The British Conservative Party's Attitude Towards European Integration, 1979-1991

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C E R T I F I C A T E

Certified that the dissertation entitled "THE BRITISH CONSVERVATIVE PARTY'S ATTITUDE TOWARDS EUROPEAN INTEGRATION 1979-91" submitted by RAJEEV JACOB in partial fulfilment of the requirements for the award of the degree of MASTER OF PHILOSOPHY, has not been previously submitted for any other degree of this or any other University and is his own work.

We recommend that this dissertation may be placed before the examiners for evaluation.

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for my grandparents

mrs. & mr. k.c. john

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PREFACE

The British Conservative Party has come a long way since Britain joined the EEC in 1973. Great Expectations which the EEC membership had generated have, however not been fulfilled. As a result, the Conservative Party, once an ardent supporter of the EEC, now finds itself caught in a dilemma, with the Labour Party taking a U-turn and supporting the political and monetary integration.

The internal conflict within the Conservative Party had surfaced as soon as acrimonious exchanges between Britain and the EEC over the British budgetary contributions surfaced. Led by Margaret Thatcher, a convinced Euro-skpetic, the Conservative Party was set to undo all the painstaking efforts of Edward Heath to enjoin Britain with the Community in 1973. The issue was so explosive that it threatened to bring about a major rift within the Conservative Party between those who favoured integration and those who did not.

To most Conservatives the issues of Parliamentary sovereignty, financial independence and monarchical rule were very sacred. To others, the benefits of a single free market, Europe speaking with one voice, and London as the financial centre of Europe, were more important.

The period under study had witnessed perceptible changes in the outlook of Britains major political parties towards European Integration. An anti-European Labour Party had revised its traditional attitude and became a vocal supporter of the European Integration, whereas a traditionally pro-European Conservative Party increasingly developed cold feet towards any further European integration. Thus the major parties in Britain had virtually swapped their attitude towards European integration in 1990s. This study attempts to examine the circumstances and the issues on which the Conservative Party was impelled to revise, during the 1980s is earlier attitude towards European integration. As the Conservative Party was in Government throughout the period under review there was a great deal of convergence between its views and the Governments views on most of the issues, making a strict demarcation hazardous, although dissenting views were also expressed by Party leaders at the Party forum and the Parliament. The issues involved also cast deep division in the Conservative Party itself. The factors which led to these developments are the focus of this dissertation.

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CHAPTER I

INTRODUCTION

THE HISTORICAL PERSPECTIVE

Traditionally , the British leaders had a deep distaste for Continental Politics. In the nineteenth century they stretched themselves to keep Napoleonic France in leash and, in the twentieth century, Germany sapped all their energy in its containment.[1] In the seventeenth and eighteenth centuries, Britain had suddenly found itself to be affluent due to its vast colonies, and the nineteenth century saw the Industrial Revolution putting Britain on the top. For the British everything seemed rosy. They had only one Great Power to contend with; and that was Russia, which, however the British knew, was totally backward in industry and had no navy to speak of.

And, it was the sense of illusion of their Great Power status that, in the twentieth century, led them to disillusion and disappointment. According to A.J.P. Taylor, the signs were already clear in the ninetenth century itself about the rise of Germany and the United States. German production of Coal and Steel, two of the prime requirements

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1. B. Purshottam, Britain into the European Community, (1973-78) (M. Phil Dissertation, Jawaharlal Nehru University, School of International Studies, New Delhi, 1980), p.4.

for industry and a war-machine, were by the 1890s, fast outstripping that of Britain and the United States, another late entrant into the Industrial Revolution. After 1870, according to F.S. Northedge, Bismark was determining the order in Europe.[2] Thus, though the writing was on the wall, much of the British leadership ignored it or were quite complacent.

Britain won both the World Wars, but saw an unprecedented drain on its economic resources, in the conduct of the wars. World War II had a crippling effect on Britain's economy. The war effort was estimated to have cost about a quarter of the country's national wealth or some 7,300 million pounds.[3] Physical destruction on land accounted for some 1,500 million pounds of which the loss of shipping and cargoes accounted for about 700 million pounds. Internal disinvestment, through failure to replace plant and machinery, totalled some 900 million pounds. To raise money Britain resorted to selling a third of its foreign assets worth over 3,500 million pounds.[4]

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2. F.S. Northedge, Descent From Power: British Foreign Policy 1945-1973 (London, 1975), p.2

3. Ibid., p.33.

4. B. Vivekanandan, The Shrinking Circle: The Commonwealth in British Foreign Policy, 1945-1974(New Delhi, 1983), p.23.

In 1945, the Conservative Party lost power to the Labour, who initiated a series of social reforms and gave more rights to the powerful Trade Unions. The Beveridge Report on Social Justice was implemented by the Labour Government causing an enhanced call on the country's finances. However, for Britain, trade was a vital part of its economy and its preferential trade with the Commonwealth countries was the redeeming feature in an otherwise struggling economy. Through the Ottawa Agreements of 1932, Britain was able to dispose of much of its manufactured goods in the Commonwealth countries at a better price than the goods of USA and Europe. In return, Britain was importing vast quantities of raw materials and agricultural goods, in which it had a scarcity, in a profitable manner. Although the figures seem to convey an adverse balance of payment, it should be remembered that much of this was cheap agricultural goods. In 1947, Britain was importing 754.35 million pounds worth of goods from the Commonwealth while exporting about 507.2 million pounds of manufactured goods.[5] Much of this trade was in Sterling, a British currency, and, as the Conservative Party stated in 1949, "were it not for our Imperial rule, we would never have made such progress as we have made towards closing the dollar gap".[6]

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5. Ibid., p.25.

