1972, virtually free to make direct investments in the Europe of the Six—just as Common Market firms have been free not only to invest in Britain, which has long been the case, but to borrow money on the British market to assist them. But the results have been hardly encouraging. In 1970, the last wholly pre-entry year, UK investment in the Six totalled some £100 million and EEC investment in Britain some £50 million. In 1971, when Britain's entry became assured, UK in-

vestment in the Six rose to £300 million while EEC investment in Britain was £100 million. Thus, in the first year, the adverse balance on capital account increased from minus £50 million to minus £200 million. In 1972, the adverse trend became more strongly marked. Outward investment reached some £450 million while inward investment from the Six, taking the centre of the range of figures provisionally available, reached £115 million—a net deficit of £335 million.

Clearly the impact effect of entry has been extremely unfavourable. There may be hope, but there is certainly no convincing reason to believe that the balance of trade and capital movements will improve in the years ahead. Such evidence as there is suggest the contrary, for the inflationary impact of continental food prices and continental taxes are bound to be felt in addition to all other factors for some years ahead, while Britain's contribution to the Community rises year by year on minimum estimates from the net £65 million in 1973 to £230 million in 1977, to the intolerable and unbearable £400 million by 1980.

## CAP reform ?

Still more cogent than our experience of the short term economic effects of entry is the evidence that the last two years has offered on the validity of the claims, long advanced by marketeers, that once Britain became a member of the EEC we could, "from within" bring about changes in the existing policies of the Six and introduce new policies which in their combined effect, would strongly benefit the British interest.

In fact, in recent years, there has not been any real reason to believe that "from within" Britain could significantly change the major features of the CAP. It was possible to hold this view during the 1961-63 Macmillan negotiations, when the CAP itself was only partially formed. It was still possible to believe this when Mr. Harold Wilson made his application in 1967, for although the CAP was by then closely defined,



the crucial questions of its future financing and whether the policy itself was to be permanent had still to be decided. Indeed, under the Treaty of Rome, itself, it was not until the 1 January 1970, when the long twelve year transitional period that the Six set themselves in 1958 finally expired, that the CAP could be permanently agreed.

But, as all serious students of European affairs know, it was precisely the possibility of change "from within" during the transition period that made certain the French veto on the British application, first in 1963, and again in 1967—and which prevented any new negotiation before January 1970 when the policy at last became permanent and the method of financing it was agreed in the separate Treaty of Luxembourg signed in February of that year.

Britain's acceptance both of the CAP and the method of financing it—as indeed of all other EEC policies and laws—was the first demand made by the Six upon Britain when the Heath negotiations began in June 1970. The British negotiators capitulated and their acceptance of the CAP is one of the major chapters in the Treaty of Accession.

How then could the possibility of major change "from within" still exist? It springs from the fact that the policy itself has been frequently criticised not just in Britain but in continental Europe; that many proposals have been made for changing it; that it is so damaging and indeed, ridiculous in its effects that it cannot help but make enemies for itself. All this is true and many schemes for reform have been prepared by authors as distinguished and as varied as M. Pisani, a former Minister of Agriculture in France, and Dr. Sicco Mansholt, the Dutch member of the Commission who for so long held the responsibility for agricultural affairs. His successor in the Brussels Commission, M. Lardinois, said as recently as the 8 June 1973 that if the crippling Community food surpluses could not be contained, it could be "a death blow to the institutions of the Community, including the Commission, the

Parliament and the Council of Ministers." But what distinguishes all their efforts has been their total failure to make any impact on the policy itself. Over the years European farm populations will continue to decline but it will be very many years before, in most mainland countries, the farm population ceases to be a major political force, one that can be over ridden by the national governments concerned. And in addition, the national interests of two countries, France and Holland is strongly served by the policy in its present form. Now they have been joined by two of the three new member states. Ireland and Denmark who have major agricultural industries and who are also bound to benefit from the existing CAP.

No; the truth is that far from changing the CAP "from within," far from accelerating the gradual social and historical changes taking place in European agriculture, Britain's membership of the EEC will have the very opposite effect. By providing a large new food market and by paying a wholly disproportionate share of the CAP's costs, Britain will postpone for many years the crisis of over production and insupportably costly dumping which the Six had already reached. Britain under the Treaty is indeed a "second stomach" for Europe—although filling it from the Continent will grievously affect our standard and cost of living, our balance of payments, our political connections with Commonwealth and other food producers and be a major blow to world trade in agricultural produce as countries in the "new worlds" of Australasia, North and South America are forced to adjust to a wholly new and much reduced pattern of agricultural trade.

But, if changing "from within" is unrealistic is there not the possibility, in the GATT trade talks that are to start in Tokyo this Autumn, of negotiating away major features of the CAP in a manner helpful to our own interests? After all, should we not find our own interests in combatting a highly protectionist dear food policy inside the Community, joined with those of the USA, Canada, Australia,

New Zealand and all the other food supplying countries who are seriously at risk through Community policy?

Unhappily this is not to be. The original draft negotiating mandate that the Brussels Commission submitted to the Council of Ministers in April 1973, in saying little on this matter, left open the possibilities for wide ranging negotiations. But the revised version produced under direct French pressure, explicitly stated in May 1973: "The Community, faithful to the guidelines laid down for its own development and to its own responsibilities, will take part in these negotiations on the basis that those elements basic to its unity, that is, the customs union, and its common policies, in particular, the Common Agricultural Policy, *cannot be called in question.*"

On 26 June, the Council of Ministers went still further: not just the principles of the common agricultural policy but also its mechanisms were placed outside the GATT negotiations.

There can be no doubt that that is what the Common Market means. Sir Christopher Soames, the Commissioner in charge of the trade negotiations has said explicitly in reply to a question on the very point; "we have said all along that the principles of the CAP and the mechanisms that make these principles valid are not for negotiation; they are what Europe needs for herself."

### a common regional policy?

But what of the other great hope of the marketeers, a Community Regional Policy, one that would in its composition, its method of finance and in its principles of expenditure largely if not wholly, offset the great burdens on Britain of the CAP? Here again there is the sustaining myth for popular consumption and the debilitating truths of the real world. To be sure regional policy features in the summit communique of October 1972, and Mr. Commissioner Thompson has been given special responsibility for regional policy and a community regional fund is to be

set up. Surely here there is to be found promise of progress of the right kind?

Alas, it is not so. The fact that the Community of Six in the first twelve years of its life, advanced in so many directions, but not at all towards a regional policy should in itself strike a warning note. For the truth is that Southern Italy apart, the Community of Six has no serious regional problems of the kind that we are familiar with in the United Kingdom: that is to say, the problem of continuing urban unemployment of industrial workers. The regional problems of the Six are concerned with poverty on the land and the continuing drift of farm workers to the towns and to industry. To meet some at least of the problems of the poor peasant farmer, a separate agricultural fund has been set up under the CAP with a budget of some three hundred million dollars a year. That apart, under the Treaty of Paris which set up the European Coal and Steel Community, funds have been available for rehousing and retraining miners where pits have been forced to close. Following the sharp contraction of the 1960s and the emerging new energy shortages, in Europe as in Britain, the period of large scale rundown is over.

Far from there being any powerful pressure for developing any regional policy in the Six, the one major change affecting regional policy agreed by the Six as recently as July 1971, was in the interests of so-called "fair competition"—to limit their own national regional expenditures and to submit them to a common discipline under the control of the Brussels Commission.

The Community system draws a rough and ready line between so-called central (prosperous) areas and peripheral (declining) areas and lays down limits to the amount and kind of aid that national Governments can grant industry in central areas. The peripheral areas are broadly, Southern Italy, Western and South-West France and the Eastern border areas of West Germany.

The main aim, it must be stressed, is

not to promote regional policy but in the interests of a more perfect market, in the interests of competition policy, to limit possible "distortions" through state aids to industry for regional ends. This policy of limiting state regional aids is of course much more in tune with the basic structure and doctrine of the Rome Treaty which stresses the free movement of resources—trade, money, firms and people to where expenditures are most profitable—rather than the reverse process of taking work to the workers in disadvantaged regions.

And this policy is now to be applied to Britain. The country with the most developed national regional policy is now to be disciplined and limited in its policies and expenditures in the interests of Community competition policy—not later than at the end of 1974.

What then lies behind the most recent talk about a common regional policy in the EEC? The Communique issued at the end of the summit conference in Paris last October makes absolutely plain what the purpose is, and what kind of policy it is to be. It is to make possible the formation of an economic and monetary union in Europe and it is to be developed, step by step, with other measures that serve the same end.

In case one should miss the point, the introduction to the Commission's report on regional problems, submitted to the Council of Ministers on 3 May 1973, begins by quoting the summit communique as follows: "The heads of state agreed that a high priority should be given to the aim of correcting within the Community, the structural and regional imbalances that might affect the realisation of economic and monetary union."

