

**BRITAIN INTO THE EUROPEAN COMMUNITIES
(1973-78)**

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PREFACE

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The politics of Western Europe have been dominated by the theme of European unity since the end of the Second World War. Two bloody and fratricidal wars in the present century had bred a sense of remorse and recrimination among the thinking Europeans and as an end-product of this European self-examination was born the European Economic Community.

As a major European nation, Britain was invited by the initiators of the European Movement to play a leading part. But doubts and scepticism about the wisdom of linking its fortunes with Europe in such a radical way after keeping its distance from the continent for centuries kept successive British Governments, Labour and Conservative alike, at bay. Britain was considered by its leaders and people to be too much of an internationalist, with special ties with the United States and the Commonwealth, to link its destiny exclusively with one continent.

However, this delusion of grandeur was shattered with the Suez debacle and various other constraints in the mid-1950s, and the country had to turn to Europe. The entry into the Common Market proved to be long and arduous thanks mainly to General De Gaulle's obstinacy.

The present study carries the story forward from January 1973 when Britain joined the EEC to December 1978. It purports to be an assessment of six years of British

membership in so far as it has affected British domestic scene, its links with the United States, the Commonwealth and Europe.

In carrying out my research, I have received invaluable guidance at all stages from my supervisor, Dr. B. Vivekanandan and I would like to record my grateful and sincere thanks to him for his help without which it would have been difficult for me to complete my work. It would also be proper to mention here that in conducting my research I have mainly drawn upon the materials available in the Jawaharlal Nehru University Library, the Indian Council of World Affairs Library at Sapru House, the Ministry of External Affairs Library, New Delhi, and the British Council Libraries in Delhi and Calcutta. I would like to record my appreciation of the valuable assistance the members of the staff in these libraries have rendered me during the course of my research.

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CHAPTER I

INTRODUCTION - THE HISTORICAL PERSPECTIVE

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Britain After the Second World War

Great Britain had entered the Second World War in September 1939 as one of the Great Powers and the centre of an Empire and the Commonwealth stretching from the Carribean in the Western hemisphere to the Pacific in the East. When the war ended in August 1945 Britain was one of the three victors, besides the United States and the Soviet Union, and was still regarded as a ranking world power. "The achievement of victory and the experience of successfully 'standing alone' in 1940 and 1941 went a long way in projecting British prowess and vitality in the face of powerful challenge."¹

But the appearance of a strong and self-confident Britain managed to conceal how exhausted and diminished the country had really become. In fact one of the most far-reaching effects of the war was the irreversible decline of Britain from the rank of a Great Power. This was manifested during the course of the war in which British contribution was secondary to those of the United States and the Soviet Union. It was the Red Army which finally overcame the might

1 Geoffrey Goodwin, "British Foreign Policy since 1945 : The Long Odyssey to Europe" in Michael Leifer, ed., Constraints and Adjustments in British Foreign Policy (London, 1972), p.36.

of Hitler's 'Wahrmacht' and brought the war to a successful conclusion in Europe, ably assisted though it was by the American and British forces in the West.²

British weakness and vulnerability was pronounced on two counts. Firstly, during the period of the conflict vast technical changes in modern warfare had been brought about. With the advent of the rocket age the Royal Navy could no longer offer Britain the same security that it had enjoyed for generations. Secondly, the country was in the throes of an unprecedented economic difficulty. With all its traditional industries nearly ruined, it had to draw on its foreign investment to stave off the threat of bankruptcy.³

However, a realistic assessment of all these evident weaknesses was not made by the nation's foreign policy makers. The Labour Government which came to power in 1945 believed that Britain still had a world-wide role to play along with the United States and the Soviet Union. It could be possible by playing effective roles in the three centric circles to which Britain belonged - the Empire and the Commonwealth, the Atlantic Community and Europe.

2. A.J.P. Taylor maintains that Britain's principal contribution in the war was to keep it going when, with the fall of France, it was all but over until such time as Russia (June 1941) and America (December 1941) joined in.

3. F.S. Northedge, Descent From Power : British Foreign Policy, 1945-1973 (London, 1973), p.22.

It was quite possible, if not necessary, to keep Britain anchored to all the three without opting totally for one particular circle.

It is in the light of this quest for a world role that British attitude towards the question of the Western European unity, the most visible demonstration of which today is the European Economic Community (EEC), can be gauged.

The longing for peace and a better understanding among the peoples of Europe became visibly manifest after the war. A sense of great disillusionment about the nation states, the creation of the revolutions of the Nineteenth century, and about its potentiality for evil as demonstrated by Hitler gave birth to an idealistic yearning to replace it with a 'European' identity which would overcome the nationalistic aspirations of its constituent units.

However, the British experience was quite different. Britain did not have to go through the nightmare of defeat and occupation that the continental states suffered. The British national state showed a remarkable solidarity and endurance under a heavy battering in its ability to survive despite the loss of all its traditional allies in Europe. The courageous stand of the British state and the help it received in it from the United States and the Commonwealth served to reinforce its confidence in itself and its overseas connection. This was one of the factors fundamental to

moulding British attitude towards Western Europe immediately after the war.⁴

The other factor to have influenced British thinking was the country's geographical isolation from the European mainland and the profound impact it has had on British history and character. Its principal interest in the continent has been to help preserve a balance of power so that no particular country could become too powerful and ultimately threaten Britain's own existence. Hence British participation in the wars against Napoleon in the 19th century and against Germany in the 20th. This sense of isolation from the continent had encouraged the country to look beyond Europe for fame and fortune. This physical separation from the continent largely contributed to the emotional detachment of the British people from Europe which was looked at more as a nuisance than as an asset to Britain constantly implicating it in costly wars. The yearning for a United Europe resulting from decades of war, destruction and devastation, as present in Western Europe, had not only no appeal to Britain, but was positively distasteful.

This historical background is necessary to appreciate the British attitude displayed towards and the role played

4 Coral Bell (ed.), Europe Without Britain (Melbourne, 1963), pp.5-6.

in the pioneering moves that led to the birth of the European Economic Community (EEC). The first of these was the formation of the European Coal and Steel Community (ECSC).

The idea for the ECSC, or the Schuman Plan as it is also known, came from the great French statesman Jean Monnet. The administration of the Ruhr industries which had been placed under Allied Occupation after the Second World War as the International Ruhr Authority was becoming a matter of tension between France and Germany. Monnet felt apprehensive about what appeared to be an injustice that was being done to Germany as well as worried about the possibility of a resurgence of Franco-German hostility.⁵ The period had meanwhile seen the beginning of the cold war following the blockade of Berlin. Monnet sensed an opportunity to solve the German question with the beginning of a unity move in Europe. He communicated his thoughts in a paper to Robert Schuman, the then French Foreign Minister, who, after some modifications and consultations with Monnet himself, accepted the plan and persuaded the French cabinet to approve it on 9 May 1950. The first country they decided to consult was Britain. The contents of the Plan were communicated to the British Foreign Secretary, Ernest Bevin, on the same day by the French Ambassador in London, Rene Massigli.

5 Richard Mayne, "The Role of Jean Monnet" in Ghita Ionescu, (ed.), The New Politics of European Integration (London, 1972), pp.38-39.

The plan called for "the placing of the whole of the Franco-German Production of coal and steel under a high authority in an organisation open to other countries of Europe."⁶

In view of the known British scepticism of European entanglements both Monnet and Schuman personally undertook a trip to London within the next few days to try to persuade the British to accept the Plan. Monnet informed the British that "the French Government felt it desirable that the acceptance by other Governments of the principles set out in the French communique of the 9th May should precede any working out of the practical application of their proposals."⁷

Within a few days after this, the French were able to report to the British the acceptance of the offer by Germany after a visit to Adenauer, the Federal Chancellor, by Monnet. On 25 May 1950, in a note to the British the French Government pointed out that "if it were desired to reach concrete results it was necessary that the Governments should be in agreement from the beginning on the principles and the essential undertakings defined in the French Government's document, but that the numerous problems which would arise from putting the project into effect would require discussions and studies which would have to be pursued in common..."⁸

6 Michael A. Wheaton, "The Labour Party and Europe, 1950-71", in Ghita Ionescu, ed., The New Politics of European Integration (London, 1972), p.87.

7 HMSO, Anglo-French Discussions Regarding French proposals for the Western European Coal, Iron and Steel Industries, May-June 1950 (CMD 7970), p.6.

8 Ibid., p.7.

By coincidence, on the same day Bevin sent a note to Paris rejecting the French demand of prior commitment to the principles of the programme even before discussion had started. He proposed instead "direct conversations between France and Germany" and Britain would like "to participate in these from the outset, with the hope that by obtaining a clearer picture of how the proposals would operate in detail, they would be able to join the scheme".⁹ On 27 May 1950 in reply to the French note of 25 May, Britain informed France: "...if the French Government intend to insist on a commitment to pool resources and set up an authority with certain sovereign powers as a prior condition to joining in the talks, His Majesty's Government would reluctantly be unable to accept such a condition."¹⁰

The divergence of approach to the question was clear. The French Government wanted, at least, acceptance of the fundamental principle of the proposition as a basis for the discussion; it did not necessarily commit the countries concerned to surrender their sovereignty. But this was the basic minimum that was required to start any meaningful discussion. On 30 May 1950 the French Government made one last effort to clarify the issue. The French note said: "...there will be no commitment except by the signature of a treaty between the states concerned and its parliamentary ratification."¹¹ But this still failed to convince the

9 Ibid., p.7.

10 Ibid., p.8.

11 Ibid., p.8.

might have suited French and German interests as a means of making any future war between them unprofitable to either of them; but it did not suit British interests. Britain's export trade, full employment and economic health in general vitally depended on those industries which the Schuman Plan was seeking to place under an independent European machinery and there was no way Britain could agree to that.¹³

Opposition to supranationalism was made clear in a Labour Party policy document issued by the Party's National Executive Committee in May 1950.¹⁴ The document strongly opposed the establishment of any European institutions proposed by Monnet. "No Socialist Party could accept a system", it went on, "by which important fields of National Policy were surrendered to a European representative authority."¹⁵

After Britain's refusal to join, negotiations among the six were successfully carried on and the European Coal and Steel Community came into existence in the summer of 1952, with Jean Monnet as the President of the High Authority. Despite some controversies in France and Germany, ratification by all six parliaments concerned was obtained soon.

13 Northedge, n.3, p.158.

14 European Unity : A Statement Issued by the NEC of the Labour Party, May 1950, quoted in Michael A. Wheaton, n.6, p.88.

15 Ibid.

Flushed with the success of their first effort, the 'Europeans' were keen to extend the concept of supranationalism that had been initiated with the ECSC and efforts in this avenue were underway between 1952 and 1955. One of the first efforts was to try and form a European Defence Community (EDC) for the joint control of Europe's military forces within the framework of Atlantic defence to be followed finally with the formation of a European Political Community with the ECSC and the EDC providing the basic foundation. However, after nearly two years of uncertainty the suspicion and opposition of the French Gaullists finally killed the EDC when the French Assembly rejected it in August 1954. The British were not very enthusiastic about the EDC idea either and it was hardly expected that a government that could not permit the country's basic industries to be run by a supranational authority would make an exception for its military forces.¹⁶ The only positive move towards an exclusive link with Europe at this time was an 'association' agreement which Britain signed on 21 December 1954 with the ECSC.

With the beginning of 1955 the idea of 'relaunching Europe' was gaining momentum, despite the EDC setback, backed by the active support of Jean Monnet. The idea of a Common

¹⁶ Britain feared that military commitments on the continent might interfere with the defence of her colonial and Commonwealth interests.

Market was first floated by a memorandum of the Benelux countries on 20 May 1955 which contained suggestions for a common market and co-operation in new areas such as transport and energy, particularly atomic energy in which France was known to be interested. The Foreign Ministers of the Six met at Messina in Italy in June 1955 and a detailed resolution on the nature and the principles of the community they wanted was worked out. Strong preference, especially at the instance of the Benelux countries and Italy, was expressed at the Messina conference to include the United Kingdom in the proceedings of the new venture. France readily agreed to this, perhaps in the hope of closer co-operation with the British in Atomic Energy in which the latter were leaders in Europe at that time.¹⁷ Hence it was decided at Messina to invite the United Kingdom to take part in the deliberations from the start.

The Spaak Committee (headed by M. Spaak, the Belgian Foreign Minister) which was to analyse the problems and then prepare the texts of the Treaties (July-December 1955), started its work on 9 July 1955 in Brussels with the representation of the Six and Britain. Britain's position was made clear at the very outset that she was taking part without any prior commitments to the Messina resolution that had called for the creation of a Common Market.

¹⁷ Miriam Camps, Britain and the European Community, 1955-1963 (London, 1963), p.28.

There were two fundamental differences between Britain and the Six from the start. Firstly, British preference was for a free trade area rather than a customs union which was considered too rigid and sweeping a step. Secondly, British desire was to make maximum use of the Organisation for European Economic Co-operation (OEEC) rather than establish new institutions with their supranational implications.¹⁸ Moreover, a new supranational organisation with a customs union would necessitate a common External Tariff which would affect British trade with the rest of the world, especially the Commonwealth. On the other hand, British insistence on the maximum possible use of the OEEC framework was annoying to the Six since they felt that the OEEC was not sufficiently equipped to handle the kind of radical venture they were going into, though at this stage they themselves were not sure about what kind of institutions they wanted.¹⁹

As the proceedings of the Spaak Committee went on, the real lack of interest by the British became clear; when asked by M. Spaak to comment on the draft report produced by the expert committees in November 1955, the British representatives replied that no final decision could be

18 The Organisation for European Economic Co-operation was established in 1947 "to promote coordination among European countries in the planning and execution of the recovery programme" (The Marshall Plan), See Camps, *ibid.*, p.6.

19 Miriam Camps, n.17, p.40.

taken until the British Government knew all the details of the Plan. They also indicated that Britain's difficulties in participating in a Common Market were well known. Soon the British representatives left for London and a statement from London announced the British decision not to take any further part in the proceedings.²⁰

The reasons for the British decision to withdraw were not far to seek. After the 'association' agreement with the ECSC Britain had felt that a satisfactory relationship with Europe had been established. Most people in the United Kingdom had failed to understand the strong desire for real unity as against the British recipe of intergovernmental cooperation in Europe. It was not appreciated that a new situation had been created in Europe by the war. There was also a failure to grasp the political significance of the Common Market move which was primarily thought to be an economic and commercial question. Hence the principal British representative to the Spaak Committee deliberations was from the Board of Trade and not at the Foreign Secretary level. Besides the implication

20 Ibid., p.43. M. Spaak has also commented, rather wryly, on the British attitude to the process of European integration in his memoirs. This is evident from what he wrote: "Throughout our early discussions, his (British Representative's) attitude was one of discreet scepticism. While the representatives of other Powers went about their work with a will, he remained silent for the most part. When he did join our discussions, it was only to express doubt as to whether his country could accept whatever idea looked like becoming the basis of agreement at any given time." Paul Henri Spaak, The Continuing Battle: Memoirs of a European, 1936-1966 (London, 1971), p.232.

for British trade with the Commonwealth, government leaders were also conscious of the pressures that a customs union would exert towards a political union, anathema to the British people.²¹

British misgivings about the whole venture was so serious that their lack of interest also turned to distinct hostility.²² It was assumed that an unequivocal British opposition would discourage the Six to go any farther - another British miscalculation of the strength and desire for a unity move in Europe. The apparent hostility of Britain was resented on the continent and the seeds of mistrust sowed during this period proved to be an obstacle later when Britain tried to find an accommodation with the Six.

The developments from the Schuman Plan to the work of the Spaak Committee between July and November 1955 opened up a deep chasm between Britain and its West European allies. British leaders continued to believe that Britain could play a more effective role in world affairs by keeping its distance from European affairs; and this would be difficult, if not impossible, if it had become a part of a federating Europe.²³ Despite the eagerness among the West European countries for some kind of positive action and leadership from Britain,

21 Miriam Camps, n.17, p.48.

22 Ibid., p.50.

23 Northedge, n.3, p.171.

the country, its leadership and its people remained firmly opposed to any kind of organic links with Europe that would relegate its Commonwealth and American connections to the background. The very possibility of it was emotionally as well as politically quite unacceptable to both the British people and its leadership.

Meanwhile, the Spaak Committee had submitted its Report to the Six and negotiations to create the Common Market had been going all through 1956. These were successfully concluded by the end of the year and the Treaties establishing the European Community consisting of the European Coal and Steel Community, the European Economic Community (EEC), and Euratom were signed in Rome on 25 March 1957 and jointly came into force w.e.f. 1 January 1958. The main provisions of the Treaty of Rome included gradual abolition of obstacles to the free movement of persons, services and capital within the community, the inauguration of common policies for agriculture and transport, the adoption of procedures to co-ordinate economic policies and prevent disequilibria in the balance of payments and the control of competition so as to prevent 'distortion'.

The implications of the creation of the EEC were momentous for Britain. For the first time in history it would bring together six states of Western Europe into an exclusive economic and commercial union consisting of 200 million of the most advanced people in the world while Britain chose to

be kept out of it. Though Britain was invited to join the Six in the process of creating the EEC, supranationalism was still anathema to her. The mere fact that the Common External Tariff (CET), one of the principal foundations of the EEC would, if Britain were to join it, convert Commonwealth preferences into discrimination against the Commonwealth, was enough in itself to be anathema to any British Government. On the other hand for a nation as dependent on trade and commerce for its very survival as Britain evidently was, it was not possible to ignore the existence of the Common Market, well on its way to becoming at that time one of the largest trading blocs in the world.

Thus while the Common Market negotiations were still going on in Brussels an important shift took place in British trade policies seeking to replace its highly protectionist practices of nearly twentyfive years with free trade in industrial products in an enlarged West European free trade area.

British objectives for a free trade area were dealt with by Harold MacMillan, then Chancellor of the Exchequer, in a speech in the House of Commons on 26 November 1956. Britain needed to gain a foothold in the rapidly growing markets of Western Europe and arranging a free trade area was the only way discrimination against British goods in these markets could be avoided. This would also offer the United Kingdom the opportunity to become more competitive and to achieve a higher rate of investment and growth besides the

incentive to more economic forms of production and benefits of a greater variety of consumer products at lower prices.²⁴ And most important of all was that such an arrangement would enable Britain to enjoy free trade with the continent and at the same time maintain the Commonwealth preferential trade. Politically also a free trade area would serve to avoid further divisions in Europe and strengthen the continent's unity.

At a meeting of the Ministerial Council of the OEEC in July 1957, Britain proposed that possibilities for forms of association between the Six and the eleven members of the OEEC should be explored with particular regard to a free trade area. In October 1957 the OEEC Council agreed to the British suggestion and an intergovernmental Ministerial Committee was appointed with the British Pay Master General Reginald Mandling as its Chairman to start detailed negotiations with the Six.²⁵

So, for the next two years British efforts concentrated, along with a few other countries of Western, Central and Northern Europe,²⁶ in reaching an agreement with the Six for

24 U.K., Commons, Parliamentary Debates, 1956-57,
vol.561, col.43.

25 HMSO, "Negotiations for a European Free Trade Area"
(London, 1959), Cmd 648, p.5.

26 These other countries were Austria, Denmark, Norway, Sweden, Switzerland and Portugal all of which were unwilling to join the EEC but were anxious to protect their economic interests which might be jeopardised by the EEC.

a kind of free trade arrangements in Europe. These efforts of 'Bridge building', as it came to be known, however, came to nothing since no agreement could be reached regarding the lowering of the tariff within the area. There was a lot of mistrust and suspicion between Britain and France. Britain suspected that France was trying to force Britain on its knees by refusing to cooperate while France alleged that Britain was trying to turn the EEC into a free trade area and thus wreck its ultimate objective of European integration. Two factors were prominent in French minds for their opposition to British moves. Firstly, if Britain had its way French industry would be confronted with competition from British goods on top of the German onslaught. Secondly, French federalist opinions were more concerned with political rather than economic integration and in the light of Britain's well known opposition to any close political links, its moves were highly suspect in France.²⁷

Thus Anglo-French antagonism clouded the negotiations and by November 1958 the discussions of the Mandling Committee had reached a fruitless stage. On 16 November 1958 deliberations of the Committee were postponed indefinitely.

Besides bad blood between Britain and France, the principal reason for the failure of the free trade area

²⁷ Harold Macmillan, Riding the Storm, 1956-1959 (London, 1973), p.441.

negotiations was the unwillingness of the Community to compromise on the common external tariff, the pillar on which the Treaty of Rome very much rested. Any relaxation of this tariff to reach an understanding for a free trade area would have greatly weakened the Community structure and undermined its very existence. The significance of this was little understood or appreciated at the time by the non-community countries.²⁸

Thus, when the negotiations with the EEC for a European Free Trade Area failed, Britain decided to join Austria, Denmark, Norway, Portugal, Sweden and Switzerland to arrange plans for a European Free Trade Association (EFTA) which was created by the Stockholm convention on 4 January 1960 and came into effect on 3 May 1960. According to the Convention the arrangements were limited to abolition of obstacles to internal trade with regard to tariffs and quotas and provision was made for some slight coordination of economic policies.

This arrangement, however, proved to be unsatisfactory. Its principal weakness was that the member countries of the EFTA did most of their trade with the EEC countries and not among themselves. For Britain this was hardly an answer to its trade and economic problems since its trade with other EFTA countries was not very large and whatever trade it had

28 Edward Heath, Old Worlds, New Horizons : Britain, The Common Market and The Atlantic Alliance (London, 1970), p.21.

was either duty free or subject to low duties. These countries also did not have any powerful industries among them to give the competition thrust to British manufacturing which the EEC could.