6. Ibid., p.24.

The end of World War II saw Europe devastated, its industrial infrastructure destroyed, million poundss of broken homes, and a society demoralised by defeat. France had seen a series of military defeats since 1870 and Germany had been twice vanquished during this century. Added to the problems of food shortage was the expulsion of nearly 12 million pounds ethnic Germans from Eastern Europe. An 'iron curtain' had descended from the Baltic to the Mediterranean as the Soviet Union set up Communist satellite Governments in much of Eastern Europe. There was a real danger of Greece falling to Communists and much of Western Europe, excluding France and Italy, were having strong Communist movements, due to their involvement in the Resistance against the Nazis. Alarmed at the danger to Democracy in Western Europe, President Truman had set up the 'Marshall Plan' to give economic and military aid to Western Europe to the tune of $20 billion.

Meanwhile, out of this despair and misery, a new hope of European Union was taking root among the intelligentsia, the bureaucrats and also among the political leaders. How the British Conservative Party reacted to these proposals is to be examined. Before Mrs. Thatcher's advent to power in 1979, three personalities in the Conservative leadership dominated and shaped the Conservative Party's attitude to Europe. They were Winston Churchill till his retirement, Harold Macmillan

upto 1963 and, then Edward Heath till he lost to the Labour Party in 1974.

In Europe, the rationality for the nation-state was increasingly being questioned after the Second World War. It had brought no political stability. There was economic and social chaos and the spirit of nationalism, though it had liberated Europe, had also brought unbelievable death and destruction. According to Miriam Camps: "It became increasingly obvious that the nation-state was, from many points of view, an obsolete form of political orgnization, incapable of guaranteeing to its citizens either their military defence or the prospect of a rising standard of living".[7] Europe, in this process, had become a fertile ground for such ideas of supra-national organisations and authority to flourish. The encouragement and solidarity for such ideas to develop were provided by some Statesmen like Winston Churchill, Jean Monnet and Robert Schuman of France, Konrad Adenauer of West Germany and De Gasperi of Italy. Of these Jean Monnet is considered to be the father of European union idea although, not being a politician like Churchill or Schuman, his influence was limited largely to intellectual and political circles.

Although Churchill was an active propogator of the cause of a United Europe, some of the earlier statesmen of

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7. Miriam Camps, Britain and the European Community, 1955-1963, (London, 1963), p.12.

Britain had displayed a deep aversion to getting involved in Europe. The British distaste for continental politics can be gauged by some of the remarks of their political leaders. Lord Salisbury is reported to have said about Europe: "English policy is to float lazily downstream, occasionally putting out a diplomatic boat-hook to avoid collisions".[8] Lord Derby who said, "One can trust none of these Governments"[9] or of Stanley Baldwin of whom Churchill wrote: "He knew little of Europe and disliked what he knew",[10] and of Churchill himself, who said that it was, "an Englishman's right to pronounce foreign names just how he liked".[11] or later, Enoch Powell who called Europe, "a seething cauldron of resentment, ambitions and hostility".[12]

British lack of enthusiasm for European Union in the post-war years had historical, economic as well as emotional reasons. Politically, after the Norman conquest of 1066 Britain had been functioning as part of the Continent. However, later in the fifteenth century, with the rise of its

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8. James Joll, ed., Britain And Europe: Pitt to Churchill 1793-1840 (London 1970), p.3.

9. Ibid., p.3.

10. Ibid., p.4.

11. Northedge, n.2, p. 134.

12. Roy Jenkins, ed., Britain and the EEC (London 1983), p.15.

navy and colonial conquests abroad, the British influence and power had increased and, consequently, the European matters tended to be low in its priority list. The British navy, until 1921, was the biggest in the world and Channel not only separated the Continent from Britain, but also a Great Power from other medium Powers. As Churchil once said: "given a choice between Europe and the High Seas, the British would opt for the Seas for it was the Seas that gave them access to the colonies, to the United States and to power. Secondly, British Governments had always worked for European disunity based on the concept of a 'Balance of Power' in the continent as in the organisation of an international coalition against Napoleon or Kaiser Williams and, later, Adolf Hitler. Britain, after the war, was in a much better economic shape than the continentals. To cite an example the crude steel production of Britain was 12.7 million tonnes in 1947 compared to the continental countries which could reach a figure of only 17.6 million tonnes. The comparative figures in 1938, were 10.6 and 34.9 million tonnes respectively.[13] Another reason for the British lack of interest in the European Union was the question of the surrender of sovereignty. For the British, it was inconceivable to give up what they had fought hard battles for. While the Continentals all had lost their sovereignty at some time during the

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13. Miriam Camps, n.7, p.22.

twentieth century, the British had never lost theirs and they were proud of their democratic institutions which, evolutionary in character, had served them well throughout the centuries. Therefore, Continentals had nothing like the British, and for them it was just starting all over again.