So, from its start, the new Community regional policy is seen not primarily as a policy to be undertaken in its own right and on its own merits—certainly not as a counter to the heavily unbalanced British contribution to the CAP—but only as part of a package involving further concessions on tax, interest rates, public

expenditure and other fields of policy necessary to achieve economic and monetary union by 1980.

What in detail these conditions will be have yet to be decided as indeed, has the regional policy itself. The latter however, which has now been agreed by the Commission—but which has yet to obtain approval, the unanimous approval of the Council of Ministers—envisages a regional fund with an initial budget of 500 million units of account (£1=2.40 units of account) a year, rising to a 1,000 units a year in Year Three.

These are substantial sums. But even Year Three expenditure, if and when it is approved, amounts to only 25 per cent of this year's expenditure on the CAP. So any belief that the one can offset the other cannot be sustained. More important however, no discussion has yet been held, no public proposal made on how the sums involved should be raised.

But if, as is possible, they take the form of an increased contribution of VAT and if, as seems reasonably certain, the areas to be assisted are characterised by low incomes and depopulation, as well as by high unemployment and declining industries, not only are Southern Italy and the whole of Ireland by far the most needy recipients of regional aid, with areas of Britain a poor third, but it is by no means clear that we should receive back any more than we contribute through increased VAT. It may be right for EEC income to be redistributed in that way but it would be folly for Britain to expect any thing more than a modest, even cosmetic contribution in the years ahead. Indeed, we shall do well if the net effect of the new Community regional policy and the new Community controls over our own regional policies gives us any advantage at all.

### a second Rome treaty

It is at this point that we must look more closely at the goals and content of economic and monetary union or the still broader European union to which

the heads of state of the nine governments pledged themselves at the Paris summit conference last October to achieve by 1980.

Clearly the Community is far from static. Having achieved most of the economic goals laid down in the Rome Treaty; having that is, established an area in which trade, capital, firms and people are free to move, an area in which certain common policies have been worked out for agriculture, coal, steel and transport, an area, which for trade purposes acts towards the rest of the world as a simple unit; having in short achieved a customs union by 1970 the Common Market has set itself the aim of becoming an economic union in which all major powers of independent economic action now residing with member states will vanish—at which point the third and final stage of a new West European state will be entered.

Specifically in the seven years that lie between Britain's entry to the EEC and the achievements of its European union, the Community seeks to extend the area of common policy so that it will cover all indirect taxes; so that we shall have not only a common VAT on goods and services, but common excise duties on spirits, wines, beers and tobacco and of course a common tax policy for corporate profits. Whether other taxes will need to be harmonised before the avowed goal of the "abolition of fiscal frontiers" can be reached, is not yet clear, but those mentioned are certainly the main objectives.

This will mean for Britain the end of our existing zero rating of food and other necessities under VAT and certainly an increase in its rate—at present the lowest in Europe. It will have major adverse effects on the distribution of income, most of all for the poorest section of our community.

But economic union means more than a common fiscal area. It means specifically the abandonment of the right of member states to decide the exchange rates of their own currencies. There will

be no more devaluations or revaluations and a common EEC currency will emerge together with a progressive merging of the gold and foreign currency reserves of member states.

On all the evidence that we have, not only of post war trends in productivity and competitiveness but of foreseeable future developments, the loss of this economic weapon would put this country in the utmost peril. We have only to recall what would have happened if, say in 1967, we had not been able to devalue by 14 per cent and again to devalue, through the mechanism of a downward float since June 1972 by a further 18 per cent, to realise the gravity of such a step. Painful as currency devaluations have proved to be, they have at least enabled us to pay our way in the world and to restore price competitiveness in British industry. Without such parity changes industry would have been forced to shut down on a massive scale, unemployment would have become endemic and an ever increasing number of British people driven from their homes and their country in search of work. Against this danger no conceivable regional policy, no pooling of reserves, could hope to protect us.

Finally, economic union means the common determination of macro-economic policy—including counter inflation policy, monetary policy, interest rates, budget deficit or surplus as well as the rule of Brussels on state interventions in both regional and industrial policies.

It may well be that the EEC will not in the event achieve all these goals by 1980, but significant advances will undoubtedly be made and control of British Governments over the affairs of this country will correspondingly diminish.

### why is Britain so disadvantaged?

But why, it will be asked, does Britain appear to be so uniquely disadvantaged? Why is it that other member states who will be experiencing broadly the same developments, can contemplate them

with equanimity—in some cases with relish? The answers are to be found in the Treaty of Accession itself; in the mechanism for decision making that are built-in to the Community and, at the very core, the special characteristics of Britain, that have emerged from our own history and situation.

On the first point, the Treaty of Accession is not just a bad treaty, not just a bad bargain for Britain in that its net effects, the balance of loss against gain, is heavily adverse. It is in fact a disaster. Leave aside the continental dear food policy with all its direct effects on living standards in Britain and the size of our import bill and the pace of our inflation. The payments that we have to make to the Community budget alone—£700 million net in five years, £2,000 million in ten years—take us out of the realm of ordinary dealings between equal, let alone friendly, states.

It takes us into an area of surrender on the one hand, dictat on the other; into something akin to reparations payments of the kind which Prussia imposed upon France in 1870 and which the victorious allies imposed upon Germany at Versailles in 1919.

But the Treaty is not just about payments, however heavy. Many other matters of great moment to Britain and her friends are deliberately left in abeyance under its terms—to be decided in two, three, four, five years time—matters on which Britain will inevitably be in a minority. The common regional policy still to be formed is just one example of this. Another, is the arrangement to be made for Commonwealth sugar by 1975, for New Zealand by 1977, for British fisheries by 1980.

On all these questions Britain has been allowed transition periods in the Treaty of Accession to continue her present arrangements. All are in conflict with the settled policies and interests of the Six. So, if Britain wants to be able to buy sugar from the West Indies after 1974—and not buy instead surplus beet sugar in Europe—she has to persuade

her partners to allow her to do so. We may succeed, but there will be a price to be paid, a concession to be exacted somewhere else. Again, if New Zealand is to be able to go on selling us butter after 1977 while cold stores of continental Europe burst open with the volume of surplus Community butter, we will have to persuade our Community partners to allow us to go on importing. It will not be easy.

Meanwhile British diplomacy is paralysed. France proceeds with its outrageous testing of nuclear devices in the atmosphere of the South Pacific against the vehement protest of New Zealand, Australia, Fiji and Samoa, against the interim ruling of the International Court, and in defiance of the 1961 Test Ban Treaty. And Britain? An embarrassed public mutter of protest from Heath and Home, offset no doubt by private assurances to President Pompidou.

But what else can they do? France has made it clear, brutally so, that if New Zealand does not toe the line, if she will not gag her protests, then her hopes of selling dairy products to Britain after 1977, will be dim indeed.

This brings us to the process of decision making in the Community. What few people have understood is that the process itself, the national veto on community decisions guarantees the continuation of the great disadvantages that we suffer from the Treaty of Accession and from the main community policies agreed before our entry. The CAP and those other policies that are so injurious to us can only be changed if there is *unanimous* agreement among the member states. Each member has a veto on changing what has already been agreed. In the last resort, Britain—even if backed by all the other member states—could not change the CAP from within if one member state failed to agree. Neither France nor Holland are likely to permit it.

But just as the veto prevents changes in existing policies, so equally it prevents Britain from working out and implementing new policies, which might be to

our advantage and thus offset the adverse effects of the CAP, unless we can obtain the unanimous consent of the other 8.

Thus, in theory, it is possible to devise a regional policy which concentrates on helping poor industrial areas rather than agricultural areas; one that was financed in such a way that what Britain paid in was massively outweighed by what the fund paid out in Britain's regions. But such a policy would need not just an agreement by a majority of countries in the EEC—and in most of these countries the regional problem is mainly agricultural—it would need the consent of them all. One nation would be able to limit, by its veto the size of the fund, the method of financing it and the criteria for deciding its expenditure. An advantageous common regional policy might have been negotiated before Britain joined as part of the terms of entry in exchange for accepting the CAP—but it is idle now to imagine that anything more than a token benefit will come forth; or if more than a token, that it will not have to be paid for by us in some fresh but equivalent concession.

And this brings us to the heart of the matter. The formation of a customs union, let alone an Economic Union in Western Europe was always bound to be of peculiar difficulty for Britain. The reason lies in the fact that for 400 years, our interests in commerce, the flow of our money, our trade and our people has been oceanic not continental; Europe, for us, has been only one of five continents with which we are linked as closely as we are to Europe itself.

So it was only possible from the start for Britain to join if a serious and genuine effort was made to close the gap between Britain and the Continent that history itself had opened up. Otherwise, if we were simply to conform or be compelled to conform to Continental policies, we should suffer great and lasting damage. This is what has happened; that is why the Treaty and the arrangements are so disastrous.

In imposing their will on Mr. Heath's

Government, the Six have done something more: they have shown that the EEC itself is not a "community," that it is only a market. For they have treated us, in the terms they have exacted, not as a friend to be helped, but as a rival to be weakened and disadvantaged.