Rethinking in British Strategy - Change of Course
towards Community Membership

1960 was a watershed in the history of post-war Britain. This was the year when a historical shift in British foreign policy thinking took place. Until then the fundamental basis of British foreign policy rested on the so called three circles - the Commonwealth, the United States and Europe. It was to preserve its connection with and deep attachment to the first two circles, the Commonwealth and the United States, that successive British Governments had refused to participate in unity movements in Western Europe that sought to bind the countries of the region in a federal union. But, by 1960 the time had come when a fundamental re-examination of this strategy was necessary, for it was no longer found to be suitable to British interests.

The British Commonwealth of Nations had become one of the principal factors in British foreign policy calculations after the war and it was thought that the emotional and political bonds with it was one of the most powerful assets that Britain had to sustain its world role. But the closer integration inside the Commonwealth that Britain had hoped to forge became unattainable following the growth of the newly decolonised states in its ambit after 1945.


The divergences between the political attitudes of the Afro-Asian Commonwealth countries on the one hand and those of the old dominions (Australia, Canada, New Zealand and the Union of South Africa) and Britain on the other not only excluded close political ties but produced sharpest differences on current international affairs. The harsh criticism by India of British action in Suez in November 1956 was an illustration of this dichotomy.

The concept of strategic unity within the Commonwealth was also lost with the decline in Britain's ability to provide assistance to the member countries. Most important of all, economically the Commonwealth was becoming less important to Britain. Britain was no longer an exporter of cheap shirts and coal to the Commonwealth but of expensive manufactured goods which most of the new Commonwealth countries were too poor to buy.

Thus, while the Commonwealth had proved to be a useful diplomatic contrivance and carried powerful emotional overtones, in the changed circumstances it could hardly be a convincing home for Britain.

The 'Special Relationship' with the United States which was another of the three circles of British foreign policy since the war, dates back to the first world war. Ever since the emergence of the United States as a great Power, Great Britain has endeavoured to keep a close relation with that country in the belief that it was in its best interest.

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This relationship reached its peak during the Second World War when Churchill and Roosevelt established an extraordinarily warm and close relationship. Since the end of the war Britain has been instrumental in coordinating American economic aid, especially the Marshall Plan, for the rebuilding of Europe and its defence in the 1940s and 1950s from what was perceived to be a threat from the Soviet Union. This Atlantic connection was considered to be of vital importance to Britain's continuing world rule.²⁹ Its continuation precluded any organic link with Europe. However, the irony of it all was that during all this period the United States was extremely keen that Britain should join the West European integration process which would strengthen Europe against any possible misadventure by the Soviet Union. British objection that this would turn Britain into a mere unit in the West European juggernaut and thus be unfair to its status in the world only raised scepticism in Washington.

However, the sharpest breach in the Anglo-American tie in this period was the Suez Affair. The British action against Egypt brought a swift and sharp reaction from the

29 This Atlantic connection which meant not just the United States but also Canada and other overseas connections (meaning Australia and New Zealand) were vitally important in safeguarding British strategic interests in Europe. Coral Bell, The Debatable Alliance : An Essay in Anglo-American Relations (London, 1964), p.39.

United States which viewed it as just another case of imperialist adventure in the third world and hence unacceptable. It was primarily the American action in the United Nations that forced the humiliating British withdrawal. The resultant backlash against the United States was bitter in Britain and despite subsequent reconciliation the whole affair left an unpleasant taste.³⁰

The 'Special Relationship' was based on inequality and against all logic of power and world strategic development. The gulf in economic and military power between the United States and Britain went on widening in the late 50s and early 60s and with the taming of its cold war the need for the moderating British role also faded. Hence by the year 1960 "Britain had to think, not so much of relations between itself and the United States, as of relations between the United States and Europe, of which Britain was now and henceforth a part."³¹

Besides the decline in the Commonwealth and the American connection, there were other obvious factors begging for British considerations. By 1961 EEC was becoming a success the implications of which were being ominously felt in Britain. Tariff cuts in the community had been going ahead of schedule (30 per cent by 1961); economic growth rates in

30 Macmillan, n.27, pp.159,167, 175-76.

31 Northedge, n.3, p.330.

the EEC countries were higher than they were in Britain between 1954 and 1960. British industrial output during this period grew by only a fifth as against a growth rate of over a half in the EEC states. American funds which had previously gone to Britain were now finding their way to the EEC. "Before the EEC was created over a half of American investment in Europe came to Britain, but in 1960 only 41 per cent did so while over 50 per cent was expected to go to the Six."³²

This development threatened to bypass Britain and throw it into the background. There was stagnation on the British economic front.³³ The balance of payments problem which was getting worse every year,³⁴ was not going to be helped by being shut out of the richest and most powerful of the two trading blocs. It was possible that a British

32 Ibid., p.337.

33 The average growth rate of British real national income between 1950-64 was 2.6 per cent as against Germany's 7.1 per cent, Italy's 5.6 per cent, France's 4.9 per cent, Netherland's 4.9 per cent, Denmark's 3.6 per cent and Belgium's 3.4 per cent. Edward F. Denison, "Economic Growth" in Richard E. Caves (ed.), Britain's Economic Prospects (London, 1968), p.232.

34 United Kingdom's Balance of Payments 1952-66 (£million)

1952	-	279	1959	-	118	1966	-	152
1953	-	244	1960	-	408			
1954	-	204	1961	-	153			
1955	-	313	1962	-	104			
1956	-	53	1963	-	83			
1957	-	29	1964	-	545			
1958	-	29	1965	-	281			

Table 4.2. Richard N. Cooper, "The Balance of Payments" in Richard E. Caves, n.33, p.151.

membership of the EEC, though possibly driving some backward firms out of business, could provide the much needed fillip to industry without which it might continue to stagnate.³⁵

One of the main incentives for channelling British thinking towards the EEC was that this would provide a market for its increasingly sophisticated manufactured exports. British exports to the EEC region during the period 1953-1962 varied between 14 and 19 per cent of its total exports; and the growth in this area was the highest in its foreign trade. As long as it remained outside the EEC it would face the common external tariff wall and its manufactures were bound to lose much of their existing markets. Finding markets elsewhere was a difficult proposition. The Commonwealth was declining as a British export market. The other EFTA countries proved disappointing as a growth market. It held its own there, but did not increase its exports. The US market was in a similar position. There were potential possibilities in Russia and China but these were chancy markets. There was not much scope in the rest of Asia, the Middle East and Latin America for increase in British exports either.

35 Northedge, n.3, p.338.

Another factor weighing heavily on the British mind was the growth, and the potential for its further increase, in the political influence of the EEC as it became richer and the threat that with this Britain would gradually become a 'has been' but now irrelevant power. British influence on the United States was obviously on the decline and there was a noticeable increase in the US tendency to look to the Federal Republic of Germany for assistance in Europe since Germany was perceived to be more anti-Communist and more prepared to rely on relations with America and the American nuclear deterrent.

It was the political factors that profoundly influenced Harold Macmillan in 1960 who was then Prime Minister of Britain. He was extremely worried over the state of the so-called free world with divisions in their ranks represented in the EEC and EFTA and the Berlin crisis.³⁶ "It was, after all, making a great deal of the Conservative Party, so long and so intimately linked with the ideal of Empire, to accept the changed situation, which might require a new concept by which Britain might serve Commonwealth and world interests more efficiently, if she were linked with Europe than if she remained isolated, doomed to a diminishing

36 Harold Macmillan, At the End of the Day, 1961-1963, (London, 1973), pp.3-4.

power in a world in which her relative wealth and strength were bound to shrink."³⁷ Most supporters of entry also believed that the political aspects could be confined to such modest proportion that ties with the other two circles (United States and the Commonwealth) need not be jeopardized.

Thus, a stocktaking of the preceding factors and events in 1960-61 had all but convinced Macmillan and his Government that applying for community membership was the only sensible course of action left to Britain. But the problems that such a step would generate were also formidable. These were three-fold agricultural, Commonwealth and loss of sovereignty.

Firstly, there was a lot of uncertainty about the EEC's agricultural policy which was still being worked out and it was feared that a move into the EEC would spark off higher food prices in Britain. However, it was conceded that whatever the problems, if the general tone of the British economy was improved, agriculture might be expected to benefit in the resulting increased consumer demands for food.³⁸

37 Ibid., p.5. Macmillan has argued this point forcefully. "Britain", he wrote, "in isolation would be of little value to our Commonwealth partners, and I think that the Commonwealth understand it. It would therefore be wrong in my view to regard our Commonwealth and our European interests as conflicting. Basically they must be complementary." Ibid., p.21.

38 Northedge, n.3, p.340.

Secondly, however, the most delicate problem was that of the Commonwealth.³⁹ According to the arrangements inside it, most Commonwealth countries were offered either duty free or preferential access to the British market for their products. Countries like New Zealand and Australia were particularly dependent on this market for the export of their farm products on which much of their prosperity depended. However, the effect of the ECC's Common External Tariff, even with all the qualifications and loopholes, Britain could secure through negotiations, on British trade with the rest of the Commonwealth became an issue. The following were the percentage of total exports of various Commonwealth countries as sent to Britain in 1960-61: Mauritius 82%, Seirra Leone 70%, New Zealand 56%, Nigeria 51%, Australia, Ceylon, India 33.33%. These figures explain the dependence of these countries on the British market at that time.⁴⁰

Thirdly, there was the fear of partial or total loss of British sovereignty, real or apparent. As already noted British experience during the war was different from the Six as it was not occupied. This was one of the factors for the persistent British objection to participating in

39 Macmillan, n.36, p.7.

40 Northedge, n.3, p.341.

the European union movement. For both the major parties the perspective for sovereignty loss was different. For the Conservatives it was a question of nationalistic pride, for the Labour Party this was a question of their ability to use Parliament for social reform at home and help for the poor.⁴¹

Amidst heated controversy and debates the decision to apply for membership of the European Community was announced by Harold Macmillan in Parliament on 31 July 1961 and negotiations with the Six started in October of that year. However, by this time the situation on the continent had changed to the detriment of Britain. General De Gaulle, who became President of France in 1958 as was well known, was not a friend of Britain. Indeed, De Gaulle was partly responsible for the failure of the talks on 'bridge building' between the EEC and the other OEEC members for a European Free Trade Area on the pretext that it would turn the Common Market into a free trade area.

The last thing that De Gaulle wanted was to have Britain in the EEC; this would inevitably jeopardize France's dominant position in it, he feared. But despite De Gaulle's known reticence about the British move, the French Government did not raise any objections to it during the informal exchanges between the two governments prior to and after

⁴¹ Ibid., p.343.

Macmillan's announcement. Even Macmillan was cautious in his announcement and indicated that the British move was only designed to find out if conditions existed for the United Kingdom to become a member of the European Community.⁴²

The negotiations were opened by Edward Heath, Lord Privy Seal, who was to act as the leader of the British delegation, in a speech in Paris on 10 October 1961. They were conducted in three different phases; January-February, May-August, and October-December 1962. There were three major sets of problems that Britain raised during the discussions. These were questions relating to Commonwealth preferences, British agriculture and satisfactory arrangements for trade with the EFTA countries.

After detailed presentation of their individual positions in earlier part of the year the issue of Commonwealth preference was dealt with in a series of ministerial and official meetings between May and August 1962. Britain was anxious to arrange for an orderly transition from the Commonwealth to the community preference and to keep the Community tariffs to the exports of those Commonwealth countries who were heavily dependent on the British market, as low as possible. The first agreement to be reached was

42 U.K., Commons, Parliamentary Debates, 1960-61,
vol.645, vols.928-930.

a time-table for the application of the Common External Tariff (CET) of the Community to the import of industrial goods from the developed Commonwealth countries like Canada and Australia; 30 per cent of CET to take effect on British accession, 30 per cent on 1 January 1967 and the final alignment on 1 January 1970.⁴³

The other important agreements reached during this period related to import of temperate zone foodstuffs from Commonwealth countries, arrangements for manufactures from the developed Commonwealth countries and arrangements for imports from India, Pakistan and Ceylon. Though the British request of special access to the Community markets for Commonwealth products in preference to other third countries was rejected, understanding was reached on offering these countries reasonable access to Community markets with some special considerations for New Zealand because of its heavy dependence on the British market.⁴⁴ Special trade agreements were to be worked out with India, Pakistan and Ceylon to help them increase and diversify their products. The Common External Tariff on tea imports was to be abolished or suspended; special arrangements were

43 Camps, n.17, p.397.

44 UK, HMSO, The United Kingdom and the European Economic Community (London, 1962), cmd. 1805, p.7.

to be made for imports of cotton textiles from these countries.⁴⁵ Understanding had also been reached on the question of 'association' with some Commonwealth countries in Africa and the Caribbean.⁴⁶

The question of British agriculture, which presented a knotty problem, was dealt with between October and December 1962. There were wide divergences between British and continental methods of supporting the farmers. Some essential elements of what subsequently came to be known as the Common Agricultural Policy (CAP) were given shape in discussions among the Six in December 1961 and January 1962. British demand of a twelve year transition period to adjust their agriculture was not acceptable to the Community and subsequent discussions got bogged down on this issue with the British insisting on a timescale for change over from their agricultural system of guaranteed price and deficiency payments to the Community agricultural support system and the Six insisting on the British accepting the CAP on accession which would have meant a dramatic increase in the prices of some essential foodstuffs like wheat in Britain.⁴⁷

45 Ibid., pp.4-6.

46 Ibid., p.4.

47 Miriam Camps, n.17, pp.457-468.

The differences on agriculture were sought to be bridged by the appointment of a Ministerial Committee chaired by Sieco Mansholt, the Community's Agricultural Commissioner.⁴⁸ However, as the Mansholt Committee was preparing to submit its report, General De Gaulle made known his opposition to British membership at a press conference on 14 January 1963.

General De Gaulle based his objections primarily on the differences between Britain and the continental states comprising the EEC. "England" he said, "is, in effect, insular, maritime, linked through its trade, markets, and food supply to very diverse and often very distant countries. Its activities are essentially industrial and commercial, and only slightly agricultural. It has, throughout its work, very marked and original customs and traditions. In short the nature, structure and economic context of England differ profoundly from those of the other states of the continent."⁴⁹ He made it clear that, in his view, Britain was not ready to be a member of the EEC and the negotiations had revealed their unwillingness to accept the treaty of Rome.⁵⁰ British dependence on America was also reaffirmed by the Polaris

48 Ibid.

49 Quoted in Camps, n.17, p.474.

50 Ibid.

agreement between President Kennedy and Prime Minister Macmillan at Nassau, Bahamas in December 1962, De Gaulle alleged.⁵¹

After this clear signal from De Gaulle, subsequent negotiations became meaningless and these had to be wound up due to refusal of the French delegation to carry it on any further. Sufficient work had, however, been done by the Mansholt Committee to make it seem that a compromise was possible on the outstanding issues of the agricultural question.⁵²

The real reasons for De Gaulle's veto were not far to seek. If Britain joined the community it would have been a competitor for the general leadership of Europe and a more formidable one than the only other country - Germany; Britain was already a developed nuclear power in its own rights and it had been a major power for long periods. But this was not all; unlike Germany it was popular with the minor powers of the EEC who had bitter memories of oppression at the hands of the Nazis. If the leadership of the EEC passed off from France to Britain, France would be less able to impose its will on its partners than it had in the past and divisions in the community would take the shape of

51 Northedge, n.3, p.346.

52 Camps, n.17, p.494.

France on the one side and Britain supported by all the rest, on the other.⁵³

The Second Application and Veto Final Road to Europe

During the period of the first attempt at EEC membership, the Labour Party under Hugh Gaitskell's leadership had taken quite a negative attitude while agreeing in principle to the strategy. Gaitskell had demanded that entry should be agreed to only after adequate guarantees had been obtained for safeguarding the interests of the Commonwealth and the EFTA.⁵⁴ After the Commonwealth Prime Ministers' Conference (September 1962) he became convinced that the line the Government was taking in the negotiations would not succeed in doing this and as a result he swung the entire party to opposing the move.

The position of the Labour Party and the Government that came to power in October 1964 under Harold Wilson's Premiership remained anti-EEC until 1966. However, it did not take Wilson long to recognize the harsh reality that had forced Macmillan's hand.⁵⁵ The situation that developed

53 Northedge, n.3, pp.346 and 347. Harold Macmillan also has commented on De Gaulle's emotional hostility towards England. "He hates England still more America, because of the war, because of France's shame, because of Roosevelt and Churchill, because of the nuclear weapons". See Macmillan, n.36, p.118.

54 Michael A. Wheaton, n.6, pp.91-92.

55 Harold Wilson, Labour Government, 1964-1970: A Personal Record (London, 1971), p.293.

after 1965 made it doubly sure that Britain would have to look towards Europe again. The economic squeeze of July 1966 was perhaps the worst on record. The chronic balance of payment deficit put the heat on the economy and the Pound. The role and power of the American capital in the British economy grew to such an extent that by 1967 one out of every seventeen employed persons in Britain worked in firms predominantly owned by American interests.⁵⁶

So far as the Commonwealth was concerned even further changes had taken place between 1961 and 1967. There was a distinct cooling of relations between Britain and the new Commonwealth concerning the Rhodesian Unilateral Declaration of Independence in November 1965 and the subsequent bitterness shown by African states towards Britain. To the British people the feeling was growing that the Association was more of a handicap to Britain than an advantage, a veritable millstone round its neck. Besides, during the 1961-62 talks the Commonwealth states had begun to adjust themselves to the idea of a changed Commonwealth should Britain join the EEC.

There were two other factors which possibly might have influenced Harold Wilson.

Firstly, the French boycott of the Community institutions for nearly a period of seven months in 1965-66 showed that Britain, and particularly Labour, fear about the

⁵⁶ Northedge, n.3, p.348.

supranational character of the EEC were misplaced and France, especially General De Gaulle, would never allow its national interests to be trampled. This was equally applicable to others as well.

Secondly, friendly market governments had assured Britain that the way in which things actually worked inside it was much less rigid and inflexible than might appear from outside it.⁵⁷

The two other choices open to Britain as against membership of the Community were the North Atlantic Free Trade Area (NAFTA) and to 'go it alone' (GITA). The NAFTA envisaged a loose free trade area of the EFTA countries, Canada and the United States. In a wider formulation which belied its North Atlantic title, the free trade area might extend to Australia and New Zealand. GITA was simply 'go it alone', "Britain standing on her own feet and making her own terms with all the trading groups."⁵⁸

The prospect of NAFTA materializing was unreal with a resurgence of US protectionism and an Australia unwilling to open its market to British and American competition.

GITA was not so much a constructive alternative as a fallback if entry were denied.⁵⁹ Before making any formal

57 Elizabeth Barker, Britain in a Divided Europe, 1945-1970 (London, 1970), pp.218-19.

58 Harold Wilson, n.55, p.388.

59 Harold Wilson, n.55, p.388.

announcement on the Government decision, relating to the EEC, Harold Wilson and his Foreign Secretary, George Brown undertook a tour of the Common Market capitals in January 1967 to drum up support for the British move and were sufficiently encouraged by the response their initiative evoked.⁶⁰

On 2 May 1967 Harold Wilson announced in Parliament the Government's decision to open negotiations with the European Community. Within two weeks of this, General de Gaulle gave a press conference in Paris (16 May 1967) in which he raised two objections against Britain's entry. These were - the position of sterling and the effect of British entry on the Market.

The argument on the position of sterling ran something like this. Unlike the Six, Britain fed itself to a great extent with food bought cheaply from all over the world and especially the Commonwealth. If it joined the market and accepted the Common Agricultural policy (buying food from the Six), its balance of payments would collapse and dearer food would lead to dearer wages thus pricing its exports out of world markets. The reserve role of the sterling and the sterling balances within the sterling areas would make it hard in ensuring parity and monetary solidarity which are essential conditions of the Common Market.

60 Ibid., pp.323-344, and 367-372.

However, De Gaulle's chief concern was reserved for the future of the market itself. According to him, one of the three courses were available. Firstly, to admit Britain which would destroy the Community as it existed and replace it with a free trade zone, if not an Atlantic zone which would take away from Europe its own personality. Secondly, Association of Britain and the countries of the EFTA under article 238 "to install... a regime of Association which is in any case provided for in the Treaty of Rome..."⁶¹ Thirdly, a waiting game "to wait for the change to be brought about by the internal and external developments of which, it seems, England is showing signs."⁶² This was referred to by Wilson as the velvet veto.

This effectively sounded the death-knell of the move. De Gaulle refused to budge and confirmed his opposition to British entry again at a press conference in November 1967; it was clear that as long as de Gaulle was French President, Britain would have to wait.⁶³

61 Quoted in Wilson, *Ibid.*, pp.393.

62 *Ibid.*

63 Edward Heath thought that in its attempt to get into the EEC, Harold Wilson's Government seemed to rely on the hope that De Gaulle's five partners; and particularly Germany, would persuade or force De Gaulle to abandon his objections. This hypothesis, he thought, stemmed "from a misunderstanding of the nature of the EEC and in particular of the relationship between France and Germany". Edward Heath, Old World, New Horizons : Britain, The Common Market and The Atlantic Alliance (London, 1970), p.3.