Europe was just one of the three major factors in British policy, the other being the Commonwealth and the United States. As mentioned earlier the Commonwealth was a source of considerable economic returns. However, it was the British affinity towards with the United States that had a major bearing on Britain's initial aloofness from the European Union. Twice in the twentieth century the United States had come to Britain's aid in times of war. Besides having a commitment to Democracy, the British Prime Ministers, especially Winston Churchill, had a close relationship with the US Presidents, advising them on continental politics and guiding that emerging Super Power.

The Conservative Party under Churchill had been quite active in the propogation of European Unity. Historically, the Europeans had always looked to Britain for inspiration and leadership for European unification. As Paul Henri Spaak, Head of the Dutch Government in exile in Britain, said in 1942: "Europe is ready, I believe, to accept the leadership of Great Britain and Europe would not forgive her if she adopted a hesitant policy. Europe is ready to accept United

Kingdom's guidance...everything depends on whether England will accept the leadership of Europe".[14] But the British have treated much of these requests with their characteristic disdain. In 1930, when A. Briand, the French Prime Minister suggested a European Union, the British Foreign Office dismissed it as 'vague and puzzling idealism'".[15]

Though the British Conservative Party leaders have been less than sincere in their deeds, their words have carried hope and encouragement for the 'Europeans'. In 1897, Lord Salisbury suggested that the federation of Europe would be the 'sole hope of escaping from the constant terror and calamity of war'.[16] In 1939, Harold Macmillan, then a junior leader of the Conservative Party, but nevertheless one of its few pro-European visionaries, said: "If western civilization is to survive, we must look forward to an organization, economic and cultural and perhaps even political, comprising all the countries of Western Europe".[17] However, it was Churchill who gave the lead, but who retained the British image of a big Power and hence would not give the full go-ahead to his colleagues to pursue the European Union. A

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14. H.S. Chopra, De Gaulle and European Unity (New Delhi, 1974), p. 162.

15. F.S. Northedge, n.2, p.132.

16. Nigel Fisher, Harold Macmillan - A Biography (London, 1982), p. 305.

17. Ibid., P. 305.

strong delineation in Churchill's statements was that he advocated European Union for the Continental countries, not for Britain. Britain was, for him, out of any such union, it would exist on its own. In 1930, writing on the Saturday Evening Post, he expressed the view that: "We are bound to further every honest and practical step which the nations of Europe may make to reduce the barriers which divide them and to nourish their common interests and their common welfare. We rejoice at every diminution of the internal tariff and martial armaments of Europe. We see nothing but good and hope in a richer, freer, more contented European community. But we have our own dream and our own task. We are with Europe, but not of it. We are linked, but not comprised, we are interested and associated, but not absorbed".[18] On 22 March 1943, in a war-time broadcast, Churchill outlined his conception of a 'United Europe'. He said, "One can imagine that under a world institution embodying or representing the United Nations there should come into being a Council of Europe. We must try to make the Council of Europe into a really effective League, with all the strongest forces woven into its texture, with a High Court to adjust disputes and with armed forces, national or international or both, held ready to enforce these decisions and to prevent renewed aggression and the preparation of future wars. This Council,

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18. H.S. Chopra, n. 14, p.169.

when created, must eventually embrace the whole of Europe, and all the main branches of the European family must some day be partners in it".[19]

In a communication to Anthony Eden on 21 October 1942, Churchill wrote: "I must admit that my thoughts rest primarily in Europe - the revival of the glory of Europe, the parent continent of the modern nations and of civilisation. It would be a measureless disaster if Russian barbarism overlaid the culture and independence of the ancient states of Europe. Hard as it is to say now, I trust that the European family may act unitedly as one under a Council of Europe. I look forward to a United States of Europe in which the barriers between the nations will be greatly minimised and unrestricted travel will be possible. I hope to see a Council consisting of perhaps ten units, including the former Great Power with several confederations - Scandinavian, Danubian, Balkan etc. which would possess an international police and be charged with keeping Prussia disarmed".[20]

Churchill's son-in-law, Duncan Sandys , organised the 'United Europe Movement' which made Churchill its Chairman. A strong Conservative Party Delegation attended the Congress of

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19. Ibid., P. 170.

20. Ibid., p. 171.

the Hague in 1948. In the same year a motion in favour of federalism for Europe was signed by 60 Conservative Party MPs.[21] Churchill in his speech of 7 may 1948, at the Hague Conference, recalled de Sully's Grand Design (1638) aimed at establishing a permanent Committee representing the 15 leading Christian States of Europe.[22] Although Churchill was an active campaigner for a Federal Europe, he limited its scope to the fields of interstate co-operation, not the loss of soverignty. Being the Opposition Leader, he could make sweeping statements on European institutions but, once in power, it soon became apparent that he meant Federation for the Europeans, but not for Britain.

Meanwhile, the clamour for European Union was going strong in Europe. It was divided into two camps: 'federalists' and 'functionalists' or as Macmillan calls them 'moderates and extremists'.[23] 'Federalists' or extremists' wanted a Europe on the lines of the United States of America, with each country reduced to the position of dependent state, while 'moderates' or 'functionalists' realised the varied composure of the European continent, with different languages and traditions, and would have liked to go slow, creating necessary intra-Governmental committees in particular areas

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21. Zig Lay ton - Henry, ed., Conservative Party Politics (London 1982), p.95.