### 3. can we break free ?

To argue and to conclude that it is in the vital interest of the British people to be rid of a large part of the Treaty of Accession, that the disadvantages of EEC membership have been immediate and heavy and are likely to grow ever more burdensome in the years ahead—this is only a prelude to posing the first of many crucial questions : can we, have we still the right and the power, to insist upon a fundamental renegotiation of the terms of our membership and—because it is inseparably linked—if we fail in that endeavour, have we still the right to withdraw from the EEC?

#### the right to secede

It used to be said that Parliament was sovereign : that there was nothing that, within the territories of the United Kingdom, it could not by law accomplish ; equally, that there was no other authority either inside the United Kingdom or outside which had powers superior to the British Parliament. When Britain made treaties with other countries, their obligations and limitations were accepted, but Parliament always retained the right to disown those treaties or to modify them whenever it had reason to do so. On this basis, therefore, one might assume that no constitutional obstacle existed to our withdrawing from a treaty such as the Treaty of Accession, although of course, political and economic consequences would need to be carefully considered. But to assert this Parliamentary right, without further examination, is to ignore the special nature of the Treaty of Accession and the underlying Paris and Rome treaties and the transfer of Parliamentary power that they specifically envisage. For the treaties contain two special characteristics : first, they contain no provision for withdrawal ; no provision whereby—as is usual in international treaties—either notice of withdrawal can be given by signatory states if the treaty itself is indeterminate in length or, frequently, whereby renewal is needed after a set period of years. (The Treaty of Rome says neither that secession is possible nor that it is impossible. There is therefore

real room for doubt whether legally secession would involve a breach of Treaty). Second and still more important, the Treaty of Accession transfers to the institutions of the European Communities, to the Council of Ministers and its Commission, acting together or separately, the right to make laws in the United Kingdom and throughout the Community ; the right to raise taxes and spend monies in the United Kingdom ; the right to determine disputes in the European Court that may rise on questions of interpretation and jurisdiction between a British government and other Community governments or between Britain and the other institutions of the Community.

In short, signature of the treaties and membership of the Communities impose on Britain, something akin to a written constitution which seeks to seriously curtail the previously unlimited sovereignty of Parliament. The nature, extent and form of the transfer of power that is involved was compressed into the bitterly contested Clause 2 (1) of the European Communities Act of 1972, which says : “All such rights, powers, liabilities, obligations and restrictions from time to time created or arising by or under the treaties . . . as in accordance with the treaties are without further enactment to be given legal affect or used in the United Kingdom, shall be recognised and available in law, and be enforced, allowed and followed accordingly.”

The rights and powers transferred are not limited to those under the present treaties of the EEC—not only the Rome, Paris and Luxembourg treaties but the dozens of additional and secondary treaties that have been spawned in the past 12 years—but extend to further rights and powers “from time to time created” and similarly transferred under future EEC treaties.

It will also be noted that the rights and powers, thus transferred by Parliament and which can henceforth be exercised by the institutions of the EEC in the form of “regulations” and “decisions, need no “further enactment” here, do not

require even the opinion of, let alone the consent of the British Parliament.

The question of conflict between Community law and British law was subsequently dealt with in Clause 2 (4) of the same European Act. When such conflict arises, it is the Community law, not the British law, which has precedence and the British courts, faced with rival claims, must rule accordingly.

Needless to say, the question of such conflicts and more seriously the right to secede were raised and pursued during the debate on the Bill. At first, uncertainly and then reluctantly, minister after minister was forced to concede that although the intention of the Act was faithfully to enact the powers conceded to the Community in the Rome and other treaties, that although to change it would mean a breach of our treaty obligations, that although Clause 2 (4) gave primacy to the Community in any inadvertent clash between English and Community law, yet, nevertheless, Parliament, provided its intention was clear, had, and would retain, the sovereign right to repeal the Act, to break the treaties—and that the British courts of law would rule as Parliament directed.

Thus, in spite of all the great anxieties that were felt, there can be no doubt that, on the authority of the Lord Chancellor downwards, the sovereignty of Parliament has been retained. While no analogy can properly be drawn because there is nothing remotely comparable in scale and nature to the transfer of Parliamentary power that membership of the EEC involves, the position is still basically that of Parliament leasing its powers as it frequently does to various authorities inside the United Kingdom—and retaining its power to call in that lease when it decides to do so. The matter was finally and decisively settled early this year during the Counter Inflation Bill which imposes price restraint on all manufacturing industries, except steel, which comes under the special provisions of Community law, when it was pressed to a point of definition and precision. For the Government, the Chief Secre-

tary to the Treasury, Mr. Patrick Jenkin said: "I accept that it would be open to those in any subsequent Parliament to pass legislation . . . that would have the effect of contravening our Community obligation and overriding the provisions of Clause 2 of the European Communities Act. All one can say about that is that having regard to the provisions, particularly to section 2 (4) that would require the most positive clear and express provision," It is important to stress this point, not just because doubt existed in the UK and in Parliament itself until the very end of the debates upon the European Communities Bill, but because of the still greater confusion and doubt that exists on this matter in the EEC.

It would be unwise to generalise about the traditions of Continental parliaments in their very different constitutions, but it seems clear from speeches made by Dr. Mansholt, when President of the Brussels Commission that he did not understand what may be a peculiar feature of the British Constitution: the absolute sovereignty of Parliament and the inability of one Parliament to bind its successors. Moreover, his own misunderstanding seems to be widely shared by other Community spokesmen.

To assert then, that we have the right or power to amend or repeal the European Communities Act and to prevent the operation of the Treaty and its laws and policies in the UK is undoubtedly correct. Before turning to the practical questions that would at once arise if we were to exercise this option, it is important to consider the morality of repeal, the morality of breaking a treaty which has no provision for a withdrawal by a member state. No one in public life in any country should lightly embark upon treaty breaking. In Britain respect for the rule of law is particularly strong and is a major bulwark of the internal stability of our society and our external relations with other states.

But it is precisely because treaties which are far reaching in their scope need the broad acceptance of HM Government and HM Opposition if they are to be sustained



that the convention has grown up—and has hitherto been strongly adhered to, in the post-war period—that major Treaty commitments are not embarked upon without bi-partisan support of the major parties. This was the case with the North Atlantic Treaty, with the Brussels Treaty, with the test ban and non-proliferation treaties, with the treaty establishing EFTA. With the Treaty of Accession, bi-partisan support was more important still—for as we have seen, it not only involves far reaching obligations and agreements affecting directly eight other countries in the EEC and indirectly many more, including our erstwhile partners in EFTA and the Commonwealth, but unlike other treaties, it transfers major law and policy making powers from Parliament to the Council and Commission in Europe.

Her Majesty's Opposition did not consent to this treaty or to the European Communities Bill and voted against it not just on second and third readings but on every clause and on every serious amendment on which a vote was allowed. To go ahead in these circumstances was to break a strong constitutional convention that no major changes, unless they are agreed between Government and Opposition affecting the Constitution shall take place without the people voting upon them.

From the day the Treaty was signed on 22 January 1972, the Government has known and the governments of Europe have known that the official Opposition is determined to change the Treaty and to put the whole issue of membership before the British people. There can be no question therefore of Labour acting unethically or unconstitutionally in repealing the European Communities Act—or in breaking the Treaty of Accession itself.

### the price of freedom

To assert that we can change the Treaty, that we can come out to establish that constitutionally and legally the power remains with the British Parliament and

people is to surmount only the first hurdle. Next are the political and economic obstacles that lie ahead.

Of course there will be a price to pay. To assess it however, is difficult—and not least because the tangible component is probably less important than the intangible. In particular, it is undoubtedly true that the hopes and ambitions of a large section of the British establishment, in the universities, in politics, in the foreign and domestic service of the state are increasingly centred on Britain in Europe—and that the reversal or removal of this central assumption about our future would be a source of great disturbance to them. But equally, it is true that the capture of the British establishment by the Market cause has been relatively recent, and that disenchantment is already setting in. Far more important, the appeal of the Common Market has been narrowly confined to a small but highly influential minority while the majority sentiment and instinct of the British people has been—and is—powerfully opposed. Any estimate therefore of the loss of élan that the minority might feel, must be weighed against the great sense of relief that the majority will undoubtedly share.

### the timetable of the treaty

In the short term the tangible and measurable costs of withdrawing in whole or in part from the Treaty's provisions would be small. The main reason is plain. Even if the election is delayed until the last day of the last month of a full five year Parliament, Britain will only be half way through its five year transitional period of entry. And the fact is that the serious commitments and the more onerous effects can be expected in the second rather than the first part of the entry period. The Treaty of Accession lays down a basic 5 year period of adjustment beginning on the 1 January 1973, during which Britain is to harmonise and adjust its policies and practices with those of the Six. This is the period allowed for the abolition of tariffs between the UK and the Six as well as for the adjustment

of the UK tariff with other countries, including Commonwealth countries, to the levels set by the common external tariff (CET). Again, five years is the period allowed for the upward adjustment of Britain's main food prices so that they are aligned with those of the Six.