Despite clear signals from De Gaulle, the Labour Government refused to withdraw the application and it lay dormant. It was meant to be revived by Harold Wilson if he had won the general election of June 1970. However, the new Conservative Government of Edward Heath, the man who had done much of the negotiating in 1962-63, picked up the issue afresh in 1971. The deck was now clear as De Gaulle had resigned in June 1969 following widespread student unrest and rioting in the spring of the previous year. The new President George Pompidou was unwilling to risk another veto as the other five community members were very keen to have Britain in the market.

The irony of the situation was that when, at the end of successful negotiations, Britain did join the European Communities on 1 January 1973, the country was sharply divided over the issue. Already the prospect of higher food prices had begun to agitate public minds;⁶⁴ the Labour Party, now in opposition, was totally against the entry terms negotiated, and though the party was divided the leadership promised to re-negotiate the terms, if and when it came to power.

Indeed the terms negotiated by the Heath Government in 1970-71 were not very favourable to Britain; but the fact is that they could have been worse. The entry terms

64 Public opinion at this time, however, was very volatile. In an opinion Research Centre survey between 23-27 June 1971, 27 per cent expressed themselves in favour of Britain joining the EEC and 55 per cent were against it. However, in another survey conducted between 21-25 July 1971, 43 per cent were in favour and 41 per cent against. Uwe Kitzinger, Diplomacy and Persuasion: How Britain Joined the Common Market (London, 1973), p.360.

obtained by Edward Heath's Government in 1971-72 can be classified under several heads. These are; transitional arrangements for industry and agriculture, contribution to the Community budget, arrangements for the Commonwealth and financial and monetary issues.

Transitional Arrangements for Industry and Agriculture

Britain accepted the Common External Tariff (CET) of the Community subject to some special arrangements (either duty free access or low tariff) for some industrial materials (aluminium, phosphorus, wood pulp, newsprint, plywood etc.) used by British industry. Britain also accepted the Common Agricultural Policy which was to apply throughout the enlarged Community, subject to the arrangements with New Zealand and the sugar producers in the Commonwealth.⁶⁵

All industrial tariffs on trade between the United Kingdom and the EEC were to be eliminated in five equal stages starting three months after accession. Subject to some special tariff arrangements CET would apply to all countries neither belonging to, nor enjoying any special arrangements with the enlarged Community. The enforcement of the CET was to be carried out in four stages starting a year after accession.⁶⁶

65 U.K., HMSO, The United Kingdom and the European Communities, 1971. CMND. 4715, p.20.

66 Ibid.

So far as agricultural transition was concerned, British prices were to be increased gradually to full Community levels by six steps over the five years of the transitional period. British farmers were to get increasingly their returns from the market and deficiency payments were to be phased out.⁶⁷ There was to be free trade with the Six in the products concerned, subject only, throughout the transitional period, to arrangements to compensate for the difference in price level. Until prices came into line there would be fixed levies for British exports to the EEC and fixed compensatory payments on EEC exports to Britain, and these were to be gradually reduced over five years.⁶⁸ British tariff for agricultural commodities ^{was} to be gradually adjusted to the CET and eliminated against other members of the enlarged Community.

British membership of the EEC was expected to "affect food prices gradually over a period of about six years with an increase of about 2½ per cent each year in retail prices. As food accounts for a quarter of total consumer expenditure the effect on the cost of living would be about ½ per cent each year."⁶⁹

67 Ibid., p.21.

68 Ibid., p.22.

69 Ibid., p.23.

Contribution to the Community Budget

United Kingdom budget contributions were to be determined by a percentage or 'key' broadly corresponding to the British share of the total Gross National Products of the 10 countries likely to form the enlarged Community (1971).⁷⁰ The key representing the proportion of the budget, the British would be nominally expected to pay. Initially Britain was to pay only a proportion of its nominal contributions and this was to increase marginally each year. After the transitional period was over British contributions to the budget would be brought in line with contributions made by other member states over 1978 and 1979.⁷¹

The Commonwealth

Special arrangements were to be made "to guarantee New Zealand a market for agreed quantity of dairy products. For butter the guaranteed quantity for the first five years will be reduced by 4 per cent per annum so that in the fifth year of the transitional period New Zealand will be able to sell at least 80 per cent of her present entitlement in the United Kingdom. For cheese, the quantities guaranteed will gradually be reduced through steps of 90, 80, 60 and 40 per cent in the first four years to 20 per cent of the present level by the fifth year."⁷²

70 Norway later decided not to join.

71 U.K., HMSO, The United Kingdom and the European Community. CMND 4715, p.24.

72 Ibid., p.26.

On sugar Britain obtained firm assurance for "a secure and continuing market in the enlarged Community on fair terms for the sugar exports of the developing countries which are members of the Commonwealth Sugar Agreement." Britain would continue to buy agreed quantities of sugar under the Commonwealth Sugar Agreement from all participants including Australia, until the end of 1974. After that "arrangements for sugar imports from developing Commonwealth sugar producers should be made within the framework of an association agreement or trading agreement with the enlarged Community."⁷³ Other independent Commonwealth countries in Africa, the Caribbean, the Indian ocean and the Pacific would be allowed to continue existing trading arrangements between them and Britain until 31 January 1975 when the Yaounde Convention offering preferential, duty free access to the markets of the Community for products of certain African states and the Malagassy Republic would expire.

So far India, Pakistan, Ceylon, Malayasia and Singapore were concerned, Britain and the Community would continue to strive to expand and reinforce existing trade relations with these countries taking into account the scope of the generalised preference scheme.⁷⁴

British entry into the EEC was to affect roughly only 7/2 per cent of Australian export trade thanks largely to the reduction of Australian exports to Britain in percentage of its total exports (12 per cent) in 1969-70 as against

73 Ibid., p.28.

74 Ibid., p.30.

25 per cent in 1959-60). Likewise Canada too would get most of its exports to enter the British market duty free. (9 per cent of Canada's total exports went to the U.K. in 1970 as against 17 per cent in 1960).⁷⁵

Financial and Monetary Issues

Britain committed itself to an orderly and gradual rundown of official sterling balances after its accession to the Community and to enter into discussions regarding appropriate measures "to achieve a progressive alignment of external characteristics of and practices in relation to sterling with those of other currencies in the Community in the context of progress towards economic and monetary union in the enlarged Community..."⁷⁶ Britain was to introduce a Value Added Tax (VAT) in conformity with the rest of the Community and this would come into operation from April 1973.

^{EEC}
British decision to join ~~the~~ was natural and perhaps inescapable. To quote Professor Northedge, "despite a mainly negative attitude on the part of the British people, despite discouragement in the shape of the two French vetoes, the trend towards Europe continued under both the Conservative and Labour Governments alike. Economically it was hard to see why Britain should not benefit, as the

75 Ibid., p.31.

76 Ibid., p.32.

Six had manifestly done, from membership of the Community; politically Britain was clearly counting for less and less as a solitary voice in a world increasingly dominated by the big battalions."⁷⁷ And as Harold Macmillan noted in his diary in February 1963, there was hardly any other alternative.⁷⁸

77 Northedge, n.3, p.355.

78 Harold Macmillan, n.36, p.374.

CHAPTER II

**THE IMPACT OF MEMBERSHIP ON BRITAIN'S DOMESTIC
SCENE**

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THE IMPACT OF MEMBERSHIP ON BRITAIN'S DOMESTIC SCENE

On 1 January 1973, Britain became a fullfledged member of the European Communities, ending a saga that had begun with Harold Macmillan's decision in 1961 to apply for Community membership. The terms negotiated by the Heath Government in 1971-72 as already noted were not very favourable to Britain and in fact led to a rumpus in the country soon as we will see later.

The impact of European Community membership on Britain has been deep and far reaching - politically, economically and juridically.

Political Implications

Britain's membership of the European Community has been a dominant issue in British politics in the 1970s, since the issue is embedded with far reaching consequences for the country in its history since the Act of Union with Scotland in 1707. Many thought that membership in the Community could very well be the first step in Britain becoming a part of a federal Europe in the years to come, at least in theory.¹

1 The visionaries of a united Europe did contemplate of a federal state incorporating the existing nation states of Western Europe. The Treaty of Rome envisages this and considers the formation of the EEC of the Six as a first step in this direction.

Nowhere in the British political spectrum was this controversy more pronounced than on the party system; and the party to be affected most in the whirlpool of Common Market debate was the Labour Party. Throughout the Common Market debate the Labour Party's attitude has been marked to a great extent by a degree of ambivalence. After the failure of the second application in 1967 the party's attitude grew somewhat stiff and this was precipitated by the defeat of the Labour Government in the general election of June 1970. During its tenure in Government the anti-market sentiments of the party had been kept in control due to the onus of responsibility the Government had to bear towards the larger interests of the country. However, no such compulsion was felt once the party went into the opposition. A great shift in the party's policies took place between May-June 1970 and July 1971 when the Conservative Government of Edward Heath made known the terms of membership. Labour's reaction was all out opposition to these terms which became party policy at the party conference in October 1971 and a whip was issued to the Parliamentary Labour Party to vote against the Government's European Communities Bill on the 28th of October 1971.²

2 Phillip Goodhart, Full-hearted Consent (London, 1976), p.36.

The cracks in the two major British parties on this issue came out into the open during the course of this voting. Despite a 3-line whip in the Labour Party, 69 M.Ps. voted for the Conservative Government's motion while 39 Conservative and other unionist M.Ps. voted against.³

With this division in the Parliament, Labour Party entered into one of the most dangerous phases of its existence after the 1930s when the threat of a split became a real possibility. There has remained in the party a substantial and very vocal section who have always opposed totally the question of the country's entry into the Market on principle. But, they did not bring the matter to a crisis point in order not to embarrass the party while it was in Government between 1964 and 1970.

Certain reasons have been suggested for division in Labour ranks on this issue - these were both official and ideological reasons. They were: the EEC was a 'rich man's club' which had turned its back on the developing world; that the supranational bureaucracy based in Brussels was undemocratic and would undermine Britain's parliamentary system; that Britain would lose power to ^{order} its own affairs and in particular the EEC regulations and principles of free movements of capital and labour would make it much harder

³ Ibid., p.37. The Conservatives had a free vote.

for Britain to move further in a socialist direction with more public ownership; that the Common Agricultural Policy would cut Britain off from world food markets and would make consumers subsidize European farmers which was harsh on the British working class.⁴

The main fear, however, relates to a concern about loss of national identity. At a time of inflation and relative economic decline of Britain there is a quite understandable working class conservatism, ready to be mobilised against the EEC.⁵

As official attitude of the party moved towards opposition to Market membership on the terms negotiated by the Heath Government, there was a groundswell of opinion against the Market among ordinary Labour voters as well. Until July 1971, when the Heath Government's negotiations were completed support for the Market had crystallized at about 30-35 per cent and Labour voters were in tune with the

4 Richard Bourne, "Party Splits in Britain, Recession, EEC and Mrs Thatcher", Nation (New York), March 1975, pp.273-76.

5 Historically too, the British Labour movement never established very close links with its European neighbours; the fact that the European movements were so long paralysed between communist and socialist wings and that the British were diverted by colonial and Commonwealth connections may help to explain this coolness. Ibid.

national trend until then. But after the Party leadership rejected the terms at the party conference in October 1971 there was a massive increase in hostility towards the Market among Labour voters.⁶ On the other hand, a majority of Conservative voters supported entry, thus completing a polarization along party lines.

With the increase in the hostility among the grassroots Labour supporters towards the EEC, the idea of a referendum on the issue was gaining ground among the anti-marketeers. It was Anthony Wedgwood Benn, a leading left wing leader and anti-marketeer, who first floated the idea in November 1970.⁷ The announcement by President Pompidou on 16 March 1972 that France would hold a referendum to ascertain the views of the French people on the question of entry of Britain, Denmark, Norway and Ireland had a profound impact on the British political scene, particularly the Labour Party. Despite earlier opposition to the idea as alien to the British political system, Harold Wilson, the Opposition Leader, endorsed the idea of referendum at a shadow cabinet meeting on 29 March 1972, the National Executive Committee (NEC) of the Party having already done so.⁸

6 Peter Byrd, "The Labour Party and the European Community, 1970-75", Journal of Common Market Studies (Oxford), June 1975, p.47.

7 Phillip Goodhart, n.2, pp.23-24.

8 Ibid., p.47.

In July 1972 the National Executive Committee produced a new policy to heal the wounds of division of opinion in the party, namely, re-negotiating with the Community the terms accepted as the basis for British membership. It condemned the Government for not consulting the people on the matter and assured that if a Labour Government could renegotiate successfully it would consult the country about continued membership on the new terms by means of a general election or "consultative referendum". If renegotiation failed, "we shall not regard the treaty obligation as binding on us. We shall then put to the British people the reasons why we find the new terms unacceptable and consult them on the advisability of renegotiating our withdrawal."⁹

At the Party Conference in October 1972, Harold Wilson made a bitter attack on the European Community Bill just piloted through the Parliament by Edward Heath. The re-negotiating terms which were earlier announced in an NEC resolution were duly passed by the Conference. Thus, before Britain even joined the European Community in January 1973, renegotiation and referendum became the official policy of the Labour Party.¹⁰

9 The Time (London), 6 July 1972.

10 Phillip Goodhart, n.2, pp.70-71.

The switchover of the party to renegotiation and referendum had alienated some leading pro-Marketeters like Roy Jenkins, George Thompson and Harold Lever who had resigned from the shadow cabinet.¹¹ However, they too gradually came round to accepting the principle of referendum for the sake of party unity.

The question of referendum and renegotiation figured in a big way in the Labour Party's election campaign in February 1974. The party manifesto restated the policy of renegotiation and consultation. "It is the policy of the Labour Party that, in view of the unique importance of the decision, the people should have the right to decide the issue through a general election or a consultative referendum. If these two tests are passed, a successful renegotiation and the expressed approval of the majority of the British people, then we shall be ready to play our full part in developing a new and wider Europe."¹²

Continued unpopularity of the European Economic Community¹³ helped the Labour Party to cover up its internal difficulties.

11 Ibid., p.47.

12 Labour Party, Election Manifesto : Labour's Way Out of Crisis, 8 February 1974 (London, 1974).

13 Gallup Poll Findings just before the elections - 31% in favour of getting out, 18% in favour of staying and a massive 43% to stay in but to renegotiate terms. Peter Byrd, n.6.

Although the Community did not play any major role in the 1974 general election, the revolt by Enoch Powell in the Conservative Party and his exhortation to vote Labour because it had a programme of renegotiation could have helped them to a certain extent.¹⁴

Edward Heath's defeat and the appointment of Harold Wilson as the Prime Minister of a minority Labour Government paved the way for the implementation of official Labour Party policy on the European Community. The onus of renegotiating the terms fell on James Callaghan, who became the Foreign Secretary, and served notice to this effect on Britain's partners in the Community. Callaghan's agnostic position on the Community issue as well as his prestige in the party was expected to help in persuading the anti-marketeters to fall in line.

Before the elections in October 1974 the Party decided to hold a Referendum within a year after the completion of the elections when renegotiations were expected to be over. The verdict would be considered binding on the Government. Meanwhile the experience of reviewing the country's affairs was gradually nudging the top party leadership, including Harold Wilson, towards continued membership of the Community as the reality dictated that Britain had no other alternative.

14 Enoch Powell was a leading Conservative opponent of the EEC. Goodhart, n.2, p.185.

On 7 December 1974 Wilson declared that he would commend the terms to the British people if he thought they were right.¹⁵ On 23 January 1975 Wilson announced in the House of Commons that the Referendum would be held in June 1975 and that the Government would declare its support for, or rejection of, the terms which they had been able to obtain;¹⁶ he also went on to announce that Ministers would not be held collectively responsible for the decision and would be free to campaign for or against membership during the period of referendum.

After the Dublin summit of the Community in March 1975, the renegotiated terms of British membership were announced by the Labour Government. These can be classified under seven heads as they appeared in the Labour Party's election manifesto of February 1974. These were: Food and Agriculture, the Community Budget, Economic and Monetary Union, Regional, Industrial and Fiscal Policies, Capital Movements, Commonwealth and Developing Countries: Trade and Aid and the Value Added Tax (VAT).¹⁷

15 Peter Byrd, n.6.

16 U.K., Commons, Parliamentary Debates, 1974-75, vol.884, col.1746.

17 U.K., HMSO, Membership of the European Community: Report on Renegotiation, CMND. 6003(1975), pp.5-6.

Food and Agriculture

To facilitate food supply at fair prices, Common Agricultural Policy (CAP) prices were to be held down in real terms. Greater flexibility to meet special circumstances and an improved marketing system for beef was secured. Progress was made in discouraging surplus stocks; interests of consumers were to be given priority. British consumers were to benefit from import subsidies in a wide range of foodstuffs and from measures to keep Community prices below world prices. Importation of sugar into the United Kingdom would be subsidised by the Community.

Financial control of Community expenditure was being strengthened. Supply of sugar from developing Commonwealth countries on favourable terms and for an indefinite period was to be given access to the Community. Progress was also made on improving the arrangements for continued access for New Zealand dairy products after 1977.¹⁸

The Community Budget

The Dublin summit, held on 10-11 March 1975, of the EEC Heads of Governments produced an agreement on a budget correcting mechanism for Britain which was to provide a refund to the United Kingdom, if in any year its contribution to the Community budget went significantly beyond what was fair in relation to British share of Community Gross National Product.¹⁹

18 Ibid., pp.7-8.

19 Ibid., p.13.

Economic and Monetary Union (EMU)

The programme for movement towards full EMU by 1980, which was laid down in 1972 at the Community Heads of Government meeting in Paris was over ambitious and unattainable and events proved this.²⁰

Regional, Industrial and Fiscal Policies

Regional Policy - "New principles for the coordination of regional aids within the Community will allow the United Kingdom to continue to pursue effective regional policies, adjusted to the particular needs of individual areas of the country. The communication setting out these principles acknowledges that national governments are the best judges of what is required in their own countries and that changes in the national aid system will not be regarded as incompatible with the Common Market when they are justified by problems of unemployment, subject to the condition that a member state's actions do not damage the interests of other member states." ²¹

Industrial Policy - The British Government was "satisfied that their policies for aid to industry generally, their nationalisation proposals and the establishment of the National Enterprise Board and of planning agreements will not be hampered by treaty obligations."²²

20 Ibid., p.17.

21 Ibid., p.18.

22 Ibid., p.19.

Fiscal Policy - The British Government was "satisfied that membership of the Community does not limit their powers to pursue effective fiscal policies".²³

Capital Movements

According to previous experience of Britain and other member states, an EEC member "can act to control capital movements where necessary."²⁴

The Commonwealth and Developing Countries : Trade and Aid

In this area substantial changes were secured in Community policies on a number of fronts. Continued access was secured on fair terms for the sugar producers of the Caribbean and elsewhere and improvements were also obtained in arrangements for dairy products from New Zealand. Reductions were "secured on a range of items of particular interest to Commonwealth countries... ." Agreement was also "secured on some important reductions in Community tariff on foodstuffs imported from the Mediterranean countries with which the Community is negotiating agreements."²⁵ "In relation to developing countries a major step forward was taken with the conclusion of the Lome Convention between the enlarged Community and fortysix developing countries in Africa, the Caribbean and the Pacific. Under the Convention

23 Ibid.

24 Ibid., p.23.

25 Ibid., p.24.

the developing countries are guaranteed free entry into the Community for their industrial exports, almost completely free entry for their agricultural exports, and also substantial aid."²⁶

Major improvements benefiting the trade of other developing Commonwealth countries were also secured in the Community's scheme of generalised preferences for 1975. The Community was to pay greater attention to other Asian Commonwealth countries, especially the poorer ones in the Indian subcontinent.

A start was made for a more balanced distribution of Community aid, in particular for developing countries without special relationship with the Community.²⁷

Value Added Tax (VAT)

The British Government managed to establish that it "can resist any proposals for" harmonisation of the Value Added Tax which would require it to tax necessities and would thus be unacceptable to it.²⁸

The renegotiated terms were a moderate improvement on those secured in 1971-72 and Harold Wilson announced his government's support for continued membership on the new terms, although seven Ministers dissented.

26 Ibid., p.25.

27 Ibid.

28 Ibid., p.30.

They were Anthony Wedgewood Benn, Barbara Castle, Michael Foot, Peter Shore, John Silkin, Eric Varley and William Ross. Meanwhile, at the party conference in November 1974 after the election victory it had been decided to hold another Conference after completion of renegotiations to either accept or reject the terms obtained before the Referendum was held.

Completion of negotiations spelled new dangers for the Labour Party. So far the anti-marketeters had been kept subdued at the prospect of an ultimate withdrawal from the Market. Now the cabinet recommendation in favour of accepting the new terms brought the simmering divisions into the open. The NEC was in a majority favouring withdrawal and there was a clear prospect of the special party conference being in favour of withdrawal by an overwhelming majority as well. Even the Parliamentary Labour Party rejected the Government's policy which obtained parliamentary approval on 9 April 1975 only with Conservative and Liberal support. On 26 March 1975, the NEC favoured an official party campaign in favour of withdrawal.²⁹ The special party conference held just before the Referendum gave the anti-marketeters a 2-1 majority. The NEC resolution that Britain should leave the EEC was approved by 3,724,000 to 1,986,000.³⁰

29 Peter Byrd, n.6.

30 Phillip Goodhart, n.2, p.151.

On 9 April 1975 defending the Government's position in a House of Commons debate, the Agriculture Minister, Fred Peart, said: "Of course, world commodity prices will fluctuate, and, of course, certain foodstuffs can be produced more cheaply outside the EEC. But in my judgement the increases in domestic food prices which we have already experienced have, in the main, been due to world causes rather than to our EEC membership."³¹ When voting took place on 9 April 1975, the Government's policy was approved by 396 votes to 170³² with nearly as many Labour members opposing Government as supporting it. The division in the Labour Party was complete.³³

The Referendum campaign that followed presented a curious spectacle with cabinet Ministers on the same platforms as opponents. There was an enthusiastic support for a 'yes' vote by the employers' organization, the Confederation of British Industries and top British companies, particularly those with high stakes in Europe. Likewise, the Trade Unions which are the front organizations of the Labour Party campaigned

31 U.K., Commons, Parliamentary Debates, 1974-75, vol.889, col.1245.

32 Ibid., col.1366.

33 The actual figure was 145 against and 137 in favour. Harry Lazer, "British Populism - the Labour Party and the Common Market Parliamentary Debate", Political Science Quarterly (New York), Summer 1976, pp.259-279.

for a 'no' vote as they feared the European Community to be bad for working people. The farming sector advocated in favour of remaining in the EEC and there was near-unanimous support from the press.