22. H.S. Chopra, n. 14, p.172.

23. Harold Macmillan, Riding the Storm 1956-59, (London 1971), p.62.

of general interest, which would ultimately lead to the European Union.

The Labour Government in Britain turned down a 'European' proposal to make the Organisation for European Economic Co-operation (OEEC) an independent body with powers of its own and made it just an intergovernmental organisation.[24] Although the British and other European Governments were active participants in the North Atlantic Treaty, it should be remembered that this organisation created for the defense of Western Europe had its members from across the Atlantic as well.

In Europe, co-operation between France and Germany was vital for any breakthrough towards European Union. Realising this, French statesmen, led by Robert Schuman, prepared a plan for the establishment of a supranational organisation to control the Coal and Steel production in Europe. According to F.S. Northedge, the French were motivated more by self-interest than by any Utopian ideal, as they gave little time for the British Labour Government to analyse and prepare its views, which, in any case, would have been unfavourable. The Conservative Party had, however, realised that co-operation between France and Germany was essential for peace in Europe as well. As Winston Churchill, speaking on 19 September 1946

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24. Miriam Camps, n.7, p. 13.

at the Zurich University, said: "We must build a kind of United States of Europe. I am now going to say something that will astonish you. The first step in the recreation of the European family must be a partnership betwen France and Germany. In this way only can France recover the moral leadership of Europe. There can be no revival of Europe without a spiritually great France and a spiritually great Germany".[25]

By the early 1950s Europe had a number of organisations at the inter-Governmental level to co-ordinate economic and security matters. There was the Brussels Treaty Organisation established in March 1948, the Organisation of European Economic Co-operation established a month later, the Council of Europe in 1949, the European Coal and Steel Community in 1952, Western European Union in 1953. A plan for a European Defence Community (EDC) collapsed because Britain refused to give its full support to it. Churchill refused to commit the British troops and he had a suspicion that the EDC had much to do with the federation Europe rather than with Defence. As Anthony Eden, Churchill's Foreign Minister, recounts in his memoires, "I had no quarrel with the conception of a European Defence Community. On the contrary, I liked the idea, for I have never thought that my country need have any apprehension on account of a closer union between the nations of

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25 H.S. Chopra, n.14. p. 173.

continental Europe. We have suffered too much from the lack of it, and the trend these days should be towards larger units. My reservation arose from other causes. I feared that the plan, imaginative as it was, might fail for just that reason. it seemed to attempt too much, to ask more of the nations concerned that they could freely give and then the outcome might be disillusion, leaving Europe in disarrary. On the other hand, I was prepared to admit that I could be wrong in this judgement, which might be the result of our English preference for taking changes in doses rather than at a gulp. This was the temper in which I approached EDC".[26]

In 1954, Germany regained her independant status and was admitted, in 1955, as a separate armed entity, into NATO. The French uneasiness was calmed by Britain which assured France that it would keep its forces in Germany for another fifty years.[27] However, by 1955, the founding father of European Union, Jean Monnet had realised that with the existing institutions it wouldn't be easy to keep up the spirit of European co-operation. Something more drastic and attractive was necessary. As a result of the pressure exerted by the 'Europeans', a ECSC conference was called at Messina which authorised the Dutch Foreign Minister Paul Henri-Spaak to prepare a report on the feasibility of a Common Market.

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26. Anthony Eden, Full Circle (London 1960), p.32.

27. Harold Macmillan, n.7, p.30.

When the opinion of the British side was solicited, it became apparent that the Conservative government in Britain was more interested in a Free Trade Area rather than a Customs Union. And, secondly, they felt that all such modalities could be worked out within the existing framework of the OEEC and that it was not necessary to create any further institution.[28] Clearly, the Conservatives were hoping that without Britain such an economic union would fade away and they were encouraged in this thinking by the hesitation and ambiguity shown by the then French Government towards further union. The lack of British interest can be seen by the fact that the Under-Secretary of Britain's Board of Trade, who participated in the Spaak Committee, said that he was not a delegate but a representative. This was to emphasize that Britain would like to take an active part in the process but was under no commitment to the Messina Resolution.[29]

At the deliberations, the French wanted a higher tariff to make adaptation to the Common Market easier, which was vigorously protested by the Benelux countries.[30] Britain felt

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28. Ibid., p.31.

29. Ibid., p.31.

30. Ibid., p.38.

that a free trade area would result in few disturbances for the industries and less disruption of the standard of living. The British withdrawal, in November 1955, from the Spaak Committee was a turning point at which the British indifference turned to hostility. However, it was quite naive on the part of the British to assume that their rejection of the Spaak Committee would result in the European countries getting discouraged.

Meanwhile, events in other spheres had the potential to force a review of the British foreign policy. For years, the British foreign policy had been anchored on the bedrock of the Anglo-American solidarity, which was supported by a common heritage of language, culture and commitment to democracy. During the two World Wars it was Britain which had plunged into the war, the United States joined the war subsequently and decisively tilted the course of the war in favour of the British victory. The personal rapport between Churchill and Roosevelt and their common antipathy to Communism had led to the shaping of much of post-war policies in Europe. It all became close to getting shattered when John Foster Dulles, the US Secretary of State indulged in 'vicarious brinkmanship'[31] with his egotistic, indecisive frame of mind, which led to a complete lack of confidence in

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31. Harold Macmillan, n.23, p.91.