On some of the more sensitive matters covered in the Treaty negotiations, separate timetables were agreed. Some are lengthier than the basic five years, others are shorter. Thus New Zealand butter bought by Britain is to be reduced by 20 per cent in volume and cheese by 80 per cent between 1973 and 1978 and thereafter the Community as a whole is to decide for how long—and how much—we shall be allowed to import New Zealand butter. Again, the agreement on fisheries is to last until 1980 when new rules will come into effect.

On the other hand, new arrangements have to be made for Commonwealth sugar on a much shorter time scale—well within the first two years. The supply of cane sugar, the 1.4 million tons a year that Britain imports from the West Indies, Mauritius, India and elsewhere under the Commonwealth Sugar Agreement will continue until that Agreement expires in February 1975. But, before then, the future sugar policy of the Community is to be decided and decided collectively—including of course the crucial question of for how long Britain can continue to import the 1.4 million tons involved.

The timetable for liberalising capital movements is more flexible; substantial liberalisation took place in advance of membership in the Budget of March 1972 for direct company investment. Personal capital movements, the transfer of personal wealth in all its forms from the UK to the Continent, whether or not the person concerned is emigrating, must be freed by the 1 July 1975. Portfolio investments however do not need to be freed until 1978.

Most important, the arrangements yet to be negotiated between the developing Commonwealth countries in Africa and

the Caribbean and the EEC and the arrangements between Britain and the existing AOTS, the signatories of the Yaounde Convention, will not take effect, if at all, before 1975. The British generalised preference scheme however is due to be merged with that of the Community by 1974.

One of the earliest and most damaging effects of the Treaty, the control of Britain's own regional policy by Community decision, scheduled under Article 154 of the Treaty of Accession for the 1 July 1973, has, through fear of an explosion of British resentment, been postponed until the beginning of 1975.

Although it is true that in politics, economics and industry, decision making inevitably takes account of agreements already reached and tries to anticipate the next steps, it is certain that the intermingling of the UK economy with that of the Community, the change in our pattern of trade and investment, the new movements of labour in and out of EEC, the historic switch in the sources of our food supply—all the great changes that are involved in EEC membership have only just begun and we shall not have reached the half way point in our basic transitional period before, at the latest date, the next general election intervenes.

In short, by the time the next election comes, very little that is irreversible will have been achieved. We shall still be eating New Zealand butter, cheese and lamb; stirring cane sugar in our cups of tea; still according and receiving preferences in our trade with other advanced Commonwealth countries; still controlling our own regional, monetary and capital policies. Above all, we shall still have the outlook and expectations of an independent and sovereign democracy. Five years later it could well be a different story. Not only would Britain be fully harmonised with all the existing policies of the Six, but we would be still more deeply enmeshed in the Economic Union, towards which the EEC leaders are urgently pushing.

Thus no serious industrial and commer-

cial dislocation would be involved in any decision made to reverse the course of entry at the next general election. This however is not to say that there will not be any repercussions at all. There would be nervousness and uncertainty in the capital market and some danger of substantial outward movement of money. At other times in our post war history, such possibilities might have loomed large in our national consciousness but today, with the partial defence of a floating pound, the risks are much diminished. Still more, they are quite outweighed by the much greater threat of pegging the pound and rejoining the "snake in the tunnel" arrangements of the EEC, the inevitable consequences of continued membership.

And against these uncertain losses, there are the clear, massive and measurable savings that withdrawal from the major economic commitments of our Treaty of Accession will bring. In the first five years, assuming the period 1975-79, we shall save on our net contribution to the EEC's Budget at least £1000 million and in the following five years at least £1,500 million more. In addition the resumption of stricter control over capital movements would, if the past three years are any guide, save us something of the order of £300 million a year in foreign exchanges.

### isolation ?

But would not Britain, by re-asserting her independence lose friends, perhaps even make enemies and be increasingly isolated in world affairs? Would we not become as Lord Jellicoe once said, "a mere feather in the scale of events?" Most of the fears of political and economic isolation are pure fantasy. To begin with only 25 per cent of our trade and much less of our investment is with the countries of the Community. Marginal losses in the Western European Market, if they occurred at all, could certainly be compensated for by gains in those other markets where 75 per cent of our trade is transacted. But, in any event, world trade is still increasing and

the trend, despite repeated alarms, is still towards more free and open trade. Moreover, we should of course remain a full member of GATT, the IMF, the OECD, the Commonwealth Preference System and it would be open to us—and almost certainly acceptable to its existing members—to rejoin the EFTA.

Exaggerated fears are also expressed about the possible and hostile reaction of multi-national corporations if Britain was to withdraw from the EEC. The fact is that our market is much too large for any firm, however large to ignore, and we shall continue to attract substantial investment from multi-national companies whether in or out of the EEC. Further, the capacity of such firms to exercise pressure on a British Government or even upon their own work force by threats of closure or non-investment have in three recent test cases, Ford, Chrysler, and Perkins been shown to have a large element of bluff about them.

If it is argued that their policies require action by a number of states acting together, then that is a weak argument for staying in the EEC which in fifteen years has done nothing whatever about them, but a strong argument for an international convention on the lines of the GATT, as recommended in the recent UN Report. Such a convention would include the United States and the other main countries of the OECD where the headquarters of most multi-nationals are situated, and would be concerned both to concert national policies and to work out an agreed code of practice.

As for defence and security, in spite of the astonishing claim in the 1971 White Paper that membership was essential to Britain's security, the EEC has, as every one knows no role in these matters—and is unlikely to have one, in spite of Mr. Heath's secret yearning for an Anglo-French nuclear deterrent, for many years ahead. Meanwhile we are and will remain members of NATO and will continue to play our part in this and other security systems just as long as they are needed. There is therefore no prospect of Britain being isolated either politically

or economically if we withdrew from the EEC.

Of course there are those who take the view that in the world of today and tomorrow only political entities of 200 million or more people can hope to survive. This is the conclusion that superficial minds have drawn from the early post-war pre-eminence of the USA and the USSR and, too from the emerging new powers of China and Japan. In the long and complex unfolding of history, no one can be sure. But if they are right, if mankind has really to be grouped into blocs of 200 million or more then, the process should start with the 120 other sovereign nations that exist, much smaller, much poorer, much less powerful than Britain, and who apparently have no wish or intention of ceasing to exist.

But equally, such assessments may prove profoundly wrong. It may well be that size will lead not so much to increased power but to increasing difficulty in achieving effective policies abroad and coherence at home. Indeed from what we know of the internal strains in the USA, the USSR and China in recent years, who can doubt that the late seventies and eighties will prove to be a "time of trouble" for the super powers. But what matters above all, as states as different and as small as Finland, Yugoslavia, Vietnam and Israel, have shown is the will of a nation to be self governing, the desire of a people to be free.

There is no need for socialists to apologise for such sentiments. Indeed nothing is more extraordinary in this long argument about Europe than that so many pro-marketeters, who have themselves for the previous 25 years passionately espoused the cause of self-government throughout the world, should now dismiss as without value for Britain what they still regard as the greatest prize for the rest of mankind! And it is sheer muddle-headedness for such people to fail to distinguish between the legitimate and praiseworthy desire by a people to rule themselves in freedom with the reprehensible and illegitimate desire of one nation to rule and dominate another.

One of the ironies of the past two years, the period that has elapsed since the notorious White Paper on EEC membership was issued, in the two years since the pro-Market chorus reached its crescendo of gloom about the continued separate existence of Britain, is that two major linked events have occurred that have greatly enhanced the basic strength of the UK—and have greatly weakened the position of both the EEC and the USA.

One, is the emergence of a chronic oil shortage in the Western world which has made the heavily oil-based economies of both continents crucially dependent on Middle East supplies. The other is the discovery, mainly inside the British half of the continental shelf, of massive oil reserves, which within a decade, according to the Secretary of State for Trade and Industry, will save Britain up to £1,000 million a year on her balance of payments and will supply us with no less than two-thirds of our total oil needs. Along with independent Norway, Britain already favoured with its huge reserves of coal and its large supply of natural gas will be the only European nation to be substantially self-sufficient in oil supply. With the generation soon of over 20 per cent of our electricity supply from nuclear plants and the discovery, again within the past two years, of major uranium deposits within the UK itself, the energy outlook for Britain has been transformed in the decades ahead.

## 4. the strategy for re-negotiation

If then we retain constitutional, legal, economic and political power to reassert our independence; if, as is surely the case, we have the strongest reasons for so doing, how in fact do the British people and the next elected government go about their task? How do we halt and reverse the growing momentum of membership? How do we force upon a reluctant and resistant elite (backed overwhelmingly by the media where the marketeers have gained such an ascendancy), in the Foreign Office, in the Cabinet Office, in industry and in the professions, policies which they deeply opposed. And how do we set about renegotiating with eight other reluctant European governments? How do we do it successfully and in time, knowing as we must that the effective span of the average government is no more than four years?