In the end, the electorate registered a massive endorsement of Britain's continued EEC membership when the voting took place on 4 June 1975. 17,378,581 or 67.2 per cent of those who voted approved and 8,470,073 or 32.8 per cent disapproved of the Common Market. This was a great victory for the pro-marketeters in general and Harold Wilson in particular who had staked his own prestige by putting his stamp of approval on the renegotiated terms.³⁴

The Referendum silenced for the time being the debate on the merits and demerits of Britain's joining the European Community.³⁵ The geographical spread of the vote and the adherence of the main party political leaders, with substantial section of their followers, to the EEC made it, to a certain extent, a non-partisan issue.³⁶

34 Josselyn Hennessy, "Aftermath of the British Referendum", Eastern Economist (New Delhi), 2 October 1975, pp.645-48.

35 Wilson's own comment after the results were known was "14 years of national argument is over". Goodhart, n,2, p.181.

36	<u>Geographical Division</u>	<u>For EEC %</u>	<u>Against EEC %</u>
	England	67.2	31.3
	Wales	64.8	35.2
	Scotland	58.4	41.6
	Northern Ireland	52.1	47.9
	Total	67.2	32.8

See Josselyn Hennessy, n.34.

An important feature of the entire Referendum issue was the adroit political manoeuvring of the situation by Harold Wilson which certainly saved the Labour Party from a split. The party in which the advocates of British withdrawal accepted, at least for the time being, the will of the electorate in democratic fashion and which, united in acquiescence of British membership, surely was of a greater value to the EEC than a divided Labour Party with its implications for the stability of British politics.³⁷

The Referendum campaign was damaging to the U.K. in terms of inflation and its image in the outside world and particularly the Community. No action on the inflation front was possible for six months because the Government was anxious to ensure U.K.'s continuous membership and was occupied in doing so and keeping the Labour Party in tact against onslaughts from the anti-marketeters.

British image in the Community was also tarnished since with the onset of the Labour Government, Britain, for the first time, came to be regarded as an awkward member, too nationalistic and uncompromising in its immediate interests. The Government's argument in the campaign was that the EEC membership was a convenient business arrangement and the longer term ideals of European political union, which, it feared, would not go down well with the electorate, was played down.

37 Josselyn Hennessy, n.34.

Since the Referendum the Labour Party, during the period under review, has had a relatively more quiet time. Most anti-marketeers in the party, a very important and articulate section, did not change their stand though they were unwilling to openly flout a popular verdict. But as with the passing of years it became evident that the Community membership was not really helping in Britain's economic performance - on the contrary, people started suggesting that it was more of a millstone round Britain's neck - they became vocal once again and strident criticism of the EEC membership in the party became common again. The Party had reluctantly, and half-heartedly, sent a delegation to the European Parliament and it took a negative stand towards the direct elections as they were thought to be against British sovereignty.

The question of direct elections to the European Parliament has also had a debilitating effect on the Labour Government. The entire concept of the Euro-elections was given a lukewarm reception in Britain. The Government White Paper, published in February 1976, expressed some doubts about the practicability of the target date of May or June 1978 which seven of the nine member states had accepted (Britain and Denmark excepted). The paper was also somewhat contradictory in its tone; in one vein it said, "...the necessary consultations and procedures must be carried out in an orderly way and should not be rushed"; and in another it believed that work should

be completed with all reasonable speed.³⁸

The issue became a source of serious trouble in the Labour Party. The left wing-dominated National Executive Committee of the Party was firmly against the idea. The irony of it all was that it was the left wingers who constantly bemoaned the so-called lack of democracy within the Community institutions. But they were also opposing the very extension of democracy within the Community. The ground on which they were rejecting the direct European elections was that it would lead to further erosion of British Parliamentary sovereignty.

This debate on the direct elections gave rise to yet another threat of a major split in Labour ranks. There was opposition in the cabinet as well from left wing Ministers like Wedgewood Benn, Michael Foot and Peter Shore. Instead of opposing the idea outright, they were, however, arguing that only existing British M.Ps should be allowed to stand for the Euro-elections since this alone would ensure sovereignty of the British Parliament.

While the issue was being hotly debated and the process to pass necessary legislation was underway, the question of the system of election to be adopted cropped up.

38 U.K., HMSO, "Direct Elections to the European Assembly", Cmnd 6399 (1976), p.5.

The alternative to the traditional 'first past the post' system was a form of proportional representation and the Labour Government was in a dilemma. The way the newly created Euro-constituencies had been drawn up would certainly have given the Tories a major advantage. However, the Party as a whole was reluctant to the acceptance of Proportional Representation on a firm basis, since it would set precedent for national elections. This was also the period when the Labour Government was dependent on the Liberals in the House of Commons for its survival and the Liberals were demanding for a system of "Proportional Representation" to be introduced.

Another form of representation proposal was the 'regional list system' which was a form of "Proportional Representation". The real problem was to muster a majority in its favour since a sizable section of the Labour Party and a majority of the Tories were opposed to it. Only the Liberals supported it since they would have had good prospects of winning seats under this system.

The delay to get ready for direct elections due to all these complications was compounded by the less than enthusiastic response to it by James Callaghan, Prime Minister, himself. He was reported to have said at one time that to miss direct elections "would not be the end of the world."³⁹

39 The Economist (London), 16 July 1977, p.59.

At a time when he was trying his best to avoid an early election at home, a European election in the spring or summer of 1978, in which Labour was almost certain to do badly, was hardly worth putting himself out for.

The EEC issue did not spare the Conservative Party either, though it managed to avoid the degree of agony that had buffeted the Labour Party. The Conservatives had a long history of being more pro-European and realistic in their outlook which was marked by a degree of consistency. It was the Conservatives, under the stewardship of Harold Macmillan, who had first decided to take Britain into Europe after the Suez debacle of 1956. Their outlook was also not coloured, as in the Labour Party, by the apprehension of the European Community putting up impediments towards a more socialistic economy; thus, ideologically they were quite at home with the Community's free market philosophy.

The only section in the party that was opposed to the move into the EEC was the old fashioned diehard 'imperialists' yearning nostalgically for the bygone days of the British Empire. The issue on which they were opposing the Market was ironically the same as the Labour Party, though ostensibly for different reasons - namely sovereignty. The last thing they were prepared to do was to see, as they put it, Britain becoming a part of a European super state.

But this wing was not as powerful and influential as the anti-marketeers in the Labour Party. Basically the

Conservative Party is dominated by the middle class who have their feet firmly in the realities of 1960s and 1970s. It was a question of their present and their future for which there was no other alternative to Europe.

This explains to a great extent the relative ease with which Edward Heath managed to carry his party along in his zeal for Europe, despite opposition from the right wingers.⁴⁰

For Edward Heath, of course, Europe was a matter of faith. But after he lost two general elections in 1974 and the party leadership to Margaret Thatcher in February 1975, things were not quite the same. Though party policy on Europe remained very much the same, Mrs. Thatcher did not share Heath's almost messianic zeal for Europe. On this she had more in common with Harold Wilson - that membership of the European Community was a matter of necessity for Britain and she was not willing to read anything more in this. This was quite evident from the reduced interest that the Conservatives were showing towards Europe after Mrs Thatcher became the Party leader.⁴¹

During the debate on 'renegotiation' and 'referendum', the official Conservative policy was to lend vigorous support

40 Some Conservatives voted against the European Communities Bill in October 1971.

41 Stanley Henig, "The Europeanisation of British Politics", in Chris Cook and John Ramsden, ed., Trends in British Politics Since 1945 (London, 1978), p.191.

to Britain's continued membership in the European Community. The most notable dissenter among the Conservatives was Enoch Powell to whom opposition to the EEC had become more like religious conviction. Powell's position in the Party had become a bit of an enigma after he parted company with them in the February 1974 general elections when he exhorted people to vote for the Labour Party because it had promised a Referendum on the EEC issue.⁴² During the 1975 Referendum campaign, Powell shared platform with some of the most prominent Labour anti-marketeters such as Anthony Wedgewood Benn, Michael Foot and Peter Shore.

Mrs Thatcher did not take part in the campaign herself but Edward Heath played a prominent role in joining the pro-marketeters' organization "Britain in Europe" in exhorting people to vote for Britain staying in the Market.

Thus Common Market membership has been a lively issue in British politics throughout the early and middle 70s. There are substantial sections in both the major British parties, particularly in the Labour Party, who have not accepted the continued British membership of the Community as a fait accompli and are prepared to rake up the issue as and when convenient to them. This has been evident of late when the economic impact of EEC had become more and more pronounced to Britain's disadvantage.

42 Enoch Powell disclosed recently that he made secret arrangements to help Harold Wilson and Labour to power in the February 1974 elections. See The Times, 29 February 1980.

Economic Implications

Economic implications of the British membership of the European Community have become, perhaps, the most controversial subject of all and nearly all the shots in the anti-marketeer armour have come on this front.

Though political factors such as Britain's role in the world have played a more important part in their assessments, most British politicians expected an improved economic performance as a result of EEC membership. The original six members had staged a remarkable performance in economic growth and increasing prosperity after the EEC came into existence and it was hoped that EEC would also inject a much needed stimulus into the ^{stagnant} economy of Britain. This clearly has not come about.

The economic effects of Britain joining the European Community have become a matter of controversy in the country with widely divergent views and pro and anti-marketeters, quoting statistics at length to tailor their arguments. Hence an objective assessment of this aspect has become difficult.

Much of what Britain promised at the time of signing the Treaty of Accession in 1972 has come about already.

(1) The progressive abolition of tariff between the original Six and the three new member states (Britain, Ireland and Denmark) was completed by 1977; as was the adoption, in stages, of the Community's Common External Tariff (CET).

(2) The Custom Union among the nine became a reality on 1 July 1978.

(3) Britain's farm imports from New Zealand and other Commonwealth countries were scaled down according to plan.⁴³

(4) The promise to liberalise capital movements was not, however, fulfilled by the Labour Government and the foot dragging on this went on.⁴⁴

(5) Britain's contributions to the EEC budget, after a surprise net benefit in 1975, have been climbing ever since. This had been expected, but they are now reaching proportions Britain finds unacceptable.⁴⁵

After joining the Community, Britain had to pass legislation to bring Community provisions into effect internally, especially in such areas as custom duties, agriculture, free movement of labour, services and capital, monopolies, restrictive practices etc. Besides its commitment to accepting future Community legislation, it had to accept giving precedence to Community law already in existence over national law. This has been considered to be a grave loss of sovereignty by anti-marketeters such as Wedgewood Benn of the Labour Party and Enoch Powell, the ex-Conservative Party leader.

⁴³ The Economist, 17 November 1979, p.24.

⁴⁴ It was only done in October 1979 after the Tories came to power, though for economic rather than European reasons. The Economist, 17 November 1979, p.24.

⁴⁵ See table on p.74.

There has inevitably been some transfer of authority to various Community institutions. For instance, there may be a change in the designing of car dash-boards in Britain simply because the European Commission wanted to pass a package of car standards to ensure that re-testing of vehicles was not necessary while they were being sold in other Community countries.⁴⁶ But of all the EEC rules that have affected everyday life in Britain, the most important have been food prices and the balance of payments.

Food Prices

As a result of preferential treatment given to food from outside the Community, Commonwealth food imports in Britain have become more expensive, forcing it to buy food from the continent. Although the EEC impact was absorbed in the general price rise that followed Britain's entry in 1973 and the oil crisis later that year, the situation exacerbated by the slow growth and the Common Agricultural Policy (CAP) also had contributed substantially to the very high food prices in the subsequent years. For instance, the annual percentage increases in food prices were as follows: 1973 - 15%, 1974 - 18%, 1975 - 25.5%,⁴⁷ 1976 - 20%, 1977 - 19%, 1978 - 7.1%;⁴⁸ in all a cumulative price increase of 104.6% in six years. Likewise the Retail Price Index (RPI) which is the principal index for

46 The Economist, 17 November 1979, p.24.

47 OECD: Economic Surveys - United Kingdom (Paris, ^{FEBRUARY} 1976), p.6.

48 Ibid., March 1979, p.16.

the measurement of the annual inflation rate also had a phenomenal increase during these years. In December 1972 the RPI was 120.8 (1970 - 100).⁴⁹ In December 1977-January 1978 the RPI stood at 256.4.⁵⁰ Taking 1975 as the base year the RPI stood in December 1978 at 150.3.⁵¹

Balance of Payments

British expectation that entry into the Community would be a bonanza for the British industry by opening up a market of 250 million people, with a total income next only to the United States, could not be realised. British current account in balance of payments has declined from £ 914 million/1973 to £2952 million in 1978.⁵² Allowing for inflation the gap has widened by 53% in the real terms. Part of this was caused by the British contribution to the Community budget; but what was expected, that higher food prices would be offset by an improvement in manufactured trade, also did not come true. In fact, manufactured imports from EEC countries have risen faster than exports to them. This is evident from the table below:

	<u>Imports</u>		<u>Exports</u>	
	1972	1978	1972	1978
Total (£Billion)	- 11.2	40.9	9.7	37.2
To From the EEC of which	- 31.6	38.0	30.1	37.8
Food	- 7.2	7.6	2.3	3.9
Manufactures	- 21.3	28.2	25.4	28.6
To From the Rest of the	- 68.4	62.0	69.9	62.2
World	- 15.0	8.7	4.8	3.9
of which Food	- 36.1	35.4	63.4	53.3
Manufactures				

Source: The Economist, 17 November 1979, p.25.

49 OECD, n.47, p.51.

50 OECD, March 1978 Survey, p.65.

51 OECD, March 1979 Survey, p.57.

52 The Economist, n.43, p.25.

The figures above reveal that the export boom so confidently expected by the proponents of membership has not been materialised. On the contrary, probably, some of the multinational companies might have taken the advantage of unfettered movement of capital across frontiers within the EEC and moved a lot of their British operation to the continent on the pretext of labour unrest and low productivity in the United Kingdom.⁵³

So far as the budget contributions to the EEC are concerned, Britain is also clearly paying a high price for membership. Its net contribution (i.e. gross payments minus receipts) to the EEC budget were £822 million in 1978 and a further rise had been predicted for 1979 and 1980. The table below gives an indication:

	<u>Net Contribution</u>	
	£m	%GDP
1973	111	0.2
1974	37	0.1
1975	-45	-0.1
1976	178	0.2
1977	481	0.4
1978	822	0.6

Source: The Economist, 17 November 1979.

⁵³ Denis Martin, "The Common Market Now", Labour Monthly (London), April 1977, pp.173-183.

There are two main reasons for the high figures.

Firstly, since Britain is a heavy importer of food from outside the EEC, it has to pay the levies charged on such food imports and these go to the Community pool which gets its revenues from customs duties, farm levies and a part of member countries' Value Added Tax (VAT).⁵⁴

Secondly, three quarters of the Community's expenditure is on the Common Agricultural Policy (CAP). This does not benefit Britain at all since only 2/2 per cent of its labour force is engaged in agricultural activities. The money goes principally to support farming on the continent and mainly to those in France and West Germany. Thus the countries engaged in agriculture benefit far more than those which do not have a large agricultural sector.⁵⁵

The CAP is looked upon in Britain as the villain that has brought about most of the adverse economic impact of EEC membership. There are three ways in which it affects Britain. Firstly, it helps determining the prices of the agricultural products which may be imported. This affects the British economy particularly its Gross National Product and the balance of payments. If the EEC food prices are higher than world prices, it has an adverse impact on the British economy.

54 This is a Community tax on all goods and services to be collected by each member Government.

55 The Economist, 17 November 1979, p.25.

Secondly, the income distribution between farmers and non-farmers and tax payers and consumers is also affected by the CAP which is particularly significant in those parts of the United Kingdom where agriculture constitutes the principal economic activities.

Thirdly, existing patterns of trade with established partners, especially with the Commonwealth countries, are also affected by the CAP. Ties of sentiment and mutual understanding, established over decades, have to take second place to links with the Common Market.

The basic principle of CAP that there should be free trade in agricultural produce between member states and that there should be common prices has been distorted in practice. Target prices for a variety of products are fixed by the Council of Ministers, the principal decision-making body in EEC, each year. Should the market price fall below the fixed prices to what is called an intervention price, the EEC intervenes and buys up the unwanted quantity to ensure that the farmer gets a minimum price. The surplus produce is then disposed off either by releasing it back on to the market when the prices rise or sold off to buyers outside the EEC; if there are no buyers, it is destroyed.⁵⁶

This policy of intervention is responsible for creating a gap between artificially high EEC prices and usually much

56 Hilary Benn, "Common Agricultural Policy",
Labour Monthly (London), June 1977, pp.266-269.

lower world prices (except during periods of shortage). Any country wanting to import foodstuffs from outside is in effect taxed to bridge this gap between EEC prices and world prices. This tax has now pushed up the prices of traditional British imports from the Commonwealth such as butter and lamb from New Zealand and wheat from Canada.

This wasteful and inefficient system of price support has caused serious damage to Britain. By guaranteeing a high price to farmers for anything and everything they produce, over production is being encouraged. The cost of buying up surplus dairy produce in 1977 alone was estimated to have been over £1,000 million and non-farming countries, like Britain have to bear most of this burden. Besides, the need to keep in line with EEC policy is forcing Britain to buy food at a much higher price from the continent and this is proving to be a stupendous drain on British balance of payments. This in 1976 was estimated to have been £500 million.⁵⁷

Some contradiction to this argument is also usually made. The principal argument on this side is that the era of cheap food is gone for ever. During 1971-72 when Britain negotiated its entry there was a substantial rise in world food prices and for some commodities such as grain, the price level was above that of the EEC. "Within the Community the CAP has allowed consumer prices to remain more stable than world prices,

57 Ibid.

partly through the imposition of export levies and partly because of the maintenance of higher levels of output than earlier world conditions seemed to warrant. Greater price stability and insulation from sudden increases in world prices are advantages in an uncertain and inflationary world."⁵⁸

This may well be true but the fact remains that the CAP has given Britain a fairly raw deal and this has been acknowledged by even pro-Marketeters such as Roy Hattersley, the former Prices and Consumer Protection Secretary, who criticized the CAP in a speech in May 1977.⁵⁹

So the economic benefits of the European Community membership for Britain, which had been expected at the time of entry, did not show up during the period under review. It was expected that a market of 250 million people would open up new opportunities for the British economy; exports would boom creating more job opportunities for the people, raise their standard of living; British industry would become more efficient in the face of competition from the continent and so on. This clearly did not happen. Exports have gone up alright, but have failed to keep up with the massive surge in imports from the EEC, as already shown. The Common Agricultural Policy is partly responsible for the massive hike in food prices since Britain joined the Community and worsened the balance of payments to a great extent.

58 J.S. Marsh, "The CAP and British Interest", Journal of Agricultural Economics (Kent, U.K.), May 1975, p.187.

59 Hilary Benn, n.56.

Legal Implications

The question of national sovereignty and how far it has been lost through British membership of the EEG had become and still is an emotive and hotly debated subject in Britain. Membership of the Community does lead to a degree of extension of the powers exercised by the Community institutions and law into the national spheres. There are three aspects of national life where this is very pronounced. These are, Parliament, the legal system and industrial practices.

The impact of the Community on national parliaments has been significant since the treaties of Rome with ultimate federalism in mind were specifically designed to give priorities to Community over national legislation. The three principal instruments they provide for this end are quite unequivocal in their wordings:

"A Regulation shall have general application. It shall be binding in its entirety and directly applicable in all member states.

A Direction shall be binding, as to the result to be achieved, upon each member state to which it is addressed, but shall leave to the national authorities, the choice of form or method.

A Decision shall be binding in its entirety upon those to whom it is addressed." 60

60 Quoted in John Taylor, "British Membership of European Communities : The Question of Parliamentary Sovereignty", Government and Opposition (London), Summer 1975, p.282.

One of the immediate effects of British accession to EEC was devolution of special responsibilities of Parliament.

(1) The United Kingdom was entitled to send 36 members to the European Assembly in Strasbourg and it fell on the Parliament to choose them.

(2) To consider immediately how best to deal with the matters arising out of the UK's membership of the EEC.

According to Article 138 of the Treaty of Rome, the Assembly of the Community "shall consist of delegates who will be designated by respective parliaments from among their members in accordance with the procedure laid down by each member state." The method may vary from state to state.