American support for the coming years. The Suez crisis of 1956 was the high watermark in this regard.

Britain had a major role in the Middle East where it had installed a couple of ruling Royal families after the First World War. In July 1952, Gamal Abdul Nasser overthrew the Egyption monarchy and spelled out his radical plan for Pan-Arabism. For most of the countries and Britain it meant an attempt by the non-oil producing Egypt to take over the oil-rich Saudi Arabia and other states. Thus, while Nasser spewed out hostility on the West, the Soviet Union promised him aid over the Aswan Dam if the West backed out on its commitment to finance the Dam construction. It was at that time that John Foster Dulles unimaginatively, and quite undiplomatically, told the Egyptians that the World Bank wouldn't finance the Aswan Dam construction.[32] Nasser immediately nationalized the Suez Canal saying that Egypt would build the Dam from the profits accrued from running the Suez Canal.

For the British Conservative leaders, Nasser's threats had all the signs of a Mussolini or Hitler on the rise. Memories of Munich came to Anthony Eden and Macmillan, and they were determined to stop Nasser if the nationalization was not withdrawn. However, the critical American support,

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32. Ibid., p.98.

needed most, was lacking. Dulles come up with his brainchild of SUCA (suez Canal User's Association) which would undercut the Egyptian Governmental authority and pay the toll charges to SUCA. But Dulles, in his peculiar, unpredictable fashion, said that American ships, if confronted by the Egyptian Aughority, would not shoot their way through the Canal but go around the Cape.[33] This ambiguous attitude of Dulles plus the indifference of American President Eisenhower, who in one injudicious moment took away the threat of force, ("We are committed to a peaceful settlement of this dispute, nothing else"),[34] when the British were almost compelling the Egyptians to negotiate or await the use of force. As Macmillan writes in his memoires: "We hoped that the United States would now pursue, if not a friendly, at least a neutral and perhaps even a constructive course. We could hardly foresee that the United States Government would harden against us on almost every point and become harsher after the ceasefire than before."[35] After the British and the French had intervened in the Arab-Israeli conflict of 1956 and secured the Suez Canal, America was the most vociferous in its criticism, even halting the IMF loans.[36] Only after the British and French troops withdrew was the loans cleared.

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33. Ibid., p.125.

34. Ibid., p.117.

35. Ibid., p.166.

36. Ibid., p.167.

This unsupportive attitude of the United States had led to substantial change in the British way of thinking, especially of pro-Europeans like Harold Macmillan, Edward Heath and others. Britain's links across the Atlantic appeared shaky and, now, the Commonwealth was also proving to be more of a millstone around the neck rather than a valuable asset. Britain was being increasingly criticized by the newly independent African and Asian Commonwealth states for its support to South Africa, its refusal to take action against UDI in Rhodesia, where a white minority Government was ruling. Britain, however, refused to snap its profitable economic relations with South Africa. But, finally South Africa walked out of the Commonwealth in 1961. The British Conservative Party's attitude slowly underwent a change and now they actively worked for more closer relationship with Europe and to become part of a European Free Trade Area which, they hoped, would be a better attraction than the Common Market of the 'Six'.

In 1954 Britain had taken the initiative in setting up the Western European Union, which was really an extension of the Brussels Treaty of 1948, but which deleted the mentioning of the main aggressor being Germany. As a token gesture, on 21 February 1955, Duncan Sandys, Minister of State for Housing and Local Government, introduced a motion which approved the British entry into the European Coal and Steel

community as an associate member.[37] However, Britain refused to be drawn into the Euratom, as they had an agreement with Canada over uranium supplies and generally their Research on nuclear Science was much advanced than the Europeans, especially the French, who would have liked British participation. As John Nutting, Minister of State in Foreign Office, said in the House of Commons in June 1956:

> "Notwithstanding what has been said by M. Monnet, for whom I have the greatest respect, the Euratom plan as it stands is incompatible with the intrests of the United Kingdom because Euratom has to have a monopoly of the ownership and distribution of raw materials and will fix prices and control the use of these materials which it sells to outside countries. That is not compatible with United Kingdom interest, but nevertheless, we hope that the Euratom project will develop complementary wise with that of the OEEC in which we are already playing a full part".[38]

Edward Boyle, the Economic Secretary to the Treasury was to reiterate the British commitment, on 5 July 1956 as he told the Commons: "We are completely open-minded and will be guided solely by what we conceive to be the proper harmony of the interests of the Commonwealth, the interests of Europe, and the free world as a whole".[39]

From the point of view of the Conservatives, it was essential for Britain to avail of the vast market in Western

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37. B. Vivekanandan, n.4, p.245

38. Miriam Camps, n.7, p. 94.

39. Ibid., p.95.

Europe for its industrial goods. Britain felt that it was time to organise a European Free Trade Area, which would include the ECSC 'Six'" as well as other OEEC members. It was also felt that the advantage was increasingly passing on to the hands of the 'Six', and American antagonism during the Suez crisis and the helplessness of the British economy convinced many European minded Conservative Leaders Like Harold Macmillan, that it was time that they looked to Europe and took its leadership before events pushed Britain to the periphery within the European Affairs. In this, their, main argument was over low tariff, which had the support of the Benelux countries and the 'Erhard' group of Germans. But, Macmillan, and Peter Thorneycroft, President of the Board of Trade, emphasized that food, drink and tobacco would be excluded from the Free Trade Area. They also made it clear that the scheme would not usurp the right of a State to impose limits, if it seriously affected their economy, and for all industrial goods, tariffs and quotas would be progressively eliminated over a ten-to-fifteen year period.[40] But, Commonwealth goods were to be allowed free entry and preference to other countries outside Europe to export into Europe would not be affected. As Macmillan said, in a speech on 12 October 1956 at the Conservative Party Conference at Llandudno:

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40. Harold Macmillan, n.25, p.66.