It is a formidable task for which careful and advance preparations must be made. In approaching it, three factors must be constantly in mind. First, the existing members of the Community will be hostile to any serious negotiations at all. That has already been made clear, particularly by European socialist leaders, who feel that they can speak more freely to the fraternal British Labour Party, than do other non-socialist Europeans. Chancellor Brandt of Germany, M. Francois Vals, Chairman of the Socialist Strasbourg Group, Dr. Mansholt as President of the Commission have been only the most prominent of those who have publicly asserted that the Treaty of Accession *cannot* be re-negotiated, meaning that they, and the other parties to the Treaty, are not prepared to change it.

So this is the first most important factor; the second is that with every month that goes by, Britain will be travelling further and further into the Community as the provisions of the Treaty, on its pre-set timetable, successively take effect. At the same time, there will continue to flow out of Brussels, out of the Commission, the Council of Ministers and the European Court, laws, regulations, decisions, judgements and rulings, which will auto-

matically take effect and will have the force of law here in Britain.

It is then these considerations—the unwillingness to negotiate plus the continuing operation of the Treaty in Britain—that indicates the basic problem that political strategy has to meet. What the new Government has to do and without delay is to put such pressure on the Community as to force immediate and serious negotiations.

### phase one

There is in theory nothing to prevent Britain from bringing the Community to a halt. This is what the France of General de Gaulle did on more than one occasion and most seriously and most effectively when France walked out of the Council of Ministers in 1965—and refused to return until a basic point was conceded, five months later. What France was determined to do was to prevent majority decision making, allowed for under the Treaty of Rome, according to a careful formula of weighted voting strength, whenever this infringed a “vital national interest” of France. On such issues, the General demanded unanimity—the right to veto policies and laws which France disapproved. The Five resisted and no formal amendment to the Rome Treaty was made. But the “agreement to disagree” then arrived at, marked in practice, a victory for France.

It is this French doctrine to which Mr. Heath formally subscribed, as one of the Litmus-paper tests of his Euro-sincerity, in his close interrogation by President Pompidou in May 1971 at the Elysee Palace.

All policy making—other than that undertaken by the Commission—could thus be frozen by Britain’s absence or non-concurrence in the Council of Ministers. This year, for example, if a determined UK government had been in power, the negotiating mandate for the international trade talks at GATT could have been blocked; all progress towards economic and monetary union could have been

arrested; common transport and other policies put in baulk.

But the wrecking tactic, the deliberate blocking of policies, regardless of their merit, is not the path that a Labour Government would choose or need to follow. The necessary pressure can be exerted in other ways. What however we must stop are those Community policies which we disapprove. We need therefore to bring all Community decisions and thus British ministers on the Council of Ministers under the direct and strong control of the House of Commons.

The simplest and most effective way of imposing the will of the British people on the ministers concerned, is to introduce a new standing order into the House of Commons, so that henceforth, no Community act, policy, regulation, or directive, can be accepted by a British minister at the Council of Ministers *unless he has obtained the prior consent of the House of Commons*. This would have the great additional advantage of involving Parliament and the people in the arduous and inevitably lengthy struggle that renegotiation entails.

But this of course would only prevent unwelcome *new* policies from being agreed. What of the *old* ones that operate with the force of law in Britain? What of the provisions in the Treaty that take effect under the timetable laid down? What of the ongoing work of the Community's institutions to whom decision making in large areas of our affairs has been transferred? To take these areas out of the control of the Community and to restore them to the British Parliament, it will be essential also to repeal, amend or suspend the European Communities Act of 1972—the measure that gave, with its miniscule majorities, Parliamentary sanction to the provisions of the Treaty of Accession, the measure that repealed and altered all existing UK Acts of Parliament that stood in the Treaty's way; the Act that gave to the Community the right to make laws for Britain.

Whether as a prelude to renegotiation

it will be necessary to repeal the whole Act is arguable. Repeal has its obvious attractions, but it would not be as simple as it first might appear—for considerable new legislation would be needed to fill in the legislative holes that repeal would create. But there can be no doubt that major surgery, major amendments would be essential—nor can there be much dispute as to which parts of the 1972 Act it would be imperative to have changed.

First and foremost the notorious clause 2 (1), the very heart of the Act, that which provides that all Community legislation in the future as well as in the past shall be self-enacting and needs no further Parliamentary process to be lawful in Britain—that must go. For this is the clause that in its eight terrible lines negates the sovereignty of Parliament, surrenders the rights of the British people and betrays the whole democratic process in Britain. And along with the repeal of 2 (1) must go the provision of 2 (3)—the sub-clause that authorises the payments of monies and taxes to the EEC without the further consent of Parliament and sub-clause 2 (4) which tries to give authority to provisions of Community law over conflicting provisions of UK law. The jurisdiction of the European Court in clause 3 of the Act, will also need to be severely curtailed.

Second, the clauses in the European Communities Act which transfer economic powers to the EEC must be excised. Those parts of clause 6 which authorise the collection of levies on imported food and the payments of their proceeds to the EEC together with those parts of clause 5 that bring our tariffs towards the rest of the world into line with the CET of the Community—these too, must go. Other major policies must be reversed, but the required changes can in many cases be affected by using existing British legislation; for example, the 1947 Exchange Control Act, which has authorised the present relaxation of control over capital movements into the EEC can be tightened to produce the opposite effect. Again, new immigrant controls, under the 1971 Immigration Act, can alter the new

“open door” policy for Community workers.

It may well be that other amendments to the European Communities Act, will be required: but the two aims that must guide us at the start of renegotiation are these: the law of the Community and the provisions of the Treaty of Accession must cease to have effect in Britain except where, under ordinary Parliamentary procedures, Parliament wishes and so decides it; second, we must be clear that among those provisions that are from the beginning repealed are those that are both essential to our own interests to remove and at the same time exert the maximum pressure on the Community to negotiate new terms.

Britain's withdrawal from the CAP and our suspension of all payments to the EEC which would follow from the proposed amendments to clause 5 and 2 (3) would have a most powerful effect. For it is Britain in its role as the “second stomach” of Europe—the role that Mr. Heath has assigned us in his Treaty of Accession that makes the CAP, with its chronic surpluses, possible today. And it is Britain which under the payments formula of the Treaty is destined to make by far the largest contribution to the CAP finances. Britain's withdrawal from both is bound to face the Community with an immediate and agonising reappraisal.

## phase two

With the amendments to the European Communities Act as indicated above, together with the requirement of prior consent to all new Community policies and laws, we should be able to avert the considerable danger of a Community refusal to renegotiate—or a deliberate go-slow, a playing for time in the hope that a further election in the UK might produce a different and more amenable government.

In its own interests, the Community would need to act—and would need to act quickly. On our side, we must give no

cause for delay. So what are the main objectives of renegotiation for which we must now prepare?

They are not difficult to identify because, for the most part they concern precisely those matters that so profoundly worry the British people today.

*First and foremost we must rid ourselves of the CAP. We are not going to accept an unnecessary dear food policy for Britain. We shall not accept that the principal aim of agricultural policy is West European self-sufficiency in the production of all major foodstuffs, with support for its farmers in the form of high guaranteed prices for open-ended quantities of produce and variable levies to keep out cheaper food imports. It is one thing to have to adjust to higher food prices that arise from an increase in world prices due to shortages.*

It is quite another to burden ourselves with a food and agricultural policy which, regardless of surplus or scarcity, keeps prices up. This system is the folly that has produced not once, but many times, the mountains of unsold and unwanted butter while the consumers of the Community pay twice as much as we do in Britain and consume, *per capita* far less. It is the same folly that has led to overproduction and “de-naturing” of grains in Europe, to the overproduction of European beet sugar and to the dumping of unwanted surpluses on world markets, at great loss to the Community Budget, and with considerable hardship to food exporters in other countries.

So let us be very clear about the CAP. In its present form it is not for Britain. If it was very radically changed, it could be possible for the UK to come to terms with it. But such changes cannot reasonably be expected for very many years ahead. So for Britain, in “re-negotiating” the CAP, only one solution seems possible: a new protocol, which exempts Britain from the provisions of that policy. Meanwhile, we should without delay, notify New Zealand that we shall continue for a further seven years to import the same quantities that we are committed to take

in 1977, and we should inform other food suppliers that we shall be reverting to our traditional food purchase policies.

*Second, we cannot accept the financing of the £2,000 million a year EEC Budget—or for that matter its overwhelmingly agricultural expenditures. The Treaty of Luxembourg of February 1970, signed only four months before the negotiations with Britain began, is grotesquely, even deliberately, unfair. Its authors chose a pattern of taxation—levies on food imported from non-Community countries; customs duties on goods imported from outside the Community and, up to a 1 per cent VAT—to finance the CAP (for it is agricultural support that absorbs 80 per cent of all Community expenditure) that singles out the UK to be by far its largest tax contributor—and by far its smallest beneficiary.*

We are the largest contributor both because we import far more food from outside Europe than any other Community country and because our trade is geared much more to other non-European countries than is the trade of the Six.