The British quota of 36 members was not filled until after the referendum since the Labour Party was boycotting the Euro-Parliament on account of the party's demands for renegotiations. This was fulfilled in July 1975. Despite this problem, the British members have played an important part in the proceedings at Strasbourg and have shouldered the heavy burden that this imposes.⁶¹

Between January 1973 and February 1974, proceedings in the House of Commons on Europe were largely on an ad hoc basis. A Select Committee (The Select Committee on European Community Secondary Legislation of 1972-73), also known as

61 The European Parliament meets for 1 week in each of the 11 months of the year and all members have to serve in 1 or more of its 12 committees. Sir David Lidderdale, "The House of Commons, Europe and Devolution", Journal of Parliamentary Information (New Delhi), January-March 1976, pp.14-26.

the Foster Committee, was set up on 21st December 1972 "to consider procedures for scrutiny of proposals for European Community Secondary Legislation and to make recommendations."⁶²

The Report of the Foster Committee was published in November 1973, though Edward Heath's Government was unable to implement its recommendations due to the elections in February 1974. The Labour Government of Harold Wilson accepted most of the recommendations and announced on 2 May 1974 that they would move to appoint a Scrutiny Committee. Regular timing was allotted for debate regarding EEC matters in the House. The European Secondary Legislation Committee (the Scrutiny Committee) was first set up on 7 May 1974 and again after the general election in October 1974 as a permanent committee for the remainder of the Parliament on 18 November 1974.

The Committee's responsibility is to scrutinize the draft legislation proposal by the European Commission to the Council of Ministers and report "what matter of principle or policy may be affected" by Community documents. It also recommends particular documents to be thoroughly debated in the House before the matter was taken up at the Council of Ministers of the EEC the purpose of this being to take note of the views of the House.⁶³

The House of Commons has adopted a pragmatic approach to the question of legislation scrutiny. In the ordinary course

62 Ibid., p.18.

63 Ibid., p.20.

of business the House will debate and pass judgements on the policies, proposals and actions of the Government and a Minister will reply to the debate before it is concluded. This has now become practice concerning the EEC as well; Ministers are now expected to explain to the House the Government's policies, proposals and actions in the context of the EEC as they are expected to do in the national context.

So far as the scrutiny of legislation goes, the Committee concerned decides what information to give to the House and the extent to which it should be given depending on whether the matter is or is not of sufficient importance to be debated on the floor of the House. To ensure that the House is able to scrutinize Community legislation adequately and in good time, it has been agreed that only in exceptional circumstances will the Minister represent Britain in the Council for discussion before the Scrutiny Committee has had an opportunity to report and a debate has taken place in the House.⁶⁴

The House of Lords too has a Scrutiny Committee which divides itself up into specialist sub-committees and makes reports to the House of Lords upon the 'merits' of Community legislation and goes into some detail as to its likely effect.

64 John Taylor, n.60, p.291.

The question whether Community membership has led to an erosion of parliamentary sovereignty in Britain is a controversial one and arguments have been made out both supporting and denying it. According to the two studies undertaken by the Directorate General of the European Parliament, the loss of sovereignty was more apparent than real.⁶⁵

According to the report the Community legislation has made very few dents in the powers of national parliaments and this is so because a national parliament theoretically possessed a certain power to legislate itself or to control legislation but in fact it has rarely or never exercised it. As the study concludes: For instance, in Britain through statutory instruments the Parliament has delegated power to the Government to act on its behalf and in such cases it is inconceivable for Parliament to act in this field again.⁶⁶

Another large area where national parliamentary powers had already been eroded significantly is International Agreements signed by member-states before they joined the EEC. These were so that accession to EEC made no difference to them. Other examples where such powers were lost are customs duties and transport agreements. Even before Britain joined the Communities the British Parliament's powers to impose or vary customs or excise duties had been reduced

65 Discussed in detail by John Taylor, *Ibid.*, pp.279-283.

66 *Ibid.*, pp.287-88.

when Britain signed the General Agreements on Trade and Tariffs (GATT).

So far as ratification of international agreement is concerned, no loss of sovereignty was sustained by the British Parliament by the EEC accession, since it did not have the power to ratify trade, or any other agreements. Since parliamentary time is limited, Britain has been increasingly governed by a mass of delegated legislation under which Government departments, local authorities and nationalized industries make regulations and orders, and most of these do not need to be brought before the Parliament ^{let} alone be subject to its control. There is a practice of subjecting these to an "affirmative resolution", i.e. that they should not come into effect until Parliament has approved them. But this is a rare practice and sometimes the most far reaching orders and regulations are not even included in this exercise.

Besides the work of the Scrutiny Committees, the loss of Parliamentary sovereignty has also been reduced due to developments not anticipated in the Rome Treaties. The treaties envisaged that the Commission alone would have the right to initiate legislation and would thus have a controlling influence over the Community. If this had come about British fears of sovereignty being lost to a "faceless bureaucracy" would have had some justification. However, developments in the way the Community operates, as opposed to theories laid down in the treaties, have reduced this danger considerably.

The summit meetings of the Ministers (responsible to national Parliaments) usually draw up the programmes which lay down the initiatives to be taken and the time table to be followed by the Commission.⁶⁷ Besides, other bodies representing the interests of member countries such as the Committee of Permanent Representatives (COREPER), Management Committee, Expert Working Parties, etc, scrutinize Community legislation and ensure that national interests are safeguarded.

The most important development, however, that has made safeguarding of national interests easier, was the "Luxembourg Compromise" that has made the Council of Ministers, the ultimate decision making body on Community legislation, subject to a procedure by which any country can effectively block, in the Council any Community legislation which it considers against its national interests and to which it objects strongly. This practice was evolved in 1965-66 when General de Gaulle boycotted the Community institutions for nine months because he felt that France's national interests were being trampled. The veto power, originally unforeseen by the Rome Treaty, considerably reduces loss of sovereignty, national or parliamentary.

Having said all these, there is, however, no denying the fact that some parliamentary and national sovereignty has been impinged upon by accession to the Treaty of Rome.

⁶⁷ Ibid., p.292.

British Parliament is now unable to pass any Act which, while protecting British national interests, would be deemed to have precluded other states from exercising their legitimate interests. An example of this would be passing of an Act, which would prevent competition from the Community states, to serve a national industry.

There is a special cause for concern in the United Kingdom because the Constitution is unwritten; hence the Parliament is regarded as the supreme guardian of individual freedom and liberty and any loss in its power a source of danger to the individual. This is so because none of the Community institutions are directly responsible to the electorate.

The implications of Community membership on the English legal system have also been far reaching. The binding nature of Community law has been accepted in English courts. Lord Denning, one of Britain's top judges, had described the Rome Treaty as "equal in force to any statute" which includes supremacy of Community law over English statutory law.⁶⁸ In some cases English law has been changed and adjusted to Community law before a case came to the court so that judges only had to explain why old judgements were no longer binding.

The supremacy of Community law can take milder forms. It can sometimes be satisfied by an interpretative adjustment

68 P.D. Dagoglou, "English Judges and European Community Law", Cambridge Law Journal, April 1978, pp.76-97.

of English law to Community law in contracting or expanding the former's effect. The supremacy of Community law over 'earlier' English law is not usually contradicted but the question of the relationship between the Community law and legislation passed in Britain after her accession to the Community is held open.

As a rule English courts and tribunals are receptive to Community law arguments. They take a sympathetic and broad views and sometimes consider the Community as an entity even where the Treaty does not provide for it. Yet, some hesitation has marked the attitude of English judges towards Community law which is reflected most clearly in their relationship with the European Court of Justice. This is demonstrated in the very small number of British requests for preliminary rulings from the European Court.⁶⁹

Lord Denning has exhorted English judges to follow the same principles of interpretation as the European Court.⁷⁰ But this is relatively easier said than done. Traditional and age-old ways of thinking do not adapt themselves overnight to unfamiliar traditions and ways of thinking and this even in the still comparatively narrow field of community law.

There has been some disagreement among English judges regarding article 177(2) of the Treaty of Rome which confers the right on judges of national courts to refer to the

69 Only 10 such references were made until the end of 1977.
Ibid.

70 Ibid.

European Court any aspect of any EEC law when its interpretation is in question. The point in dispute is the limit of discretion allowed to the national judges. Justice Graham, in the "Lowenbron Munchen vs. Grunhalle Lager International Ltd" case, understood the judicial discretion as the unfettered power of the national judge to refer the Community law side of the case to the European Court (November 1973).⁷¹ But Lord Denning, Master of the Rolls, seemed to think in "Bulmer vs. Bollinger" that 'complete discretion' does not mean capricious, whimsical or arbitrary. The rule of law allows no public authority and no judge such a power. Discretion can only exist within the limits of law. The small number of references to the European Court can be partly ascribed to Lord Denning's view, which is widely respected in Britain, that lower courts and even the Court of Appeal should preferably not refer to the European Court and leave this decision to the House of Lords.

An interesting area where British and Community law come into direct contact is in the field of industrial policies and regulations. The two Industry Acts of 1972 and 1975 are relevant. This legislation "empowers the Government of the United Kingdom to grant large scale selective financial assistance to industry; establishes the National Enterprise Board (NEB) with the responsibility, inter alia, of extending

71 Ibid.

public ownership into profitable areas of manufacturing industry; creates new powers in relation to the transfer of control over important manufacturing undertakings; and introduces a 'Planning Agreement' mechanism to improve co-ordination between the development of the activities of individual companies and the economic policies of the government."⁷²

The principal worry on the Community side is that this kind of schemes might be discriminatory against the industries of other member countries - a kind of protection - hence undesirable, if not outright against the Treaty of Rome and thus unacceptable to the Commission.

However, the Commission's policy has never been one of total opposition of state aids to industry. Thus, it has admitted: "The intervention of the state represents an instrument of the structural policy necessary as long as market forces do not permit (or do not permit within an acceptable time) the attainment of certain ends of legitimate development through the hope of better quantitative or qualitative knowledge, or else it will lead to intolerable social tension."⁷³

72 Alan Dashwood and Thomas Sharp, "The Industry Acts 1972 and 1975 and European Community Law", Common Market Law Review (Leyden, The Netherlands), Part I, February 1978, p.9.

73 First Report on Competition Policy (1972), pp.107-108. Quoted in Dashwood and Sharp, *Ibid.*, p.11.

The establishment of the NEB with the intention of extending state control on industrial and economic operation in potentially profitable areas is not affected by the Community law since according to Article 222 of the Treaty of Rome, there is no objection to any form of public ownership as such. Hence the NEB is acceptable as long as it is reasonably compatible with the Treaty and in particular with article 7 (general prohibition against discrimination based on nationality) and article 85-94 (rules on competition). On the whole the NEB has remained so and no objection was raised by the EEC Commission on the takeover of British Leyland by the NEB with a 95 per cent shareholding in 1975-76.

So far as general aids to industry are concerned, they are 'prima facie' incompatible with the Common Market, but the Commission's approval may be secured by prior notification of important individual applications of aid or of specific implementing programmes.⁷⁴ The British Government has complied with the notification requirements and no disputes concerning the compatibility of an aid to manufacturing industry has been pressed to an issue before the court and they have mostly been amicably settled by mutual consultations.

However, the scene has not been totally free from disputes. The Commission has complained to the British Government of

74 Dashwood and Sharp, Part II, May 1978, Ibid., p.131.

of discrimination and Treaty infringement in its policy regarding granting of licences exclusively to British nationals for oil exploration in the North Sea under its Continental Shelf Act of 1964.⁷⁵ The history of state aids to British industry, too, has not remained totally free from controversy.

Conclusion

The foregoing discussion has made it quite clear that the European Community membership has profoundly influenced the British political, economic and legal life. The transformation from a global to a European power has proved to be quite painful and most of the country's populace are still reluctant to consider themselves as strictly Europeans. Large section of the Labour Party and the Trade Unions have still not accepted EEC membership as a fait accompli and harbour the hope that some day it can be overturned. Economically the country has not derived the benefits it had hoped to and this has provided further ammunition to the anti-marketeters.

75 J.C. Woodliffe, "North Sea Oil : The EEC Connection", Common Market Law Review (Leyden), February 1975, pp.13-14.

CHAPTER III

**IMPACT ON BRITAIN'S FOREIGN RELATIONS : THE
UNITED STATES AND THE COMMONWEALTH**

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The two most important circles of Britain's foreign relations after the Second World War were the United States of America and the Commonwealth of Nations. It was in the hope of preserving its so-called world role through these two sets of relationships that Britain, after the Second World War, had rejected all cajoling and persuasions to join the European unity movement. Now that it has become a member of the European Economic Community, it would be worthwhile to have a look at what impact this has had on the two sets of relationships on which Britain laid so much emphasis.

The United States and Britain

The relationship between Britain and the United States during and immediately after the Second World War was perhaps one of the very few examples of how close and deep relations between two sovereign states can be. Bonds of ethnic, cultural and linguistic ties apart the two countries also perceived their mutual interests to be uniform in the face of what appeared to them as the increasing bellicosity and military might of the Soviet Union. This was reflected quite clearly over the formation of the North Atlantic Treaty Organisation (NATO).

However, as the years went by, the assymetry of the relationship began to tell and American failure to support it in its action over the Suez crisis in October 1956 finally

convinced Britain that the ethos of the relationship had changed.

America too had realised that Britain was no longer a world force on its own right, and it would be in American and Western as well as in Britain's own interests for the country to join the EEC.

The principal reason for the transformation in the plan of the relationship was the difference between the two countries in size, power and world interests which grew more obvious and too big to be bridged by mutual cordiality. With De Gaulle's departure, the last remaining obstacles to British membership of the EEC were removed; consequently with the arrival of Richard Nixon and a rethinking of U.S. strategy around the world the relationship was put on to a new plane. The Nixon-Kissinger team set new priorities for U.S. foreign policy the cornerstone of which was going to be a 'detente' with the Soviet Union and China. This was necessarily going to affect American contact with its allies, including Britain.

Even before entry, the long concentration on the move into the Community contributed to a decline in the ardour of Britain's Atlantic relationship. This may have been inevitable and perhaps helped to diminish fear in Europe of Britain being America's trojan horse.¹

¹ "Europe in the Atlantic Context", The Times (London), 27 November 1971.

Personalities and personal friendships have always played an important part in Anglo-American relations; the foremost examples of this were Roosevelt's ties with Churchill and Macmillan's with Kennedy. During both the periods the Anglo-American relations had reached their zenith. But the man who took Britain into the Community, Edward Heath, was distinctly an European and put less emphasis on relations with America. When Britain joined the Market in January 1973, the United States was in the middle of a confrontation with the EEC over trade between the two. The United States was worried over what it considered to be discriminatory practices against American exports to the EEC resulting in massive balance of payments deficit for the country. It had hoped that when Britain joined the Market its cosmopolitan, out-ward looking attitude would influence the Community away from these practices.²

Edward Heath took a very much European stance in this dispute when, during a trip to the United States in February 1973, he made clear Europe's rejection of the American idea that the Nine would have to come forward with definite trade concessions before the United States would engage in negotiations for reduced tariffs. These were months of tension between the United States and the European Community over the question of protectionism and trade liberalization and

2 Richard Scott, "Washington : No Changes Expected", The Guardian (London), 20 June 1970.

though anxious to avoid a serious dissension between the EEC and the United States, Heath gave every indication in Washington that his basic commitment was to European interests despite all protestations of personal cordiality with Nixon.³

An important change in this period, partially brought about by British membership of the European Community, was in American nuclear policy. This was reflected in the feelers sent to London and Paris in April 1973 that the U.S. might actively favour an "Anglo-French nuclear military force operating on behalf of Europe", i.e., an independent European nuclear force.⁴ For years France, particularly under De Gaulle, was advocating for and working to this end and the United States was opposed to this. The change of attitude by the Nixon-Kissinger team was a vindication of this line. This came as a great relief to the British who, in an altered situation, now could feel less restricted by promises of secrecy over nuclear collaboration between Britain and the United States that were made to Washington during the period of 'special relationship' preceding British membership of the European Community. Heath had been a longstanding advocate of a "European" nuclear force comprising the British and the French national forces under joint control.⁵

3 Henry Brandon, "Heath Asks Nixon For More Nuclear Support", Sunday Times (London), 4 February 1973.

4 C.L. Sulzberger, "Is a Door Finally Opening?", International Herald Tribune (Paris), 28 May 1973.

5 Ibid.

A clear indication of the distance Britain had travelled from America during the 1960s and early 1970s and especially since it joined the European Community was available over the Yom Kippur war between Israel and the Arabs in October 1973. The link with the European Community and particularly with France and Germany must have inspired Britain for once to stand up and defy America. This was reflected in the refusal by Britain to allow the United States to use its bases there in supplying military hardware to Israel during the course of the war. It proved wrong the contention held out by both Churchill and De Gaulle that British interests and loyalties were too deeply and tightly linked with the United States for it ever to oppose that country in an hour of crisis. "In a moment of acute international crisis involving the United States and the Soviet Union, Britain proved herself no more loyal or co-operative than did her European partners. If Britain was not in the Common Market, it is unlikely that she would have reacted to this crisis in this way, since for a relatively powerless country, quite unprepared and unable to guarantee her own independent security, such reckless provocation to the source of her own protection would inevitably seem to be the height of irresponsible folly."⁶

The British habit to go along with whatever policy decisions taken in Washington had been ingrained in the 1960s.

6 Peregrine Worsthorn, "Britain Joins the Anti-America Club", Sunday Telegraph (London), 4 November 1973.

For instance, Britain, outside the Market, never really believed in the wisdom of America's support for South Vietnam. But it went along with it "recognising that it was not in its interest to undermine America's instinct of protective benevolence and world responsibility on which Britain's own security so absolutely depended."⁷ The change in the feeling of dependence was particularly marked during the Heath Government.

However, this was not what the pro-Marketeters had envisaged. They had argued that without Britain there was a grave danger of Western Europe, under the influence of France, becoming an anti-American club; but if Britain were to be a Community member, its role would be to moderate and mitigate Europe's latent and sometimes open anti-Americanism. But at least during the first year the reverse seemed to happen. Far from seeking to moderate and mitigate Western Europe's instinctive anti-Americanism during the crisis, Edward Heath, Prime Minister, and Sir Alec Douglas-Home, Foreign Secretary, showed some signs of sharing it.

Britain's reaction, along with those of Western Europe in general, was basically neutralist. It sought to judge the Soviet-American confrontation not as a clash of wills between her friend and her foe, but more as between two alien super powers with neither of whom it was necessary to associate.

7 Ibid.

The crisis period was marked by European refusal to co-operate with the United States in flying in supplies to Israel which faced a heavy Arab challenge backed up by massive supplies of Russian arms. Here, an Israeli defeat would have been tantamount to a U.S. defeat. Atlantic solidarity seemed to be in tatters. Instead of rallying to America's side as a reflex action, Britain and the rest of Western Europe did the opposite.

The British and the Western European defiance of the United States was not an isolated incident. Ever since the arrival of Nixon in the White House, the United States was tending to neglect its allies in conducting its foreign policy and particularly defente with the Soviet Union. Britain was not even informed, let alone consulted, over the change of policy towards China in July 1971.⁸ Although detente with Soviet Union was considered to be beneficial to Britain and Western Europe also, the bilateral Washington-Moscow negotiations that had helped to bring it about over their heads as it were, was resented in London and elsewhere in Western Europe. The Gaullist dream of a Western Europe increasingly independent of both the super powers was beginning to be felt in Britain as well.

⁸ Batuk Gathani, "UK Not Consulted on US Alert", The Hindu (Madras), 27 October 1973.

Another indication of the end of 'special relationship', besides the ones already mentioned, was demonstrated during the October 1973 crisis when Britain was not consulted over the global U.S. nuclear alert.⁹ The British Foreign Secretary intimated, though not directly, the House of Commons on 26 October 1973 that there had been no warning, let alone any consultations between the American and British governments before the Nixon Administration placed its forces on alert.¹⁰ There was resentment in Britain when it was known that the Americans were not forthcoming after the British Government enquired what state of alert applied to U.S. air force units on British soil. It was a rude shock for Britain to be "left out" by Washington. Gone were the days of the Cuban missile crisis "when President Kennedy was on hot line with Macmillan almost (sic) every hour."¹¹

A clear divergence between the American and British positions had opened up during the crisis of October 1973. The open American involvement on the Israeli side cut into the Anglo-American relationship¹² and indeed threatened detente

9 This was in response to the Russian threat of unilateral dispatching of troops to the Middle East following U.S. refusal to co-operate in supervising the ceasefire.

10 U.K., Commons, Parliamentary Debates, 1972-73, vol.861, cols.1475-1485.

11 The Hindu (Madras), 27 October 1973.

12 Edward Heath's Government was more even-handed in its attitude to the Arab-Israeli conflict than previous British Governments.

with Russia in a way that even the Vietnam war never did. Heath and Alec Douglas-Home were clearly thrown on the defensive while facing Wilson's searing onslaught on the 'humiliation of the American alert' and on the U.S. failure to consult Britain which he stigmatized as an 'outrage' potentially lethal to world peace.¹³ This was so because the American action involved use of bases on British soil which implicated Britain into the crisis without its consent.

The United States was no less annoyed with Britain and its other allies for their failure to come out in support of American policy which was largely motivated in trying to safeguard their own oil supplies.¹⁴ This was demonstrated in the almost daily reproach delivered on them by Henry Kissinger and other administration spokesmen.¹⁵

The strategy of Britain as the focal point of three intersecting circles - the United States, Europe and the Commonwealth - had seemed somewhat less convincing even in the 1960s; but after the October 1973 war fiasco - with a Commonwealth reduced to a shadow and the American relationship something less than special - the room for manoeuvre (for

13 U.K., Commons, Parliamentary Debates, 1973-74,
vol.863, cols.17-19.

14 The European refusal to support American action was largely thought to have been dictated by the fear of oil supplies to them being cut off by the Arabs on whom they were heavily dependent. The only West European state, Holland, which supported Israel and the American action, suffered this fate.