> I must emphasize that the Government has not reached final decisions. But we have entered upon discussions with the Commonwealth on the plans we shall discuss it with representatives of industry, employers and employed. We must soon decide whether to enter into discussion with our friends in Europe. I do not conceal from the conference that there are great risks in this policy; but there are also great prizes. Our industry wil have to meet competition. But it must be competitive, or it will lose its export market in any case, whether inside or outside Europe. Modern factory production requires large markets and big economic units. This is the secret of American success. "....Our party has never been afraid of new ideas, from Benjamin Disraeli to Joseph Chamberlain. While our opponents still cling, with all the fervour of bigoted devotees, to the obsolete dogmas of an outworn socialist creed, we must reach out into new and dramatic fields of endeavour. We must live, not in the past, but for the future.[41]

Macmillan, outlining the Conservative Government policy, in November 1956, at the House of Commons, ruled out the dropping of preferential treatment to Commonwealth goods to enable Britain join the customs union. He said: "I do not believe that this House would ever agree to our entering arrangements which, as a matter of principle, would prevent our treating the great range of imports from the Commonwealth atleast as favourably as those from the European countries. So this objection, even if there were no other, would be quite fatal to any proposal that the United Kingdom should seek to take part in a European Common Market by joining a Customs Union".[42] But, actually, the most alarming scenario

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41. Ibid., p.87.

42. Miriam Camps, n.7, p.106.

for the British was being left out of Europe. As expressed by Macmillan: "This desire [to find a way to associate with the 'Six'] is based not only on limited trade interests, important and vital as they are to us, but on the fact that we must be concerned with another interest. We want to feel sure that such arrangement as those of the Messina powers, which are intended to unite Europe, do not have the effect of actually dividing it still further. This is the tremendous reason for some association of other countries with the Six".[43] He said that Britain had a part in strengthening Europe as an integral part of the whole free world.[44]

Although the main reason for Britain's not joining the Customs Union, but rooting for a Free Trade Area, was the 'reverse preference' that would be applied to the Commonwealth goods, actually, the British were more concerned about the implications of Federalism, implied in the Customs Union. However, Macmillan said that his efforts were not to divide the Six, but, instead, he offered them entry as one unit. He emphasized that the Free Trade Area would provide a larger market, greater specialization, larger access to the consumer of quality goods, healthy competition among industry and a stimulus to growth.[45]

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43. Ibid., p.108.

44. B. Vivekanandan, n.4, p.246.

45. Miaiam Camps, n.7, p.109.

As Peter Thorney Croft, Chancellor of the Exchequer, said during the debate:

> We are not at the end, but at the beginning. We are taking the first step along a road which may lead to great opportunities in the future....Let us not underestimate the prices for the strong, the chances which a market of 250 million will give to our exporters, and the fine opportunity which will be ahead for our traders, our merchants, our financiers and our bankers. On the negative side, do not let us forget the dangers of staying out of a European Bloc dominated by our principal competitor - Western Germany....I would defend them [these policies] not for the dangers they avoid, but for the hopes which they give. Here, in Europe, we have the cultural centre of the free world. We should not leave it Balkanised, divided and weak, but growing closer together, stronger, more compact and linked through us with a great Commonwealth and Empire.[46]

The OEEC working group's Report was published in January 1957. This dealt with the feasibility studies of the Free Trade Area as well as possibilities for a Common Market. But, in a very tactless move the British submitted a memorandum to the Six which outlined the British government's view on a Free Trade Area. It didn't help any further that this was also published as a British White Paper. A perfectly logically plan was dubbed immediately 'British' and construed as an attempt to subvert the OEEC working groups effort. The OEEC working group incorporated many of the British views on Free Trade, which led the British to question the necessity of a Customs Union and the argument whether all this

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46. B. Vivekanandan, n.4, p. 247.

couldn't be achieved by the OEEC network itself instead of setting up new institutions.[47] This attitude of the British was mainly based on the presumption that the continentals could not do without Britain. This was a mistake compounded by another in assuming that the unstable French Government was not seriously interested in European Customs Union. The 'Six' however proceeded with the Spaak Report and set up the Treaties of Rome on 25 March 1957, one establishing the European Economic Community and the other the European Atomic Energy Commission.