So Britain pays the lion's share of both the food levies and the customs duties. It is only after these taxes have been paid that the VAT contribution—the least unfair of the three taxes—even begins. At the same time, we get the least benefit in agricultural expenditure, both because our farms are largely ineligible for the so-called reorganisation and structure grants, designed as they are to assist the small peasant farmers of the continent and because we do not grow—nor are we likely to—surpluses of grain and other foodstuffs that absorb the bulk of the Community's agricultural funds. This we cannot accept. So, as with CAP itself, the choice is between a general renegotiation of the Community's Budget and the Community's taxes or a British exemption protocol which limits our payments by linking our contributions with our national income and our receipts.

*Third, we have to renegotiate our trade*

*arrangements with the EEC particularly in respect of Commonwealth countries. Those provisions of the Treaty of Accession which dismantle tariff and other restrictions on trade between Britain and the Six, that is those provisions which simply swop our removal of import duties on their exports against their removal of duties on our own, are broadly to be welcomed—and accepted. They are not in dispute because their effect, after all, is simply to establish free trade in industrial goods between Britain and Europe.*

But it is one thing to remove barriers within Europe, it is quite another for Britain to adopt the CET of the Common Market; to sever its trade links with other non-member countries—indeed to cease to exist as a separate commercial nation. Particularly there can be no gain, only loss, for us to have to raise tariffs against Commonwealth countries with whom we have long enjoyed mutual tariff preferences. If we impose the CET on Canada, Australia and New Zealand, they inevitably will in turn withdraw their preferences from British exports. What makes this doubly unacceptable is that Western Germany, who is of course a full member of the EEC, has had for the past fourteen years and will continue to enjoy a free-trade agreement with neighbouring East Germany—an agreement that has no justification other than the close connections that exist between the peoples and the industries of the two German states. Precisely the same argument applies to the peoples and industry of the four British states,—Britain, Canada, Australia and New Zealand. If, East Germany can be exempted from the CET and have access to West Germany, then there is no reason why Canada, Australia and New Zealand should not have preferential access to the British market. This should be a major plank of Britain's renegotiation of the Treaty.

With the new Commonwealth countries, all of whom are developing nations, the most important aims are for Britain to retain its present favourable "general preference scheme" rather than adopt



the much more restrictive scheme of the EEC, and to continue its low or nil tariffs under Commonwealth preference arrangements wherever these are of major importance to developing countries. Manufactured jute goods from Bangladesh and India are prime examples. In addition, Britain should insist on renegotiating a full Commonwealth sugar agreement for 1.4 million tons of cane sugar a year, when the present agreement expires in 1975.

*Last and much the most difficult — is the question of future Community law and Community decision-making.* As we have already seen over a rapidly spreading area of our domestic affairs, the policies and laws of Britain are being made, outside Parliament, by the Commission and the Council of Ministers in Europe. The matters involved are not remote from, or marginal to, the interests of the British people but crucial to their living standards, their welfare and their employment. Already our food and agricultural policies are decided in Brussels and soon we shall have to cede the greater part of economic policy as well.

The new EEC policies are embodied in laws which are fashioned in Brussels. The vast majority of these laws are made, in the form of "regulations," literally by decree. Those made by the Commission never come at any stage before the House of Commons. Those made by the Council of Ministers may be debated in draft if Parliament can devise and the Government accepts the new procedures. But thereafter the legislative process is undertaken not by debate and amendment in Parliament but by agreement among the civil servants of the Council and Commission, subject only to the diplomacy or "horse-trading" of the Ministers in the Council itself. Once passed, they cannot be reversed or repealed as long as we stay in the EEC. Thus a large and growing "no-go area" is being established in Britain from which UK law and policy is excluded and where the writ of the Community alone runs.

This is an intolerable and unacceptable

situation for any democratic people and we cannot live with it. On the face of it to express such an objection is to reject the very arc of the EEC covenant. For the Treaty of Rome, with its federalist overtones, explicitly envisages the situation of non-Parliamentary decisions and laws. The "regulation," the chief instrument of decision and of law is, to quote Article 189, "to have general application. It shall be binding in its entirety and directly applicable in all member states" and can only be challenged in the European Court. This is the clause in the Treaty which has fathered clause 2 (1) of the European Community Act, discussed earlier: the clause which allows both the Brussels Commission and the Council of Ministers to make laws that are binding in the UK "without further enactment" by the British Parliament.

To this explicit extra-Parliamentary process of law making, the Rome Treaty adds a separate ingredient of supranationality—that such "regulations" can be issued by the Council of Ministers on a proposal from the Commission, against minority wishes provided that a weighted majority in the Council of Ministers was in favour.

In terms of the Rome Treaty therefore, no compromise seems possible: there is nothing to negotiate about. It is however when we turn to the practices of the Council of Ministers following the French withdrawal and confrontation on the issue of majority voting in 1965, then a small ray of light begins to appear. For it was then that the French insisted and the Five "agreed to disagree"—that each member state should have the right of veto over any matter before the Council of Ministers which, in the judgement of that state, involved its major national interests. So long as this doctrine of the veto prevails, there can be no real supranationality in Community decision making. But the regulation, the law by decree whose main justification derives from the belief that the Council of Ministers is a supranational law and decision making body still remains. It is now the principal form of Community law. Yet, robbed of its supranational

justification it is now no more than the insertion of bureaucratic and autocratic legislation by decree in place of the legitimate and democratic processes of Parliament.

The Treaty of Rome does allow for an alternative form of law making—the “directive.” Unlike the regulation, the “directive” is a much more flexible and democratic instrument, in that once agreement on objectives has been reached in the Council of Ministers, it is then up to each country in its own parliament, to choose and legislate the best and most suitable method of achieving it. Yet, so far, the “directive” has been used only in a minority of cases, while the “regulation” has been the normal practice in Community law making.

It seems therefore that the minimum British negotiating position is either to be an amendment to the Treaty of Rome removing the “regulation” from article 189, or an agreed Joint Declaration that, when one nation considers it vitally important, the Council of Ministers must use the alternative form, the “directive”—a directive drawn in broad not detailed terms. If this was accepted, we should then have a double democratic defence: first that no decision or law could be agreed without the prior consent of the British Minister in the Council of Ministers and the British Parliament: second, that when such consent was given, the enactment as law would be left to the British Parliament to draft and shape as our interests and customs dictate.

There remains however the separate problem of the Commission for it has power under the Rome Treaty to act on its own account, to make regulations, to bring states before the European Court, to make commercial deals—including the sale of Community butter to the USSR—and most important to use the powers accorded to it in articles 92-4 of the Rome Treaty, to limit state aids; to limit, that is, the micro-economic policies that are of particular importance to governments of the Left, and as we have recently seen, even to Conservative governments in times of stress. It is this power *inter*

*alia*, that enables the Commission to decide which of our regions are to be central or peripheral areas; how much assistance the British Government is allowed to give them; what forms such permitted aid shall take.

There is a common sense case for limiting competitive state aid policies and this is reflected in articles of GATT and provisions in the EFTA Treaty to which we subscribed until our withdrawal at the end of 1972. But the power of the Commission over state aids is far too sweeping. No Labour government could possibly allow its regional and industrial policies to be made or unmade by the Brussels Commission. Again, a joint declaration or a new protocol might be possible, but an amendment to the Rome Treaty would clearly be more satisfactory.

It would be tedious to itemise all the matters that will have to be covered during renegotiation, but those already mentioned, the most important, indicate the far-reaching nature of the changes required. It is no good pretending that they can be easily secured—and we have from the start to envisage that the prospects of failure are greater than those of success.

For what the British position demands of the Community is a searching re-examination of itself. If in fact the member states see the forward course of the Community, not as the Monnet men, the neo-Federalists wish, but as the achievement of European Union by 1980, then to be asked to retreat from the positions already reached in 1973, may well be quite unacceptable to them.

But if, on the other hand, the experience of the past two years of continued monetary crisis, currency chaos, ever increasing danger of the separation of Europe from America and a return to protectionism in world trade, persuades the EEC that economic and monetary union is indeed a cul-de-sac, then the British conception of a much looser and much more democratic grouping of European states who prize and retain their con-

tacts with other continents, may just find sufficient favour.

### phase three

If the negotiations end in failure then our course is clear. We withdraw from the EEC, rejoin the EFTA group to which, except for Denmark, all the previous members adhere and continue to operate only those aspects of our EEC arrangements that are mutually agreeable to all sides, including the Commonwealth.

If, on the other hand, we succeed on the major points discussed above, the nature of the Community itself, will have substantially changed; essential British and Commonwealth interests will have been preserved; British democracy would have reasserted itself and its authority would have been restored.