15 "Re-appraising the Anglo-American Alliance",
The Times, 1 November 1973.

foreign office) became even more limited. The assumption that Britain, from within, would be able to prevent an Atlantic split did not quite work. The split only widened and it was realised that the problem of Britain's international role will not be easily solved by its European commitment alone.¹⁶

The criticism of the Heath Government that it allowed the 'special relationship' with the United States to deteriorate because of its anxiety to keep on good terms, at all costs, with France became quite widespread. The Daily Telegraph even suggested in an editorial that Mr Heath was too anxious to prove wrong De Gaulle's belief that Britain would be a 'Trojan Horse' inside the Community for American influence.¹⁷

The souring of Anglo-American relations in 1973-74 owed its origin partly to the personal relationship between Henry Kissinger and Edward Heath. Heath detested Kissinger's style of diplomacy which, on certain occasions, bordered almost on casualness. Kissinger's harsh words during the Middle East crisis and the zeal with which he proclaimed the Year of Europe and the European Charter without prior consultations with Europeans earlier that year did not exactly endear him to Edward Heath and other Europeans. On the other hand, Kissinger could not take Heath's enthusiasm for Europe too kindly and there were some reports of American officials

16 "The European Dimension", The Guardian, 23 November 1973.

17 "Britain, Europe and America", Daily Telegraph, 6 February 1974.

describing Heath as "some kind of decadent Gaullist".¹⁸

All these were indications of the mutual coolness which replaced the old hands-across-the-sea relationship, during Edward Heath's tenure.

Both the criticisms relating to Edward Heath and Henry Kissinger were true; Heath was a genuine European with a sense of deep commitment to Europe and he was not prepared to allow the so-called 'special relationship' to come in the way between Europe and Britain.

On the other hand Kissinger's penchant for secret diplomacy and his practice of bypassing Ambassadors of important allies like Britain while momentous decisions were taken was partly responsible for the misunderstanding.¹⁹

Another cause of Heath's irritation was the frequent complaints of Kissinger that the European allies were not doing enough for the Western defence; Kissinger's call to work out common policies among the nations of Western Europe, Japan and the United States to tackle the problems of inflation, energy and world monetary problems betrayed his insensitivity towards the problems of the Europeans, Heath complained.²⁰

18 Louis Heren, "Anglo-American Diplomacy : Civilized but Hardly Civil", The Times, 7 February 1974.

19 While he was Nixon's National Security Adviser in 1973, Kissinger once telephoned Heath from Washington to pass on some secret information without first informing the State Department and the British Embassy. Heath was reported to have been somewhat taken aback by this rather casual piece of diplomacy. The Times, 7 February 1974.

20 James Reston, "Why Dr Kissinger Irritates Mr Heath?", The Times, 28 February 1974.

With the defeat of Edward Heath in the general election of February 1974 and assumption of office by Harold Wilson, the atmosphere changed somewhat. The British expression of hopes for closer ties with Washington seemed feasible, since the Labour Government of Harold Wilson did not share the almost religious commitment to Europe of Edward Heath; on certain issues (suspicion of France, more pro-Israeli line), it was also closer to Washington than the Tories.²¹

The Wilson-Callaghan team took a more balanced approach in their relations with the United States and the European Community. The irony is that relations between London and Washington have usually been smoother under a Labour Government than a Tory Administration. This is probably so because of Labour's instinctive anti-Europeanism.

The issues between Britain and America in the mid-1970s were mainly economic in which they usually agreed; both were coping with similar economic problems, namely, the twin dangers of inflation and a world recession.

This was also a period when the Western world was passing through a crisis. The huge increase in oil prices had thrown the industrial world into the worst economic crisis since the great depression of the 1930s. The economic crisis was beginning to threaten NATO, the foundation of the Atlantic Community, with a chorus of demands for troop cuts and troop

21 Alvin Shuster, "Britain Seeks Closer Ties with U.S.", International Herald Tribune, 17 March 1974.

withdrawals to economise on Government expenditure emanating from leading Western capitals.²² Pressure mounted from the left wing of the Labour Party for heavy cuts in defence budgets and release the money thus saved to create some jobs for the unemployed.²³ Increasing demands were also made in the U.S. Congress for troop withdrawal from Europe.²⁴

In these circumstances the context of the Atlantic Relationship changed and came to rest on the concept of a united Europe. The United States no longer looked exclusively to Britain for a meaningful dialogue with Europe; by now it had established very good relations with West Germany.²⁵

The arrival of Jimmy Carter at the White House in January 1977 once again saw the reappearance of a cosy and intimate relationship established between an American President and a British Prime Minister. In the first meeting between Carter and James Callaghan (who had become British Prime Minister in March 1976) in March 1977, the President even referred, for the first time in an Anglo-American summit after long years, to the 'special relationship' between the two countries. He also said that whatever the variety of Americans' origins, "all of us recognize that historically and politically Great Britain is still America's mother country."²⁶

22 Louis Heren, "Patching up Anglo-American Relation ; The Big Hurdle is Whether We Stay in Europe", The Times, 4 March 1975.

23 Ibid.

24 Ibid.

25 Ibid.

26 The Times, 11 March 1977.

Even explaining part of this camaraderie to President Carter's generous disposition by nature towards all his guests, a new warmth had certainly been injected into the relationship after Carter became President. His trip to the North-East of England on 6 May 1977 during the Economic Summit of Industrial Nations in London reflected it to a great extent. During the two years, 1977 and 1978, collaboration between the two governments over a variety of issues which also included the knotty problem of Rhodesia, went extremely well. The Labour Government and the US administration co-operated closely in pursuing for an international solution to this Rhodesian problem. Both governments were opposed to recognising the 'Internal Settlement' worked out between Prime Minister Ian Smith of the white minority regime and the black nationalist leader Bishop Abel Muzorewa and his united African National Council; they also felt that the elections in Rhodesia held under this arrangement did not provide an equitable opportunity for participation of the Nationalist Guerilla leaders, Joshua Nkomo and Robert Mugabe, and their Patriotic Front.²⁷

But underneath all these protestations of a resurrected cordiality, there was no denying that the days of 'special relationship', as it existed during and in the immediate aftermath of the war, were gone. "Geography, strategy,

27 N.C. Menon, "Carter Notes 'Superb' Relations With UK", Hindustan Times (New Delhi), 6 May 1979.

economies - Britain's long defiance of these as an imperial and global power should not and could not be protracted into the changed world of today. The time has now arrived when, as Edward Heath predicted, a British official's first reaction to many a crises is, 'what will Bonn and Paris think?'"²⁸

Britain is firmly in Europe and the country's decision-makers and thinking citizens accept it as the only sensible course available to them. Relations with America, however, continue to be close as, to quote Alastair Buchan, "The old Commonwealth apart, the British and the American peoples think more alike - or at least disagree less - than anyone else. Hot lines and frank exchanges between Washington and other capitals, dictated by self-preservation and balance of power politics, are no substitutes for shared political values in a hostile world or a common language in an increasingly lazy one."²⁹

Britain and the Commonwealth

The organization that became the Commonwealth of Nations after the rapid decolonization of the British empire was a cornerstone of British foreign policy after the Second World War. It became a matter of great importance to Britain both in terms of economics and sentimental attachment. The 'old

28 Alastair Buchan, "Mothers and Daughters", Foreign Affairs(New York), July 1976, p.669.

29 Ibid.

Commonwealth' comprising the three white dominions of Canada, Australia and New Zealand (Union of South Africa left the Commonwealth in 1961) was inhabited primarily by Britons and their descendants along with some immigrants from Europe. Hence the ethnic and sentimental attachment. Economically the Commonwealth was set up in 1932 at the Ottawa Imperial Conference as a union between Britain and its colonies and dominions to trade in the raw materials supplied by them for Britain's manufactures which were mostly marketed back in these colonies again. This apparently businesslike relationship, but in practice far from it, was also marked by a common allegiance to the British crown.

After the war, the ranks of the Commonwealth were swelled by newly independent countries in Africa, Asia and the Carribean and the heyday of the organization was reached in the early 1960s when it became a truly multiracial association linking the developed and developing countries, the former rulers and ruled, on the basis of sovereign equality and mutual co-operation.

However, the organization's prestige was related mostly to the status of Britain which had taken a down-ward turn throughout the 1950s and 1960s. By the time Britain joined the EEC, the Commonwealth was a far-cry from the British Empire 60 years ago; the organization had little say in the great issues of the day like oil prices, the international currency crisis, world inflation and recession, the perils of

war in the Middle East and South East Asia, etc.

The question of the Commonwealth and the preferences enjoyed by its members in the British market occupied a fairly important place in the negotiation leading to Britain's entry into the European Communities. The treaty of accession that Britain signed in January 1972 dealt with the question of trade with the developing members of the Commonwealth. Under protocol 22 of the treaty, twenty developing countries of the Commonwealth were offered 'association' with the European Economic Community. The protocol further said, "The provisions of this association... must ... take into account of the special economic conditions common to the independent developing Commonwealth countries situated in Africa, the Indian ocean, the Pacific ocean and the caribbean and the Associated African and Malagasy states, the experience acquired within the framework of association, the wishes of the Associated States and the consequences for those states of the introduction of the Generalised Preference Scheme."³⁰ It also spelt out the commitment of the Community towards these states. "The Community will have as its firm purpose the safeguarding of the interests of all the countries referred to in this protocol whose economies depend to a considerable extent on the export of primary products, and particularly of sugar."³¹

30 UK, HMSO, "Treaty Series", cmd 5179-I (1973), p.265.

31 Ibid.

The Asian countries of the Commonwealth did not fare as well. The maximum that these countries managed to achieve was a Joint Declaration of Intent (JDI), annexed to the Treaty of Accession, on the development of trade relations with Ceylon, India, Malaysia, Pakistan and Singapore. The JDI promised, "... the European Economic Community is ready, from the date of accession, to examine with these countries such problems as may arise in the field of trade with a view to seeking appropriate solutions, taking into account the effect of the Generalised Tariff Preference Scheme and the situation of other developing countries in the same geographical area."³²

The most significant beneficiaries of the EEC connection, following Britain's move into the Community, have been the 21 ACP countries of the Commonwealth by virtue of the Lome Convention which was signed between the EEC on the one hand and the 46 developing ACP countries on the other. This was a package of trade and aid scheme under which the export earnings of these 46 ACP countries were to be given a stabilized status by offering them free access to the EEC markets. The Commonwealth signatories which range from Nigeria, Kenya, Tanzania and Zambia to tiny Tuvalu, by virtue of their association with the convention would, besides continuing to get free access to the British market,

32 Ibid.

"now also have duty and quota free access for their manufactured goods to the faster growing markets of the other eight EEC countries without having to make crucial trade concessions."³³ In the Yaounde Convention, predecessor to Lome, the Six had given preferences to former French colonies and discriminated against these Commonwealth countries.³⁴

The principal group of Commonwealth countries to have benefited from the Lome Convention were the sugar producers. These countries, mainly from the Caribbean, were offered a new deal since their principal market, Britain, had moved to the Community and thus behind the Common External Tariff wall. They were guaranteed access for their cane products, their principal foreign exchange earner, until 1982, something which the Conservative Government had promised them in 1971.

This was also the first time when a group of industrialised countries had agreed to 'index' the price of imports to the rise in production costs at home.³⁵ The 'Stabex' scheme guaranteed against price fluctuations since the export revenue of developing countries depended on a limited number of primary products such as coffee, cocoa,

33 The Economist (London), 4 August 1979, pp.33-34.

34 "Love Me, Love My Commonwealth", The Economist, 4 August 1979, pp.33-34.

35 Richard Norton Taylor, "Sweet Reasons", The Guardian, 4 February 1975.

groundnuts, cotton, wood, bananas, tea and iron ore.³⁶ Free access to the EEC was granted to 96 per cent exports of these countries. For the rest - mainly agricultural products competing with those produced in Europe itself - the Community insisted on maintaining some safeguards.

In quality the Lome Convention was superior to any link with the Commonwealth which the United Kingdom, on its own, could have offered. The resources and the markets of the obviously more affluent countries came to the aid of the developing world of the ACP.

The Lome Convention was a remarkable achievement and there are a few reasons as to why this was so. Firstly, it promised rich economic benefits for the developing countries concerned. They were assured free access to the world's largest trading area for all their manufactures and 90 per cent of their agricultural products, and they were also going to receive assistance to exploit this huge market. The Community's technology was also going to be made available to them through industrial co-operation agreements. Provision was made of a large European Development Fund of which 80 per cent was to be in the form of grants.³⁷

Secondly, the Stabex scheme and the degree of sympathy and co-operation extended by the Community and its Commission could form a model to be followed in future for co-operation

36 Ibid.

37 The Times, 8 April 1975.

between developed and developing countries and the producers and consumers of raw materials.

Thirdly, the Commonwealth relationship, modelled on a colonial pattern, was transformed by this convention to a healthier relationship between continents and groups of powers. The countries of the Commonwealth, free from their compulsion to rely heavily on one country for their trade, were able to negotiate on something approaching more equal footing.³⁸

In fact, the benefits obtained from the Lome Convention³⁹ were so substantial that during the renegotiation debate in Britain most of the Commonwealth countries from ACP firmly supported Britain's continuing membership.⁴⁰ Recognising the need to cultivate economic relations with the EEC, notwithstanding the fact whether Britain left the EEC or not, 26 out of 32 Commonwealth countries had signed one or the other form of agreement with the Community by April 1975. The ACP countries were also due to put their share of the

38 Ibid.

39 A successor to the Lome Pact known as Lome II, has recently been negotiated with the ACP countries which is due to run for 5 years from March 1980. Under this, the ACP countries would continue to get free access to EEC markets for their products.

40 Sunday Times, 27 April, 1975.

£1600m worth of aid from the Nine between 1975 and 1980. It would not have been in their interests to tie their fortunes exclusively with Britain again, had it decided to leave the Community in 1975.

The Asian members of the Commonwealth were not so fortunate as the ACP countries in their dealings with the Community. They were not included in the Lome Convention and the only real concession offered to India, Pakistan, Sri Lanka and to a lesser degree Malaysia, was the duty-free entry accorded by the Community's Generalised System of Preference (GSP) coupled with the negotiation of separate trade agreements designed to enlarge quotas, cut tariffs, and bring new items, especially tropical products and processed food stuffs under its scope.⁴¹

Despite this relatively discriminatory treatment by the Community, the Asian Commonwealth members too were not very enthusiastic about Britain leaving the EEC. The fact was that the Common Market, by its sheer economic weight, matters more to the Commonwealth as a trading partner than Britain with all sorts of trade preferences that it could possibly offer without endangering its own economy and industry. Some statistics, released by the Commonwealth Secretariat in London in April 1975, spelt out that Commonwealth trade with other eight member countries was

41 The Times, 19 May 1974.

bigger in 1974 than all intra-Commonwealth trade, including trade with Britain.

For the Asian Commonwealth, which feared the most from Britain joining the EEC, the appeal did not end with trade; the Indian subcontinent got about £60m worth of Community financed food aid, in addition to the lion's share of the EEC contribution to the UN special fund for developing countries hit by the oil crisis.⁴² The anti-marketeters' claim during the Referendum campaign that Britain could look after the Commonwealth just as well, if not better, outside the Market, produced reactions from Commonwealth diplomats in London that ranged from sheer disbelief to outright anger. For example, the Indian officials confided that they had no desire to be shackled to the slumps and depressions of the ailing British economy. For them the Common Market of Nine was and still is one of their biggest trading partners. The growth potential of their exports to the continent is preferable despite the marginally more restrictive trading terms.⁴³ Besides the free entry into the market of about 90 per cent of Indian exports under the GSP, the restrictive list of sensitive products was slashed from 51 to 17 in 1974 on jute and coir, which matters to India and Bangladesh.⁴⁴ Britain's membership of the Market

42 Sunday Times, 27 April 1975.

43 Ibid.

44 Ibid.

has meant that the rest of the member states have cut their tariffs by 60 per cent between 1971 and 1975. India's exports of sugar and tobacco have continued under special quotas and its total exports to the EEC since 1973 have grown by 242 per cent and Pakistan's by 156 per cent. One major problem has, however, been the EEC's protectionism over textile imports which is governed by the multifibre arrangement running from 1971 to 1982, laying down strict quotas on imports. More stringent limits have been put on Korea, Taiwan and Hong Kong. Exports to the EEC from Malaysia, Singapore and Hong Kong too have doubled since Britain joined, but they too have been hurt like India and Pakistan by EEC protectionism.

However, the hardest hit from British membership of the EEC have been the old Commonwealth members, Canada, Australia and New Zealand. All three of them have had a very close economic relationship with Britain and the British food market was their virtual preserve before its move into the EEC.

The concessions offered to the developing ACP countries of the Commonwealth by the EEC are not allowed to its white members. They must now pay the Common External Tariff on all their exports of manufactures to Britain, which has been particularly tough on Canada.

The EEC's common agricultural policy has also hit these countries hard. All three are big farm exporters and the

the CAP's variable levy wall, designed to ensure that EEC states buy their food from each other, has shut off old Commonwealth's traditional outlets in the large British food market. Canada still exports some wheat to Britain because Britain's standard steam-baked white loaves require North American wheat. But other Canadian exports - such as foodgrains, beef and cheese - have fallen. The Common External Tariff has affected Canadian exports of manufactures to Britain as well.

Australia and New Zealand, both more dependent on Britain in their trade than Canada, have been harder hit. Trade structures of both these countries are similar to that of a third world country. Nearly 70 per cent of New Zealand's and half of Australia's exports are farm goods. Neither quite realised what was coming when Britain joined EEC in 1973 as was later claimed by them. Since then as their important farm exports to Britain have tumbled, the CAP's tariff walls have risen and EEC surpluses of its own milk, sugar and beef have gone up. New Zealand's cheese exports to Britain dropped from 60,000 tonnes in 1973 to nil at the end of 1977, though the New Zealanders have now negotiated a small cheese quota of 9500 tonnes in the multi-lateral trade negotiations. New Zealand's butter exports have been gradually squeezed out of the British market. The New Zealanders have to pay an EEC tariff of 20 per cent on their lamb exports to Britain; Australia's traditional

exports of cereals, dairy products and beef dropped by 80 per cent between 1973 and 1977. Beef exports to the EEC came down from over 100,000 tonnes in 1973 to below 10,000 tonnes in 1977.⁴⁵

The change in Australia, New Zealand and Canada's trade patterns away from Britain has been dramatic. But Britain's EEC membership has merely accelerated a trend which has been obvious for two decades. Despite their bitter criticism of it, the Australians have accepted the CAP. They got modest concessions in the multilateral trade negotiations, which will give them an industrial tariff reductions in the EEC and small quotas for cheese, beef and buffalo meat imports. A deal between Britain and Australia will now allow the export of uranium to Britain. Australia already meets a significant proportion of the Community's import needs of aluminium, zinc, tin and copper.⁴⁶

Despite these difficulties, however, the white Commonwealth countries, particularly, Canada and Australia did not want Britain to leave the EEC in 1975. They demonstrated that they were overcoming the transitional difficulties between the old Commonwealth system and the new economic connexion growing round the EEC. The Canadian Prime Minister,

45 The Economist, 17 June 1978.

46 All the data are collected from The Economist, 17 June 1978, pp.63-4 and 4 August 1979, pp.33-34.

Pierre Trudeau demonstrated that Canada can negotiate with the EEC directly and successfully to obtain compensation for the losses suffered by Canada from the EEC enlargement and from the unfair operations of the CAP.⁴⁷

In all three countries the point is made that under pressure of world economic change and a new structure of costs, the regime of cheap food for Britain was dead. Their producers, with rising expectations of living standards, would hardly be prepared to subsidize the British consumer who cannot offer the advantages of the British connections in terms of markets or defence. With the rise in population and development, the world market was bound to have become more profitable for the agriculturally surplus Commonwealth countries.

Britain's relations with and influence in the Commonwealth was actually faltering prior to its joining the EEC. The staunchly European, Edward Heath, was generally reticent about the Commonwealth and its affairs. Heath's strong reaction at the Singapore Commonwealth Prime Ministers Conference in 1971 against African criticism of British arms sales to South Africa and British policy in Rhodesia left the impression that the Commonwealth was regarded as a hindrance, an unwarranted leftover from the imperial past, complicating Britain's entry into Europe; that the Commonwealth was no longer so important to Britain that it would

⁴⁷ The Times, 19 May 1974.

silently suffer the strictures of other members. British dealings with South Africa were dictated to a great extent by the country's economic weakness. For instance there is the case of British economic investments in and arm supply to South Africa. In 1967 when the ban on arms supply to South Africa came to be reviewed by the Wilson Government, the cabinet was subjected to strong temptations to drop it in view of the severe balance of payments problem which subsequently resulted in devaluation of the sterling in November that year. It was hoped that EEC membership would provide a good economic foundation to the country and the necessity to rely on trade with South Africa would reduce.⁴⁸

The developments in the Singapore Conference may have succeeded in persuading the other Commonwealth members to question old assumptions and to realize that "as one of the consequences of British entry into the EEC, London does not have to be the centre of the Commonwealth."⁴⁹

Since the gestation period before Britain finally became a member of the European Community was so long, most of the changes that British relations with the Commonwealth

48 F.S. Northedge, "British Foreign Policy in a Community Context" in Kenneth J. Twichett (ed.), Europe and the World: The External Relation of the Common Market (London, 1976), pp.186-187.