The British Government took sometime to come to terms with the reality of the EEC. It was only in June 1957 that David Eccles, British minister for Trade and Industry, in a speech to the British Chambers of Commerce in Paris, said: "My Government welcomes the initiative of France and the other five Powers who have agreed upon a revolutionary change in their commercial and financial policies...This is one of the masterpieces of history - something above and beyond the ordinary scope of international arrangements. It is a pact which owes its origins, to the European tradition of universality and its execution to the humanity, patients and idealism of great French and great Europeans. When the experts explained to us the Treaty of Rome in terms of economics, we see beyond the tariffs and the quotas, for we

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47. Miriam Camps, n.7, p.111-114.

know that Europe is feeling its way to something much more fundamental than the exchange of goods and money".[48] However, Eccles warned that the EEC, without having some sort of adjustment with other countries on a Free Trade Area, would be a divisive act and could lead to needless suffering, like in the past.[49]

Meanwhile, Britain was actively propagating the Free Trade Area to the continentals. But, the negotiations, headed by Reginauld Maudling, abruptly collapsed in November 1958 when the French Minister for Information M. Soustelle, in a terse statement to the press, announced that it was not possible to form a Free Trade Area between the Six countries of the Common Market and eleven other countries of the OEEC. One of the main reasons for the faulure of the British proposal for a Free Trade Area with the EEC was the Continental belief that the Free Trade Area countries would be getting away with advantages by paying too little in return. The protection of agricultural subsidies and the absence of commitments to harmonization and common policies was felt to be more advantageous to the British and other countries of the Free Trade Area.[50] Another reason was political; for, the Europeans felt that letting in the Free

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48. Ibid., p.125.

49. Ibid., p.126.

50. Ibid., p. 166.

Trade Area countries with comparable commercial advantages but with lesser obligations would undermine the EEC which was in its formative stage and did not have the total commitment from the two leading powers France and West Germany.[51]

Britain, however, decided to set up the Free Trade Area, and, after very detailed discussions with Sweden, Denmark, Norway, Austria, Switzerland and Portugal set up the European Free Trade Association on 20 November 1959. There was to be a twenty per cent tariff out along with a provision for removal of tariff on manufactured goods within ten years. Agriculture and fishing were excluded from the tariff measures.[52]

However, it was soon found that the EFTA could never match the capabilities of the EEC. To illustrate this, the GNP in the case of 'the Six' between 1958 and 1962 increased by 26% as against 18% in the case of the USA and 14% in the case of UK. Trade among the Six grew by 85%. The community did nearly 30% of the world trade, where as the United States did only 15-20% and Britain 10-12%. The EEC by 1961-62 had become the largest trading group in the world.[53]

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51. Ibid., p. 167.

52. Harold Macmillan, Pointing the Way, 1959-1961 (London 1972), p.52.

53. Chopra, n.14, p.188.

This caused renewed thinking among the Europeans within the Conservative Party, for soon the USA would develop much better relations with the Community than with the United Kingdom due to the large trading bloc it had become. As a Conservative Party M.P., Alexander Spearman, said: "If the Community were not important that would be another matter, but they are important. It may be said they are too important and too dangerous to be independent of us. From outside we can have no influence. For European Economic Community are bound to be very powerful. They could be very parochial and the more doubts anyone has about the possible wisdom of their statesmanship in the future, it seems to be more important that we should be in that group in order to influence all we can on the formulations of their policy".[54]

The Conservative Party had won the 1959 General election, without Europe being an election issue, and now Macmillan concentrated on all efforts to join the EEC. In 1961, he appointed Edward Heath, an ambitious young politician, as Lord Privy Seal and the chief British negotiator with EEC. Heath had emerged as a proponent of Europe, as early as in 1950 as a young M.P., when he made his maiden speech in the Commons criticising Bevin's and Attlee's attitude towards the Schuman Plan. Heath, as a

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54. Ibid., p.215.

young man, had been fascinated by Europe. World War II had seen him as a war-hero, rising to the rank of a Lietuenant Colonel. While Churchill, and even Macmillan, were advocating a cautious approach, and certainly against any supranational authority, Heath in his maiden speech suggested that since German dynamism had returned, Britain had the best chance to show Germany the right path by leading the way in the Schuman Plan.[55] He said:

> After the First World War, we all thought it would be extremely easy to secure peace and prosperity in Europe. After the Second World War, we all realized that it was going to be extremely difficult, and it will be extremely difficult to make a plan of this kind succeed. What, I think, worries many of us on this side of the House is that, even if the arguments put forward by the Government are correct, we do not feel that behind those arguments is really the will to succeed, and it is that will which we most want to see. It was said long ago in this House that magnanimity in politics is not seldom the truest wisdom. I appeal tonight to the Government to follow that dictum, and to go into the Schuman Plan to develop Europe and to co-ordinate it in the way suggested.[56]

Heath said that Britain was ready to accept all the provisions of the EEC except for special consideration to Agriculture and Commonwealth imports to the United Kingdom, and that Britain could not join the EEC under conditions in which this trade connection would be cut, with grave loss,

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55. Uwe Kitzinger, Diplomacy and Persuasion: How Britain Joined the Common Market (London 1973), p. 147.