But should that be the end of the matter? And what is to happen if, as might well be the case, the position of "neither success nor failure" is reached? In either case, substantial or partial success, it is essential that the matter be put, as Labour has pledged, to the British people for their decision.

It is right that they should decide it. It is right for the most basic constitutional reason that membership involves—even on the terms put forward above—a substantial change in the power of the British Parliament and a commitment on Foreign Policy of a kind that requires a positive act of consent. Ireland, Denmark and Norway, the other applicant states, in the recent negotiations all had referenda of their people, before membership was accepted—and in the case of Norway, despite the Government's recommendation, the people said "no."

Britain has no written constitution and no formal requirement that when issues of high constitutional importance are to be decided, any special procedure should be undergone. As we have already seen all we have is the convention that, where a major constitutional matter is disagreed between the Government and the Opposit-

ion, then a general election should be called to decide it. In the case of the EEC, our constitutional conventions were flouted and the House of Lords whose sole justification since 1911, has been its claim that on the rare occasions when the elected House of Commons was clearly out of sympathy with the majority will, it could force a delay for further consideration, totally failed to use its power of delay and simply rubberstamped the decision reached by tiny majorities in the Commons.

But it is right for the British people to decide this issue for practical as well as constitutional reasons. Any transfer of lawmaking power from Parliament to lawmaking institutions of the EEC—even though, if the terms outlined above were accepted, such transfers would be greatly reduced—raises fundamental questions of the legitimacy of such laws. Our moral defence against disorder and violence, whether in Northern Ireland, or in the streets of our cities, is that our laws represent both the best judgement of the elected representatives of the British people in Parliament assembled and that they have the consent of the British people themselves. If the former conflicts with the latter, under our electoral system, new men will before long sit in Parliament and will change those laws that the people will not accept. This is the reason why we accept the enforcement of law in Britain even when the law itself is one which we may strongly disapprove and that is why we have largely eschewed violence from our politics.

But the moment a law—an irreversible law—made in Brussels by unelected persons is enforced here in Britain upon the British people and against their will, the whole basis of consent is undermined. The old cry that rang through the streets of Boston in 1776: "no taxation without representation!" still remains valid. Still more would be the cry of "no legislation without representation!"; no Government from Brussels without the prior democratic consent of the British people."

Almost as serious as breaking the political

contract between the citizen and the democratic state, the EEC—so long as it lacks the consent of the British people—threatens the unity of the UK itself. Of Northern Ireland, nothing need be said except to point the disaster that can overcome a society when even a minority is deeply alienated from the political process. Certainly, it would be wrong to dismiss the possible effects of membership upon Scotland and Wales—both with strongly nationalist and indeed separatist movements.

It is one thing for the people of Scotland and Wales to accept that they are full members of the UK equally represented with English people in the sovereign Parliament at Westminster; it is quite another to persuade them that as members of the UK in the EEC they, like the rest of us, must accept a further loss of self-government, a further transfer of power which the English majority in Parliament has allowed. More, it can and will be argued—in Scotland certainly and in at least the Welsh speaking parts of Wales—that if Denmark, Belgium, even Luxembourg, can be full members of the EEC with a separate voice in all its institutions, including the Council of Ministers and the Commission, surely they too, would be better off if they emerged from their long union with England into a separate life of their own? These may be problems of tomorrow rather than today. But, it is not too much to say that, lacking consent; the price of unwilling union of the UK with the EEC could be the disintegration of the United Kingdom itself.

These are the reasons why if we are to stay in the EEC on renegotiated terms, a positive act of agreement and consent is required. That consent can be sought through the traditional means of a General Election or it can be sought through the process of a referendum as was held in Norway, Denmark and Eire in 1972.

There are arguments for and objections to either course and there is room for genuine differences about which is to be preferred. But what is not acceptable is

to argue the shortcomings of each as a reason for denying the uses of both.

What we must insist upon, without reservation is that the UK membership of the EEC, if it is to continue, must first be approved by the majority vote of the British people.

## 5. an alternative future

A loose confederation of democratic and—I would wish—increasingly socialist European states, enjoying free trade amongst themselves, linked for purposes of defence and disarmament, co-operating together on the vast range of issues, where agreement and joint endeavour are needed both within the continent of Europe and in relation to the world outside—that is the kind of Europe that the majority of the British people favour.

It is a Europe based on the realities of friendship and alliance not on the myths of community and union. In economic matters, it is first and foremost a free trade Europe.

### a continental free trade area

It is indeed ironical that a free trade Europe which, throughout the 1950s successive British Governments worked for—but which the Six resisted and which we were told they would never accept—has now been achieved almost without argument, almost, without comment, within a few months of Britain's own decision to join the EEC! Of the seven countries that joined Britain in 1959, to form the EFTA, only two, Denmark and Norway applied with Britain for EEC membership. The rest—Sweden, Austria, Finland, Iceland, Switzerland and Portugal—all signed in June 1972 separate and virtually identical Treaties with the EEC establishing free trade between them. Even Norway, which joined Britain in applying for membership, but whose people, contrary to the urgent advice of their own Government declined to join when the issue was put to them in a free referendum, has been able to conclude a similar free trade Treaty.

So all these countries will have the advantage of industrial free trade within 5 years and without having to accept either the penalties of the CAP and the requirement to contribute to its swollen budget and without the requirement to accept the whole paraphernalia of undemocratic law making in Brussels.

If Britain's renegotiation fails, then it is

of course a similar free trade treaty to which our diplomacy will properly turn. It need not take long to conclude, although we shall of course and quite rightly, need to give close attention to the "rules of origin" concerning goods imported into Britain from third countries and later re-exported to the EEC. There is little reason to fear that such a trade negotiation would prove unsuccessful. We shall be already half way to a full free trade area, because the tariff reduction between the UK and the EEC will have reached 40 per cent by January 1974 and 60 per cent by January 1975. This process is hardly likely to be arrested let alone reversed if only because, free trade is, in the judgement of nearly all advanced countries, mutually beneficial. It is not therefore a question of Britain receiving a favour from the Community in concluding a full free trade area agreement with them, but very much a matter of mutual benefit. Indeed, if recent trade trends are anything to go by, the balance of benefit, even in free trade is very much with the continental countries. This is also why of course it is essential to have a safeguard clause—as all the EFTA countries have in their recent Free Trade treaties with the EEC—which allows either side when faced with serious balance of payments difficulties to take the "necessary" measures.

The co-operation we envisage, need not stop with industrial free trade. In the Free Trade Treaty which Sweden and other EFTA countries have signed with the EEC the preamble refers to "the possibility of developing and deepening their relations" in other fields where this would be useful.

This is sensible, for the area for agreement outside of trade, is growing. Thus we should be ready to negotiate a reciprocal deal with the EEC's mutual support fund for the defence of European currencies against speculation, set up in Brussels this year. With proper support, such a fund could give greater permanence and mobilise greater resources for the fight against speculation than was possible in the long established but

*ad hoc* central bank currency swap facilities. This would usefully supplement the main resources available via the IMF.

Again, we should be prepared to go forward with sensible research, development and manufacturing projects in the high technology field on the basis of partnership with other European countries. Many arrangements already exist but as the Anglo-French Concord, and the long established ELDO/ESRO space projects alike demonstrate, the problem is not whether we should be allowed in but how we can avoid in future the costly errors of past participation. Yet this is the field where cross-frontier co-operation projects are particularly needed and where the advantages of multi-national support, if it can be effectively mobilised, are greatest. Of course many other possibilities for joint action exist but the limiting factor, as was noted in the earlier discussion of multi-national companies, will often be that the EEC in spite of its considerable size, is simply not a broad enough organisation for co-operation to be really effective.

## what is Europe?

The attraction of such a Europe for Britain is clear. It is a European entity that does not immerse us and cut us off but would enable us to have, as we would wish, separate and equally close relations with many other nations elsewhere. This alternative conception of a free-trading and freely co-operative Europe has nothing to do with the caricature of "narrow nationalism," insular introversion, or dislike of foreigners with which pro-Marketees seek to discredit their opponents. On the contrary, the alternative to a closely knit European Community is for Britain not isolation and insularity, but a wider involvement in the affairs of the world than membership of a West European bloc could ever achieve. Indeed, for Britain the framework of Western Europe is not an enlargement but a reduction, a shrinkage of the area of contact, influence and concern in which we are already involved.

This becomes manifest the moment we consider what Europe means. If we think of Europe in terms of Europeans, then over 200 million people of European origin who share our language inhabit the great area of the United States. Over 20 million people in the fast growing nation of Canada, not merely share our language and our institutions, but are members of the Commonwealth as well. Australasia is overwhelmingly British in population and sentiment. If we are adjured to be good Europeans, it is odd indeed that the Europe we join should totally exclude these two great continents inhabited, with more European people than reside in all the Common Market countries put together—countries moreover that are stronger in their democratic habits and institutions than most of mainland Europe, far closer to Britain in language, trade, population, investment and sentiment than the EEC.