49 The Times, 30 July 1973.

underwent, had already taken place in the 1960s and early 1970s and membership of the EEC only confirmed this. Demonstration of shifting British loyalty was available in the Ottawa Conference of 1973 where, despite strong pressures from Australia and New Zealand, the two countries most affected, Edward Heath firmly refused to condemn France for its atmospheric nuclear tests in the South Pacific on the ground that France was a friend and partner of Britain whom it would not like to condemn in public.⁵⁰

There were rumblings of change inside the Commonwealth as well. For too long, Britain had been the centre of the Commonwealth and the old colonial Empire. The new national leaders were yearning to assert their independence, yet slow to cast off past habits and attitudes essentially dependent. There was general acceptance of the fact that apart from goodwill and old associations, Britain has the right to give priority to its national interests.

There was some revival of the old sentimental attachment towards the Commonwealth in British Government circles after the Labour Government assumed office. But this was primarily due to the fact that Wilson and Callaghan lacked the fervent dedication to Europe that Edward Heath had. Both Harold Wilson and James Callaghan were too much of a pragmatist to realise that the Commonwealth of 1975 was hardly a substitute

50 The Statesman (New Delhi), 4 August 1973.

for the Common Market. Yet they were keen to maintain close and fraternal ties with the Commonwealth which had become too old a habit to discard. The Commonwealth Conference of May 1975 in Jamaica and June 1977 in London did not have the fireworks of Singapore or the chilly undercurrent of discontent as in Ottawa between Britain and its partners.

The Commonwealth, as it existed in the 1950s and early 1960s, is a thing of the past. Whatever the amount of British discontent with the EEC, it can hardly think in terms of a grand revival of the worldwide role of the Commonwealth under British leadership in the late 1970s and early 1980s. Membership of the EEC has put Britain's Commonwealth link in a more balanced and realistic perspective. The occasional gathering of the Commonwealth heads of states in a conference somewhere in the world is now both a pleasant and sad reminder to Britain and the British of the glorious era that was theirs.

CHAPTER IV

INTERACTION WITH EEC PARTNERS

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Britain's joining the European Community on 1st January 1973 was, as has been noted elsewhere, the culmination of a realization that the country's long term future lay in Europe. The geographical isolation which had profoundly influenced the country's foreign policy for centuries, the sense of being with Europe but not in it, was finally seen to have ceased to be a factor in the calculations of the country's statesmen. Britain's destiny, which was always considered to have been intertwined with that of Europe's, particularly after the Second World War, was at last hitched, economically at least, with it.

But the question that has assumed significant dimensions is to what extent has Britain been successful in its venture to become 'European' in six years of the Community membership. This was also the first time when Britain came to almost day-to-day contact with the other West European states, notably France and West Germany, through the Community institutions. This opportunity alone went a long way to raise Britain's relations with these two states on to a higher plane.

There was a real improvement in relations between France and Britain after the heavily personalized emphasis on French foreign policy was removed following the departure of De Gaulle who was instrumental in keeping Britain out of the

European Economic Community for a decade. Despite President Pompidou's declaration to improve relations, the process by which France accepted the British entry into the EEC was unpredictable and liable to breakdown at any time between 1970 and 1972. But Edward Heath, on being elected Prime Minister in June 1970 quickly moved to establish a personal rapport with President Pompidou. This was reflected in the successful outcome in the negotiations which was determined by a meeting in Paris on 21 May 1971 between Pompidou and Heath leading to the resolution of outstanding issues regarding British transition to Community preference in agriculture, the scale of their contributions to the Community budget and the adaption of the position of sterling to Community needs.¹ This was sufficient to enable Britain to sign the Treaty of Rome in January 1972.

The French and the British experiences with membership of the Community have been essentially different. Unlike Britain, France had initiated the European unity movement itself and taken active part right from the inception of the European Coal and Steel Community in 1950. This transitional experience between ECSC and the EEC from 1951

¹ Neville Waites, "Britain and France : Towards a Stable Relationship", World Today (London), December 1976, pp.451-58.

to 1957 had greatly benefited it and it did not see the EEC as a substitute for its empire until long after signing the Treaty of Rome in 1957.

The British, on the other hand, were very conscious of having lost an empire and seeking a new role in 1970s. The EEC was considered to be the only organisation which was capable of offering Britain the role it lost.

There was greater confidence in France in its bilateral relations with Britain, having already overtaken it and become the fifth largest industrial power in the world.² Britain was being considered as a valuable market for industrial as well as agricultural produce from France. French suspicion of 1960s, that Britain principally owed loyalty to the United States, was somewhat allayed by the withdrawal of British armed forces from the east of Suez by the previous Labour Government of Harold Wilson.

But the Yom Kippur war between Israel and the Arabs in October 1973 saw some divergence in British and French opinions. France refused to condemn the Arabs and spurned US proposals to join a joint front against the oil producing countries.

The British, on the other hand, under Edward Heath, were not willing to have an open confrontation with the United States. They were also prepared to have an open mind, along with other EEC countries to Henry Kissinger's

2 Ibid.

initiatives in search of a global solution to the energy crisis.³

The Anglo-Saxon connection was, therefore, partly responsible for a deterioration in Franco-British relations even before the Labour Government of 1974 raised the question of renegotiations.

The election of the Labour Government and Harold Wilson's demand for renegotiation of the terms of membership brought unpleasantness between Britain and its EEC partners, particularly France. Some French observers, who had been closely involved with negotiations leading to British entry, and the Foreign Minister, Michel Jobert, were irritated and disappointed.⁴

As has already been noted, the demand for renegotiation was a reflection of the schism that had developed in the British Labour Party on the question of the Common Market. The left wing of the Labour Party which was particularly vociferous in its opposition to the EEC was the main problem of the governments under both Harold Wilson and James Callaghan. Neither of them could afford to be seen to be compromising on what could be termed essential British interests.⁵

The actual exercise in renegotiation saw only marginal improvement in the entry terms which, some critics pronounced, could have been done through the normal process of bargaining

3 Ibid.

4 Ibid.

5 A.M. Rendel, "The Way to Europe As Seen from London", Aussen Politik (Hamburg), vol.27, no.3, 1976, pp.273-286.

under the EEC institutions. But to the leadership of the Labour Party and the Government the issue related to their very survival as a united team and hence it was a process they had to see through, however unpalatable the exercise might have proved to be. But this was the first step which contributed towards an increase in British popularity among its partners.

Relations became even more strained during 1975 by British attempts to harmonise national and EEC policies to cope with commulative problems by the world economic crisis which was triggered off by the quadrupling oil prices in 1974 and 1975. Thanks to the discovery of large resources of oil in the North sea, Britain was fast becoming the major oil producing country in Western Europe, well on its way to self-sufficiency. Britain was running a large balance of payments deficit and this motivated the British Government to seek EEC support for a minimum oil price in order to uphold the value of North Sea oil against what was then seen to be a danger of falling world market prices. At the EEC summit meeting of the Heads of Governments in Rome in December 1975, Britain alienated its partners even further by demanding separate representation for itself at the Paris World Energy Conference to be held late that month.⁶ Not only was its demand not met, but lack of

6 Waites, n.1.

agreement on the issue of minimum price of oil prevented the British policy from achieving any degree of material success.

The contrast between the British and the French policies on that occasion was striking. While the British Government was resolutely defending national interests, the French Government was being European by accepting representation by an EEC delegate and even globalist in waiving possible claims to chair the Conference in Paris.⁷ There were several points of frictions in the Franco-British relations in early 1976 when President Giscard E'staing's state visit was being planned, but closer and more frequent contacts through British membership of the EEC had created a better and more useful understanding of each other's position.

President Giscard's state visit to Britain in June 1976 succeeded in restoring some measure of cordiality in Franco-British relations which had been clouded by the controversy surrounding the question of renegotiations and subsequently the British demand of a separate seat in the Paris Energy Conference in 1975. The discussions emphasized the importance of regular contact between the two countries at the highest level. The common interests of the two countries were gaining recognition. Besides being important trading partners, they also shared joint projects, particularly in the field of aerospace whose important fruits ^{were} Concorde and the Jagaur.

7 Ibid.

But inside the EEC, there are basic differences of interests between the two countries. This relates particularly to the Common Agricultural Policy which benefits France since it has a large farming population; this does not apply to Britain which imports most of its food.

There are a few major areas of conflict between Britain and its partners. These are fishing, the Common Agricultural Policy, the budget contribution and the European Monetary Union. In each of these areas, the British experience did not match the expectations and anticipations generated at the time of entry.

The wranglings over the Community fishing policy between Britain and its partners over the last few years have been pretty unsavoury. Fishing, as one of the principal occupations in the North of England and in Scotland, is a very important item of national interest for any, but particularly Labour Governments.

The Community took long before taking initiative in formulating a common fishing policy. In the preliminary parleys on fish in 1976, Britain and Ireland demanded an exclusive zone of fifty miles of waters off their coasts for fishing rights. This demand was rejected by the other seven as an idea inimical to the EEC principle of free movement of labour within EEC territory and would be discriminatory, if implemented.⁸

⁸ The Economist (London), 24 June 1978, p.60.

After the pronouncement of 200 miles of territorial water off EEC coasts, Britain brought pressure on its partners in late 1976 and early 1977 to keep Russian trawlers off EEC waters as they were hurting British fishermen. The issue was taken up with the Soviet Union and an agreement reached. This was also a good example of a joint foreign policy stand by the European Community.

In the next round of negotiations, Britain stated that it was prepared to moderate its demand for an exclusive fifty mile zone in waters around it, if British fishermen were given preferential treatment in the quota system the Community was proposing. Sixty per cent of the EEC's waters surround Britain and it was keen to make up for the losses in catch by exclusion from deep sea waters off Iceland in the latest agreement between the two countries.⁹

One of the reasons for fish being a sensitive issue, though it employs only 0.1 per cent of Britain's labour force, is that twentytwo Parliamentary constituencies are associated with Britain's eighteen major fishing ports and almost all of them are marginal both to the Labour and the Conservative Parties; hence no matter who is in power, they cannot afford to be seen giving grounds on fish.¹⁰

To a certain extent Britain was right to present a rather nationalistic posture over fishing rights. The original fishing policy of the Six, passed in 1970, laid down equal

9 The Economist, 28 August, 1976, pp.45-6.

10 Ibid.

access for all member states to Community waters over 60 per cent of which was British. The proposals enunciated by the EEC Commission at the end of 1977 gave Britain only 24 per cent of all the EEC's fish.¹¹

Early in 1978 was a bad time so far as Britain's relations with its Community partners were concerned. This was when things came to a head over the fishing policy dispute and the cross channel relations reached the lowest point any time since the 1975 renegotiations and referendum. Early in February 1978 the British Minister for Agriculture, John Silkin blocked progress towards a common fishing policy in retaliation for the rejection of a British demand by its partners that it be granted a twelve mile exclusive zone and a twelve to fifty mile zone where British fishermen should dominate in fishing rights.¹² The reaction of other member countries was pretty bitter and angry; Britain's allegiance to the EEC was called into question. Antoine Humblet, the Belgian Farm Minister, said the Community was greatly worried about whether the Labour Government, or indeed Britain as a whole, wanted Europe. Niels Anker Kofod, a former Danish Fish Minister, remarked that De Gaulle was right to believe that Britain was not mature enough for Community membership.¹³ 'Le Monde', the prestigious French Newspaper, in an editorial entitled: "The Europe of the Eight",

11 Ibid., 24 June 1978, p.60.

12 Ibid., 11 February 1978, p.58.

13 Ibid.

said: "The sad spectacle of the past few days in Brussels confirms that the language of the Community is unknown to the British."¹⁴

These strong feelings make it amply clear how unpopular Britain has become with its partners in Europe. The stalemate on fishing continued throughout 1978 and the other eight maintained a united front against Britain's demands and applied the agreements they reached on an ad hoc basis hoping that Britain would come round to its senses once the British General Elections were over.

On the question of direct elections to the European Parliament too, Britain failed to perform as an enthusiastic member of the Community. Due to domestic difficulties it failed to pass the necessary legislation in time to get ready for the June 1978 target date when elections were scheduled to have been held.

Britain's foot-dragging on Direct Elections provoked a suggestion from Henri Simonet, Belgian Foreign Minister and President of the EEC Council in September 1977 that if Britain could not pass a bill providing for direct elections to European Parliament in time, the elections still should go ahead as planned in May or June 1978 in the other eight member countries.¹⁵ However, the suggestion was not acceptable to the other eight, as they were keen to hold the elections throughout the Community at the same time.

14 Quoted in *Ibid.*, 11 February 1978, p.58.

15 The Economist, 17 September 1977, p.67.

In January 1978, Britain informed its partners that it would not be able to make it for the elections the following June.¹⁶ Finally the heads of states decided at a European Summit in April 1978 to hold the elections in June 1979.¹⁷ Once again Britain was the odd man out to have caused a setback to the Community's growth and progress and the experience did not exactly endear Britain to its partners.

On the energy front too, serious disagreements have bedevilled relations between Britain and its Community partners. In 1978 the British Energy Secretary, Anthony Wedgewood Benn, himself a renowned anti-marketeer, publicly stated that there were a number of areas in which the European Commission and Britain are at odds. A detailed examination of the issue would reveal why this is so.

The Community countries are essentially dependent on imported crude oil; 60 per cent of their total requirements come from abroad thus making the Community the world's largest importer of the commodity. But, this is not the case with Britain which has found huge reserves of oil and natural gas in its sector of the North Sea. It was estimated some years ago that by 1980, the United Kingdom will be able to supply all of its oil requirements whereas, assuming the present supply patterns to continue, the other Community countries, will, by then, be importing nearly 70 per cent of

16 The Economist, 21 January 1978, p.61.

17 The Economist, 15 April 1978, p.58. These were duly held in June 1979.

their total requirements. Naturally the importance that North Sea oil acquires in this context can be easily guessed. Hence the need for reducing this potentially dangerous dependence on imported oil has been stressed by the Community and joint efforts have been encouraged to promote production of indigenous energy resources such as coal, nuclear power and offshore oil and natural gas.

There have been conflicting interpretations of the Treaty of Rome relating to its application to the continental shelf; the legal status of North Sea oil and gas is also in doubt with the Commission once asserting that it is 'European oil'. However, it seemed to change its position when it confirmed in reply to a question from a British Member of the European Parliament on 27 April 1974, the view expressed in the Commission's memorandum of 1970 that "these natural resources belong entirely to the member states concerned which may therefore derive the full economic advantages from them, for example, dues, taxation and balance of payments benefits."¹⁸

So legally and politically these are national and not community resources. However, the situation, so far as the North Sea oil is concerned, has been further complicated by the U.K. Continental Shelf Act, 1964. But, as against popular belief instead of nationalising the resources of the Shelf or

¹⁸ Quoted in J.C. Woodliffe, "North Sea Oil - The EEC Connection", Common Market Law Review (Leyden: The Netherlands), February 1975, p.13.

acquiring its ownership, it confers on the Government "the rights to explore and exploit the natural resources of the sea bed and subsoil outside the territorial sea in areas designated for that purpose."¹⁹ Since the Act, a system has been evolved under which the government issues licences to operators which require them to bring any natural resources extracted from the sea bed to British soil first and subsequently the Government takes charge of them.

Some provisions of the Treaty of Rome, notably those on the right of establishment and the freedom to provide services are violated by British practices under the Act of 1964. These require, according to the two directives of the Council of Ministers of 1964 and 1969, "... the removal of 'restrictions relating to prospecting and drilling for oil and natural gas which prevent the nationals (whether natural persons or companies) of one member state from establishing themselves in the territory of another member state or from providing services there on the same conditions as nationals of the latter state.'²⁰ Thus it is clear that this fundamental EEC norm of non-discrimination on grounds of nationality has significant implications for British laws relating to oil and gas activities. The treaty of accession has singled out British policy of restricting the issue of licences to British nationals resident in the United Kingdom and the British companies registered there and asked for its removal.²¹

19 Ibid., p.13.

20 Ibid., p.17.

21 Ibid., p.18.

The question of contribution to the Community budget has become another bone of contention between Britain and its Community partners. When Britain joined the European Community, it knew that as a non-farming country it would be a net contributor to the EEC spending since over 70 per cent of the Community budget is donated to the financing of Common Agricultural Policy. But in the first five years of membership, it did rather better by paying less than it had expected to pay. The treasury had expected in 1971 to pay a whopping £1295m between 1973 and 1977. Instead the bill was only £612m.²² This was partly because of the fall in the value of sterling during this period.

But since 1976 the bill has been rising fast. The picture would be evident from the table below:

Britain's Net Contribution to the EEC

<u>Year</u>	<u>£Million</u>
1973	111
1974	37
1975	-45
1976	178
1977	481
1978	822
1979	829
1980	1199

Note: Figures for 1979 and 1980 are estimates.²³

22 The Economist, 18 November 1978, p.45.

23 The Economist, 17 November 1979, p.24.

The figures are high from 1976 onwards because the bills are now calculated in real Pounds, partly because Britain's transition period ended in December 1977 and partly because growing food surpluses pushed up overall EEC spending (in terms of subsidies to the farmers.)²⁴

The heart of the problem is that Britain gets little benefits from the EEC spending because 74 per cent of it goes on agriculture. The Common Agricultural Policy has never been advantageous to Britain. The British do especially badly because they have so few farmers. Most of the EEC cash is earned from customs duties, farm levies and direct government payments linked to national GNPs. This system does not suit Britain because it is a big importer of food and other goods from outside the EEC and so has to pay more levies than most. The Community's failure to develop its policies in sectors other than agriculture (such as regional and industrial policies) which would have benefited Britain particularly has exacerbated the situation.

The poor image Britain created in the Community by its behaviour, particularly the haggling over fish and energy, has made its partners unsympathetic even though Britain had a genuine case over the budget.²⁵

24 The Economist, 4 November 1978, p.53.

25 In the November 1979 heads of summit meeting in Dublin, this issue has again come to the forefront and the showdown between Mrs Thatcher, British Prime Minister, and her colleagues from the Community has once again highlighted the seriousness of the situation so far as Britain is concerned.

The question of economic and monetary union has been another fundamental issue which has disturbed and agitated the British minds over the last few years. Monetary Union among the Community members was one of the first steps which were envisaged by the Treaty of Rome to bring about a federal Europe. Hence this has always been a target of criticism by the anti-marketeters in Britain, particularly the left-wingers. The talk of monetary union was considered to be another dangerous feature of the EEC which would destroy the integrity of the British national state.

A monetary arrangement of any significance when Britain joined the Community was the 'snake'. This was an arrangement set up in April 1972 to reduce exchange rate fluctuations by restricting members' currencies within a narrow band of $2\frac{1}{4}$ per cent on either side of their base rates against other 'snake' currencies. Thus a weak currency was given very little percentage margin and this precipitated the withdrawal of sterling, a weak currency, from the Snake within a few weeks after it had entered it in 1973. Similarly, France too had to withdraw once in 1974 and again in 1976. So when the initiative for the new European Monetary System (EMS) was taken by the West German Chancellor, Helmut Schmidt, in early 1978 only the German Mark, the Danish Crown and the Benelux currencies were participating in the 'Snake'.

Chancellor Schmidt of West Germany had long been dissatisfied with the weakness of the Dollar in the international money markets

and the damage it was doing to the European economies, especially that of Germany. President Carter seemed unable or unwilling or both to try and do anything about it. The broad outline of the plan devised by Schmidt in consultation with his economic advisers was first put to other members of the Community at a meeting of the European Council in Copenhagen on April 7, 1978. The plan was made known to the general public only after the Bremen meeting of the EEC Heads of Governments on July 6th and 7th.

The plan itself is very complicated and technical. It was devised to keep in EEC currencies from wildly fluctuating against one another thus ensuring smoother transactions and to create safeguards against the unreliability of the Dollar as a reserved currency. "The European Currency Unit (ECU), having the same definition as the already existing European Unit of Account (EUA), was to be at the centre of the system and was to be used as a means of settlement between the Community Monetary Authorities. "...There was to be a pooling of members' reserves to the extent of 20 per cent of their gold and foreign currency holdings and an equivalent amount of their national currencies" thus providing for "more than the rather meagre amounts available to back exchange rates for members of the 'snake' through swop arrangements and mutual assistance among Central Banks.... The arrangement called for intensified consultations to coordinate exchange

rate policies...²⁶

The scheme received an enthusiastic response from President Giscard D'Estaing of France who considered it a fresh opportunity to reorganise the French economy. A period of relative exchange rate stability would be needed to build confidence in the commercial and industrial sectors and for this purpose the French President preferred a system of fixed to one of floating exchange rates.

However, the discordant note was struck by the British Prime Minister, James Callaghan. Callaghan thought that the scheme was too revolutionary and the right economic foundation for such a scheme was just not there. He believed that if the Community continued with the concerted action set out in his five-point plan to increase growth and reduce inflation and unemployment placed before it earlier that year, the right foundation for the introduction of European Monetary Union would be laid.²⁷ He feared that the scheme that was being proposed would keep currencies artificially overvalued or undervalued.