Or again, if we think of Europe in geographical terms, if we look to the other end of Europe, are there not there other European people, well over 200 million, with whom we wish to see closer ties in the future but who are inevitably excluded and repelled by a Community which is strongly rooted in the unacceptable ideologies of free enterprise and the market economy?

So the EEC makes only limited sense, even for those who seek a greater unity of European peoples. But of course, there is no overwhelming virtue in European union as such, whether or not it includes the Europeans of Eastern Europe or of the other European continents of North America and Australasia. Indeed, one of the great dangers of our time is the growing isolation of European peoples from the great majority of mankind in Africa, Latin America and above all Asia who are still trapped in the appalling poverty of slow development and fast rising populations. One of the great assets that Britain has in its membership of the 32 nation Commonwealth—an asset which inside the EEC it would be all too easy to lose—is that we are able to enjoy close and continuing contacts with Governments and people not just

in one affluent half-Continent but throughout the world.

### **international problems and organisation**

Most of the great problems that now face mankind and which will become still more urgent as the decades advance—problems which cannot be solved by separate nation states, however large—will require organisations far stronger and broader than the present grouping in Western Europe.

For trade, currency and aid problems, whose solution is crucial to our own prosperity and to the bulk of mankind, the inadequacies of the EEC are self-evident. Solutions really have to be world wide and it is only in such bodies as the GATT and IMF, the world Bank and the UN Development Programme—strengthened and reformed as they well may need to be—where the nations of the world are properly represented, that these tasks can even be essayed.

For defence problems, we have long found it necessary to be members not of an alliance with the Six but with the 15 nations of NATO—a treaty which precisely brings together and places under joint command most of the armed power of the European states together with that of Canada, and the USA. Hopefully, it is this same organisation which in the context of the European Security Conference, the Mutual Balanced Force Reduction talks and SALT will foster the still greater security of genuine multilateral disarmament. But to try now to base our security on a new defence Community in Western Europe—an idea with which both President Pompidou and Mr. Heath continue to flirt—would be a retrogressive and dangerous step and would moreover turn out to be a poor and weak substitute for the alliance we already have.

And again it is true of the great environmental problems that now confront us that we must speak in forums larger than that of the EEC. The EEC could, if it mobilises its energies, itself cleanse, its great sewer, the Rhine for that river flows

through the territory of the member states. But even the cleansing of the Baltic and the Mediterranean, urgent as the need is, requires the co-operation of far more littoral states outside the EEC than within it. As for the still larger and more serious problems of control of oil slicks, prevention of over-fishing and the dumping of toxic substances in the oceans—practices which involve the USSR as well as the USA, Japan as well as Britain, the oil exporting nations of the Middle East as well as the great tanker fleets of Norway, Greece, Liberia and Panama—it is inconceivable that these problems can be dealt with, any more than the problem of testing of nuclear weapons in the atmosphere, except by international law and international agreements.

For all these great tasks a regional bloc based on Western Europe, slowly and painfully striving to achieve the goal of union and statehood, is at best irrelevant. The political core of the EEC is the Franco/German alliance, the determination of France never to face again the prospect of attack by a more powerful and aggressive Germany as she experienced it in 1870, 1914 and 1939. This understandable and very worthwhile objective is of course symbolised in the otherwise inexplicable venue of the European Assembly, in Strasbourg, the capital of bitterly contested Alsace. But all this has little relevance to our contemporary problems. Conflicts and dangers undoubtedly exist but another Franco/German clash is almost the last of the problems with which we need to be concerned.

### **the dangers of regionalism**

But if history has made an European regionalism basically irrelevant it has not deprived it of the capacity for great mischief and great damage. If its original aim was to end a terrible conflict between two great states, it has recruited subsequently other and less worthy aims. To many particularly on the right in European politics, the attraction of European unity is the attraction of power—

the possibility once again in a new state of dominating others as did the leading states of Europe during their nineteenth Century heyday.

More immediately attractive and more immediately dangerous is the opportunity of using the strength of Western Europe in trade and money matters to force new relationships between Europe, and America and between Western Europe and the areas overseas of potential economic domination—in the Mediterranean, in North and Central Africa. While the trade rules of GATT have long allowed for discrimination in favour of developing countries and for many developed countries, "special arrangements" in the form of both free trade areas and common markets—arrangements which break GATT's basic rule of granting the same "most favoured nation" trade terms to all trading countries—there can be no doubt that the EEC has now achieved a size through its own enlargement and through its active commercial policies which threaten the breakup of the whole GATT system.

With the accession of Britain, Denmark and Eire, the enlarged EEC accounts for 40 per cent of world trade. With the EFTA countries of—mainly—Northern Europe and with many Mediterranean countries now linked to the EEC with preferential trade treaties and with the possibility that the existing 19 AOTS of Central Africa could well be joined by a substantial number of new "associate" countries from the British Commonwealth territories of Africa and the Carribean, the impact of the EEC's trading policies need no stressing. So large a trading bloc, giving and receiving trade preferences to large numbers of non-member states which the latter do not offer to other countries, must inevitably be viewed with grave concern both by non-member developed countries including the USA, Japan, Canada, Australia and by the main developing nations from India to Brazil which are excluded from "association" with it.

So far the potentially adverse impact of the Common Market on world trade has

been largely offset by the successful negotiation in 1967 of the Kennedy Round which in the five years up to 1972, virtually halved the tariff barriers between the Common Market and the rest of the world.

But recently, as we have seen, the EEC has itself been enlarged and has concluded far reaching and preferential trade treaties with many other countries. And of course, steadily over the years, the EEC has developed its CAP on a totally protectionist basis with the result that it has not only denied its own market to the exports of competing agricultural products, but through the generation of great surpluses, increasingly threatens to disrupt world food trade by disposing of its surplus at dumped and subsidised prices.

As a result, the world economy today is at a crossroads. If the forthcoming Tokyo trade talks produce a post-Kennedy Round, a further and substantial reduction of trade barriers between the EEC, the United States and other countries, well and good. But if the EEC turns its back on trade liberalisation, if it insists as unhappily appears, likely, on excluding agricultural products from serious negotiation and on limiting the reduction in the CET, then there is a real danger of protectionism reviving among the trading nations of the world.

The danger is all the greater because of the inevitable link between trade and currency issues and of the virtual breakdown in the past two years of the IMF rules and the reserve currency system on which much of our post-war prosperity has been built. There are compelling reasons for finding an early solution to the linked problems of the creation of new currency reserves, the phasing out of the old dollar and sterling reserve currencies, and the introduction of new rules to guide the fixing of parities.

These problems are intrinsically difficult to solve. The danger is that the growth in the EEC of a new Eurocentric outlook, a mixture of the desire to flex its European muscles and the deep French long-



ing to topple the dollar and damage Anglo-Saxon interests everywhere, together with the blind pursuit of monetary union in Europe itself, at all costs and regardless of its effects on the rest of the world, could lead to a seizing-up of the international currency system and a stop to the growth of world trade.

We should then be set upon a disaster course. For if there is one thing that the experience of the 1930s should have taught us, it is that no regional market however large, not even that of the United States itself, can protect its citizens from unemployment and slump if the world economy itself has ceased to grow.

From within the EEC Britain would try to guide events, to push the EEC in the right direction. But there, its influence is weak, its voting strength inadequate and its distinctive voice in world affairs muffled and concealed. No doubt Britain could play some part in the little theatre of Western Europe but it is on the world stage where the main problems lie and where the main solutions must be found.

For Britain to re-emerge then from its brief sojourn in the EEC, would be not only to the vast relief and benefit of its own citizens but to be able to serve far more effectively the many world causes in which we are involved.

# Fabian Society the author

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Anglo-Saxon interests everywhere to  
coincide with the blind pursuit of monetary  
uniformity in Europe that, at all costs and  
regardless of the effect on the rest of the  
world, would lead to a complete  
collapse of the world economy and a  
return to the chaos of the 1930s.

We should be aware of the fact that  
the world is not a homogeneous unit. It  
is made up of many different parts, each  
with its own characteristics and needs.  
The United States, for example, is a  
large and powerful country, but it is  
not the only one. There are many other  
countries, each with its own strengths  
and weaknesses. We must recognize this  
and work for a world that respects  
the differences between nations.

From within the world, the United States  
is a powerful force, but it is not the  
only one. The world is a complex  
system, and the United States is just  
one part of it. We must work for a  
world that is fair and just, where  
all nations have an equal voice.  
The United States has a responsibility  
to lead the world towards a better  
future, but it must do so in a way  
that respects the rights of all nations.

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We must work for a world that is  
fair and just, where all nations  
have an equal voice. The United States  
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# fabian society    the author

The Fabian Society exists to further socialist education and research. It is affiliated to the Labour Party, both nationally and locally, and embraces all shades of Socialist opinion within its ranks—left, right and centre.

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