James Callaghan was not alone in his scepticism. There was lack of enthusiasm from the Conservatives as well for the scheme as their economic spokesman argued that it was

26 Jocelyn Statler, "British Foreign Policy to 1985-VIII - The European Monetary System : From Conception to Birth", International Affairs (London), April 1979, pp.214-15.

27 UK, HMSO, "The European Monetary System", Cmd 7405 (London, 1978), p.2.

an artificial strapping of Euro-currencies together in a new 'snake'. Europe should move to currency union by more natural means. There was hostile noises from the British industry and its mouthpiece the Confederation of British Industries (CBI).²⁸ Several major exporters were scared that Sterling might rise as a result of a link with the powerful German Mark and this would damage their export prospects.²⁹

The Labour Party, as usual, took a very hostile attitude which was reflected in the Labour Party Conference in October 1978. Most of the speakers left no doubt in Callaghan's mind what the grassroot Labour attitude to EEC in general and the EMS in particular was.³⁰ Callaghan could also ill-afford to have a grant row in the party over EMS when one internal party fight was already on his hands over Government policy of restricting wage rises to 5 per cent in 1978-79. Both he and Denis Healey, the Chancellor of the Exchequer, argued that preference should be given to see the pay policy through. Apart from this they believed that entry into the EMS, with the probability of the consequent devaluation of the Pound, would make inflation worse. And if the pay policy is busted, the long term prospects of Britain being able to stay in the EMS would be greatly reduced.

28 The Economist, 7 October 1978, p.64.

29 Ibid.

30 The Economist, 28 October, 1978, p.23.

These considerations persuaded Callaghan to change his mind. (At one stage he was inclined to the view that, "though the prospects of Britain getting the modifications it sought in the EMS structure were not good, the political disadvantages of staying out were so great that it would be better to go in.")³¹ So when he met the German Chancellor on October 18th-19th, Callaghan informed him of his change of mind and publicly stated that Britain was giving overriding priority to the conquest of inflation.³²

Disagreements and wranglings on specific issues between Britain and its Community partners apart, the question of taking position on various aspects of foreign relation also became a serious issue to merit attention. The dilemma for British foreign policy as a consequence of joining the EEC was whether to press for and join in a joint European foreign policy which is different from just taking joint positions on different international issues or pursue a 'national' foreign policy of its own. After all one of the purposes of joining the EEC was to gain a more powerful voice in international affairs.

Britain is assumed to be a key member of the Community by many British politicians as it is a member of many international organisations and treaties as well as by virtue of its size and Gross National Product. A dilemma arises in a

31 The Economist, 28 October 1978, p.23.

32 Ibid.

situation where it is chosen because of its size and importance to speak as a representative of the Europe of the Nine. Here, it would have to strike a balance between its own national interests and those of Europe and sometimes be required to "put forward the European position even when it diverges rather drastically from the national position. Any serious progress towards a common foreign policy would seem to pose hard choices - to give up privileged position on international decision making bodies or to use these positions for the promotion of European rather than British interests or to accept the voice of another EEC member or that of the EEC Commission."³³

"Britain's relations with the Community both before and after entry have often been lacking in realism and creative imagination."³⁴ Its policy has been distorted by the battles of internal politics which is natural enough in the case of any country, but more so with Britain because of its historical position vis-a-vis Europe. Having lost the chance of being present at the creation of and exercising a dominant role in the Community from its inception, Britain gave the impression, after becoming a member, that it looked to the Community merely

33 Lawrence Freedman, "Britain and a European Foreign Policy", World Today, May 1977, pp.167-175.

34 Humphrey Trevelyan, "Towards a British Role in Foreign Affairs", International Affairs, April 1978, pp.203-219.

as a cow to be milked to its advantage.³⁵

Since Britain joined it, the Community has taken important steps in coordinating views on foreign relation, although the credit for this does not necessarily go to Britain itself. During the Middle East crisis of October-November 1973, the Foreign Ministers of the Nine EEC countries met at Brussels on 7 November 1973 and issued a joint declaration in which they emphasised that the Middle East crisis would have to be solved according to the UN resolution No.242 which called upon Israel to vacate the Arab lands it occupied in the 1967 war.³⁶

In the North-South dialogue between the developed and developing states, the EEC leaders set the pace by taking a joint stand at a meeting in London in May 1977. At this meeting common positions were worked out on transfer of resources from rich to poor countries, the supply of raw materials from the developing to the industrialised countries and stabilisation of export earnings of poor commodity producing countries.³⁷

35 Ibid.

36 This period, however, saw a crisis in EEC ranks when Holland was subjected to an Arab oil boycott because of its open support of Israel. The markedly pro-Arab posture adopted by other EEC countries to secure their oil supplies left a lot of bitterness all around. The Economist, 10 November 1973, p.79 and 24 November 1973, p.63.

37 The Economist, 7 May 1977, p.59.

On the Conference on Security and Co-operation in Europe (CSCE), the Nine presented themselves to be a reasonably clear and cohesive grouping at the preparatory Helsinki meeting. "At the CSCE itself, the Community continued to play an active part with the Commission speaking in Committee and appearing on the delegation of the member state holding the Presidency of the Council of Ministers."³⁸ Since a good deal of conference deliberations dealt with trade, economic exchanges and cultural relations as with security, the Community was able to play a very useful part.

However, the central theme of European Security is still regarded by the British to lie in the military support of the United States. The temptation to face both ways - the United States and Europe - has far from disappeared in Britain. However, the 'special relationship' between Britain and the United States is gradually becoming a part of the bilateral relations between the United States and the Community; in the realm of defence NATO continues to be the bedrock of ties between Europe and America.³⁹

During these first years of membership, organic links between Britain and the Continent were also being established as expected. An efficient British representation in the

38 Kenneth J. Twitchett (ed.), Europe and the World: The External Relations of the Common Market (London, 1976), p.29. A recent example was the joint condemnation of the Russian intervention in Afghanistan issued by the Community. The Economist, 19 January 1980, p.44.

39 Trevelyan, n.34.

Community institutions, and particularly in the Commission, was established. The British delegation is a satisfactory blend between diplomats and home civil servants who have gained a high standing in Europe. Despite initial reticence the Trade Union leaders began to take a more active interest in the affairs of the Community after the renegotiations and referendum of 1975. Len Murray, General Secretary of the Trade Union Congress (TUC), which is the front organisation of all British Trade Unions, has paid regular visits to the continent to attend meetings of the European TUC Executive and of the EEC's Economic and Social Committees as have other senior trade unionists.⁴⁰

Links between different political parties of the Community countries have been an important feature of the EEC. Sometime after Britain joined the Community, efforts were underway to form a right-wing Euro-party with the participation of the British Conservatives, the Christian Democrats of Germany, Italy, the Benelux countries and the French Gaullists. The plan, however, ran into trouble since some parties, especially the Christian Democrats of the Benelux countries regarded the British Conservatives as too right wing and reactionaries. This was, however, not the view of the Christian Democrats of Germany whose leader, Helmut Kohl, extended a warm reception to the Conservative Shadow Foreign Secretary, John Davies, in

40 The Economist, 5 June 1976, p.56.

March 1977. However, an initiative taken by Herr Kohl to forge a common front of the likeminded right-wing groups did not succeed when only eleven of the twenty-five of the Europarties who were invited to a meeting in Munich that year, bothered to turn up.⁴¹ Apparently, others, especially the Benelux parties, had objections against the presence of the Conservatives.

The attitude of the Conservatives, however, towards the EEC had undergone a change after Margaret Thatcher replaced Edward Heath as the leader of the Party. Her outlook vis-a-vis the EEC is cool and somewhat indifferent, an impression she has conveyed during her visits to Brussels and other Community countries since she became Party leader. She also has seemed to indicate that if a Conservative Government came to power soon its EEC policy would not be much different from the one followed by the Labour Government. The EEC has not really ranked very high in her agenda of priorities where domestic affairs have usually taken the most pre-eminent position.

In April 1978 the European Democratic Union (EDU) was founded at Salzburg. It consisted of 18 European centre-right parties, including the Conservatives. Despite disagreements among themselves on many leading EEC issues, the leading allies in the EDU were Margaret Thatcher's Conservatives, Helmut Kohl's

41 The Economist, 19 March 1977, p.60.

German Christian Democrats and Jacques Chirac's Gaullists. In fact, the Conservatives had been trying to forge such a link since 1973. But, the non-religious and union-bashing image of the British Conservatives was positively distasteful to the Christian Democrats of the Benelux countries who were themselves dependent in many cases on the religious and trade union elements in their own countries; the Italian Christian Democrats too were worried about the electorally damaging implications of close links with the Conservatives.⁴²

As party leader, Margaret Thatcher has not won many European friends. When she saw Belgium's Christian Democrat Prime Minister, Leo Tindemans, in the autumn of 1977 she advised him on the dangers of ruling in coalition with the socialists.⁴³ This failure to grasp the nature of continental politics has confirmed Mrs Thatcher's right wing reputation in the eyes of many Christian Democrats.

Once the Conservatives realised that they had no hope of joining the European People's Party founded by the Christian Democrats in 1975, they worked out an alternative strategy to create an umbrella group of centre and right-wing parties from both inside and outside the EEC to be called the European Democratic Union (EDU) which has already been referred to. Of the 18 parties which attended the Salzburg meeting, 10 joined immediately and 8 others reserved their position. Modalities

42 The Economist, 29 April 1978, pp.64-5.

43 Ibid.

for closer co-operation among the parties were set in action. Inside the European Parliament, however, the only group to be associated with the British Conservatives are the Danish Conservatives.

The attitude of the Labour Party towards its counterparts in Europe has always been lukewarm both before and after Britain's entry to Europe. It has always considered itself more radical than its equivalents on the continent and prided on its links with and sympathies for the third world, particularly the new independent Commonwealth countries.

The Party boycotted the Community institutions, especially the European Assembly, in the immediate aftermath of Britain joining the EEC because it did not agree with the entry terms negotiated by the Conservative Government. After it came to power in February 1974, it renegotiated some of the terms of entry and placed them before a referendum. After the positive referendum verdict in favour of the Common Market, a Labour delegation of M.Ps joined the Strasbourg Parliament in July 1975 and there has been a full British participation ever since. Although the Labour M.Ps joined the Socialist Group in the European Parliament, some of them, especially the anti-marketters, have never been very enthusiastic about it. Though it has participated in the EEC's Socialist Confederations since 1975, Labour representatives never tried to hide their distrust of Euro-socialism. In the June 1978 Socialist Confederation, the Party was represented by its General Secretary, Ronald Hayward and Ian Mikardo, a

renowned left-wing and anti-market M.P. After the conference was over, they insisted that the final declaration should contain a proviso that "further transfer of powers from national Parliament to the Community institutions or from the national Parliament to the European Parliament can take place only with the clear and direct assent of the national Governments and Parliament."⁴⁴

In fact, it may be noted here that five of the six years of British membership of the Common Market, under consideration here, were spent during the stewardship of the Labour Party. Hence most of the wranglings and anti-EEC postures of Britain during this period is a direct reflection of the politics inside, and the attitude of the Labour Party itself. This was the reason for the somewhat Gaullist postures adopted sometime by even pro-market leaders of the Labour Government, like Harold Wilson, Denis Healey, James Callaghan, or David Owen. The paper-thin majority of the Labour Government in 1975-76 and its subsequent dependence on the Liberals in the House of Commons made those leaders more cautious in their public statements and handling of political business to the wishes of the socialist supporters on the left-wing of the Party. The strong position taken by Wilson and Callaghan in their demand for separate representation for Britain at the Paris Energy and Economic Co-operation Conference in

44 Quoted in Ibid., 1 July 1978, p.54.

December 1975 and the question of North Sea oil was designed to stave off the challenge of the nationalists in Scotland where Labour wanted to maintain its hold.⁴⁵

Much of the unpopularity that Britain courted during this period among its partners in Europe could be ascribed to the British Agriculture Minister, John Silkin. He is a tough anti-marketeer and his selection to the sensitive Agriculture portfolio after the much milder, Fred Peart was elevated to Peerage, was looked upon as a show of the Labour Government's anti-EEC feelings. Since the Agriculture Ministers are most directly concerned with the EEC in the fixing of the farm prices accounting for over 70 per cent of the EEC budget and the working of a fishing policy, Silkin had to carry out most of the work in defending Britain's national interests. Though he was acting all the time with the cabinet's backing, his anti-market label also gave the country some of its bad name.

A staunch pro-European himself, David Owen, who became the British Foreign Secretary after the death of Anthony Crossland in February 1977, might have hoped that good work during Britain's Presidency of the European Council between January and June 1977 would be able to wipe out some of the stigma of an unfaithful member the country had earned. But despite some initial success⁴⁶, this did not materialise as Britain was accused by its partners of behaving in a most

45 Rendel, n.2.

46 The Economist, 12 March, 1977, p.62.

blatantly chauvinistic fashion. Britain was unlucky to have some of the most controversial issues thrown in during its Presidency when crucial decisions on farming and fishing, two areas of vital concern to Britain, were taken. The chairing of these sessions by Silkin did not actually help. The principal British worry was to keep its food prices down in a year which could have seen a general election. British objections to the fixing of farm prices toward the end of March 1977 which could have come into force on April 1 that year, was ascribed by its partners to a calculated move by the Labour Government to improve its chances in the Birmingham Stechford by-election to be followed shortly.⁴⁷

A British Government white paper (cmdn 6887) published in July 1977 accepted obliquely that criticism was made of British Presidency of the EEC Council. It says, "There has been some criticism of our Presidency for lack of restraint" over national interests". "But disagreements are inevitable on matters when the interests of member states do not coincide..."⁴⁸ It asserts that to make up for any deficiency, there were lots of successes in the foreign policy field : a joint stand at the North-South Conference held at Belgrade,⁴⁹

47 Ibid., 30 April 1977, p.59. This seat was held by Roy Jenkins and became vacant after he was offered the Presidentship of the EEC Commission. In the event, Labour lost the seat.

48 UK, HMSO, Developments in the European Communities: The United Kingdom's Presidency. cmdn, 6887(1977), p.2.

49 The Conference reviewing the progress achieved on European Security since the Helsinki Summit of July 1975.

progress at the Geneva trade talks, common concern for African question etc.

Despite the unpleasantness in their mutual dealings with each other, the reality of a British presence inside the European Community has been gradually dawning on both sides of the channel. The unquestionable dominance of France and Germany has been somewhat counter-balanced by the arrival of Britain while the European connection has added a new dimension to Britain's historic links with the Commonwealth and the United States. It is hardly likely that only six years of organic links with Europe would have diluted the country's centuries old yearnings for international connections; but the metamorphosis of Britain into a more genuine European state is gradually taking place. It is a long and painful process and only the future can tell what its final outcome will be.

CHAPTER V

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In December 1978 Britain completed six years of membership in the European Economic Community. These six years have been a tumultuous period in recent British history, dominated as it was by the struggle between two different outlooks - one oriented towards Europe and the other seeking to preserve the status quo. Long years of geographical and political isolation from the continent of Europe had contributed to the development of an ethos which was essentially non-European and internationalist in character. Despite the rather long gestation period, thanks mainly to General De Gaulle's obstinacy, before Britain eventually entered the EEC, its efforts at adaptation to the new environment have only been a bitter and painful experience. The failure to derive the expected benefits, however unrealistic they might seem to have been, made the adjusting process an even more bitter pill to swallow. It was the misfortune of Britain and also that of Europe that this period of Britain's membership has been economically the most unfavourable phase since the Second World War when skyrocketing oil prices sent almost all the industrially advanced economies of the West into the most severe economic depression seen since the 1930s. The phenomenal growth rates that propelled the original six members of the EEC to a period of unprecedented prosperity in their history in the

1960s had, to all intents and purposes, been at an end within a year of Britain joining them. This failure to reap quick economic benefits from the European Community membership aggravated domestic tension.

As already noted, the realization that Britain could not expect to have an effective voice and play a useful role in international affairs on its own had motivated Harold Macmillan and successive British Government leaders to choose the European road despite its pitfalls. The increasing isolation and irrelevance of Britain to important affairs of the world was a telling demonstration of the decline that Britain had suffered since the war. It took another ten years for Britain to realize what leaders of other European countries like Jean Monnet of France and Chancellor Adenauer of Germany had done in the 1950s - that Europe could only count in the world of the super powers as a united entity, that individual European countries, because of their small size and lack of resources, would face political and economic oblivion if they did not join hands together. This realization and the consequent action has paid rich dividends. The EEC of today in its present form has been accepted by the United States, Japan and the Soviet Union as a world power of political and economic dimensions. This has also been confirmed by the importance that is being attached to it by China as well.

British political objective of finding a stronger and more influential voice in the forums of the world as a consequence of the EEC membership has been largely realized. A new European dimension has been added to Britain's existing historic links with the United States and the Commonwealth. With its close involvement with eight other compatible West European states, Britain also became a party to various trade and aid agreements that the EEC entered into with other third world developing countries. This was particularly so with the Lomé Convention as has already been noted. Britain's voice has carried more weight in international forums because of its membership of the EEC and the consequent influence it thus derived on EEC decision-making which is likely, in many cases, to have a crucial effect on other states, whether in trade or aid. This undoubtedly has been of immense political benefit to Britain.

However, economically the country has not fared as well. The principal economic objective of Common Market membership was the economic regeneration of Britain. The example of the original six members, and particularly that of France, was a sufficient incentive. The principal doubts in the French economic circles when negotiations for the establishment of the Common Market were going on was that open competition with Germany would ruin French industry. But just the opposite happened. The competitive thrust that

French industry received came as a blessing in disguise and by the beginning of the 1970s, France had emerged as one of the top five industrial economies in the world.

But expectations of similar rejuvenation of British industry did not materialise and the reasons have already been referred to. Economic performance of Britain during these six years has been disappointing. Except for a brief period high inflation has persistently dogged the economy; unemployment has been high and is steadily mounting; the balance of payments situation in general and with regard to the Common Market in particular was disastrous in earlier years,¹ but has eased somewhat of late thanks mainly to the North Sea oil which has helped Britain in becoming self-sufficient in its oil supplies. Industrial production has stagnated and in some years fallen. Food prices in Britain rose nearly four times since it joined the EEC.

1 British balance of trade with the EEC:

1973	£ 1182m	Deficit
1974	£ 2027m	"
1975	£ 2405m	"
1976	£ 2082m	"
1977	£ 1678m	"

The Economist (London), 20 May 1978, p.64.

European investment in Britain did not materialise to the extent expected.²

However, in general debates on British performance in the EEC, the question of British economic performance is also looked at from another angle. Exponents of this line argue that Britain's condition has worsened due, not to the EEC, but to the worldwide slump and inflation in the 1970s and in fact its condition would have been even worse, had it not already joined the Community. In many ways the Community has cushioned substantially the economic effects of the crisis on Britain. The tendency in Britain is to ignore all this and blame the EEC for the country's and its people's own shortcomings.³

Be that as it may, the principal point to emerge from both the arguments is that the country has not benefited from the EEC experience as much as it had hoped to. This has aggravated conflicts between Britain and its partners on many areas of EEC policy. The stubborn nationalistic stands that the country adopted in many areas, especially on farm policy and the budget contributions during the last few years

2 In 1972 EEC companies invested only £ 38m in Britain, while British companies invested £ 223m in the EEC. The situation improved by 1975 when EEC investment in Britain trebled to £ 114m, while British investment in the EEC dropped to £ 151m. The Economist, 13 May, 1978, p.64.

3 The Times (London), 5 February 1980. Europe Section - Interview with Sir Ian Gilmour, the Deputy Foreign Secretary.

can only be explained in the light of its economic plight and the very modest succour that EEC membership brought in its train. The controversy over Britain's budget contributions has hotted up in recent months and has currently assumed very serious proportion.⁴

However, the EEC experience has been beneficial so far as the country's openings to Europe are concerned. Economic, cultural and intellectual intercourse between Britain and the continent has manifestly increased over the last decade. Travelling in both directions has gone up; social and cultural exchanges have also benefited. There is a greater awareness in Britain of Europe and things European now. There is a distinctly noticeable trend in learning West European languages, particularly French and German in Britain.

More could definitely have been achieved if disenchantment and cynicism about the European Community had not been as widespread as it has been of late. This could be gauged from an opinion poll conducted by the National Opinion Poll in July 1978; 52 per cent of those questioned were opposed to Britain's continuing membership of the EEC and only 33 per cent approved of it. This was in contrast to the original

4 In November 1979 the EEC heads of states held a summit in Dublin to try and work out a compromise over Britain's budget contribution. However, no compromise could be reached and any decision on it has been deferred until the next heads of states summit.

six member countries where an average of 60 per cent of those questioned endorsed the Community.⁵ Despite seeming unlikely, the question of Britain's withdrawal from the Community is now lurking in the minds of responsible people on both sides of the Channel. A lot depends on how the controversy over the budget contribution is tackled and the general developments within the Community in the next few years. The situation would really have to be desperate from Britain's point of view before such an extreme course of action is resorted to. It has joined the Community after a lot of soul searching and before any decision to withdraw is even considered similar exercises would have to be gone through.

Six years of the European Community membership has been a very mixed bag indeed for Britain. The tragedy is if the country was allowed to join when it first attempted it in 1961, the situation probably would have been different so far as British membership of the Community was concerned and it is less likely that the question mark which is hanging over the issue today would have been there. The 1960s were a less troublesome period and Britain probably would have derived greater economic benefits from the Community than it did in the 1970s. However, the consequence of what actually happened is that the Common Market is almost as much a burning issue today as it was ten years ago.

5 The Economist, 22 July 1978, p.48.

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