56. Ibid., p. 148.

and even ruin, for some of the Commonwealth countries. However, Heath was silent on the question of Federalism, and sovereignty which he felt would not be surrendered, as it would be pooled together like in the case of the NATO. Macmillan appointed Christopher Soames, a convinced European, as Minister for Agriculture and requested Duncan Sandys, the Commonwealth Secretary, to get it diplomatically across the Commonwealth. By and large the Conservative Party supported Macmillan's decision, as endorsed by the near unanimity on Europe at the Leandudno Conference of the Conservative Party in 1962. However, there were still some skeptics like Lord Hailsham, Reginald Maudling. R.A. Butler, Jack Walker Fell, Ronald Russet and Enoch Powell, who were opposed to Government Policy in Europe. But, the most vocal MP who protested against the move of Macmillan to join the EEC was Peter Walker.[57] Lord Hailsham's point was that the European Community could seriously impinge upon the British social system and on the Bill of Rights. He felt that getting into Europe would directly affect British parliamentary system, its political parties and law.[58]

Heath was a tireless negotiator dealing with the French. But, it depended on General De Gaulle, a person who

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57. Hamphrey Berkley, Crossing the Floor (London 1972), p.89.

58. Lord Hailsham, The Dilemma of Democracy: Diagnosis and Prescription (London 1978), p.175.

had less than sympathy for the EEC, who found in it an advantageous bloc to reaffirm the French supremacy. The General had a long-standing grouse against Britain, the cavalier manner in which he was treated by Churchill, not giving him due respect as Head of a Government in exile, and his intuition told him that Britain would usurp the leadership role in the EEC when admitted. This was compounded by Macmillan's thoughtlessness when he told De Gaulle about accepting the Polaris nuclear missiles from America. De Gaulle had all along been advocating co-operation between America, Britain and France on the nuclear issue, and when it became evident that Britain was getting a better deal, his resolve to keep Britain out got hardened. On 14 January 1963, General De Gaulle at a press conference, rejected the British application. He rejected, once again, the Labour Government's application on 16 May 1967 and it was only when he left the French Presidency in 1969 that Britain could ultimately gain entry into the EEC in January 1973.

It could be argued that the Conservative Party, by electing Edward Heath as its leader in 1965, was signalling to the voters as well as the Europeans that it was determined to take Britain into Europe. As during Macmillan's negotiation for Britain's EEC membership during the early 1960s, Heath had realized that his political skills could be best expressed in a pro-European attitude and would surely lead him to his ambition of becoming the Prime Minister.

Edward Heath had great admiration for Continental traditions, something that skipped both the British stiffness and the American brashness, which made him more at ease with the Continentals. At times, he carried his pro-European zeal to visionary levels as expressed at the Royal Academy banquet on 28 April 1971:

> The artists, the writers and the musicians have shown the economists and the politicians the way. We have to bring to the creation of European economic and political unity the same creative effort, the same interplay of ideas and aspiration, the same ability to share our achievements that enabled them to make a reality of European cultural unity. It is no mean or selfish objective which we seek. It is a noble ideal, long established in the traditions of European thought and well worthy of the aspirations of our generations. When we achieve our ambitions then history will indeed know that the spirit of man has at last triumphed over the divisions and dissensions, the hatred and the stife that plagued our continent for a thousand years. Humanity will be grateful that our European civilization, to which it already owes so much, will be able to flower afresh in unity and concord.[59]

In the British elections of 1970, the European issue did not play any significant role. However, as the Conservative Party manifesto argued that it would be in the best interests of Britain to join the EEC for the benefit of a larger market. But, it warned that things had to be looked at from a long term point of view, for, initially, the people of Britain would have a price to pay. The factors in the

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59. Uwe Kitzinger, n.54, p.149.

decision making would definitly be based on the standard of living in Britain of the individual citizens.[60]

A survey of the Conservative Party candidates showed that in their election campaigns, 62% of them made no mention of Europe at all, 15% mentioned it ambiguously, 11% opposed entry, 10% were pro-entry with reservations and only 2% were strongly pro-entry.[61]

After winning the elections, Edward Heath picked up men who were mostly pro-Europeans to his cabinet so that there wouldn't be much dissensions within the cabinet on it. Alec Douglas Home was appointed the Foreign Secretary. Reginald Maudling, rather in the Middle ground on Europe, was given the Home portfolio. Maudling, like Quintin Hogg, was determined to maintain Party unity on Europe. Heath who was clearly revolted by Enoch Powell's racist remarks, did not take him in the government. James Prior, another pro-European, was made Secretary for Agriculture and Heath entrusted another ally, Anthony Barber, for the immediate negotiations.[62]

Among the 50 ministers, most were pro-Europeans, anti-marketers like Neil Marten were not given office. However,

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60. Ibid., p.150.

61. Ibid., p.152.

62. Ibid., p.163.

despite the tight screening of anti-marketeers some embarrassment was caused to the government by resignations of the Assistant Whip Jasper More and one of the Under Secretaries Edward Taylor.

British policy on Common Market was made available to public and organisations through 'Factsheets' printed once a week and distributed freely through post offices. However, the Conservative Government's firm position came through the White Paper on 7 July, 1971 (cmnd 4715). Apart from the usual arguments of Britain being left out of Europe and diminishing of its clout in International Affairs it was the sense of purpose that demarcated this White Paper from the previous British statements. It said: "Every historic choice involves challenge as well as opportunity. Her Majesty's Government are convinced that the right decision for us is to accept the challenge, seize the opportunity and join the European Communities".[63]

The Conservative Government launched a massive propaganda blitz through a miniature White Paper, fact sheets and glossy brochure, costing nearly 461,000 pounds, to convince the British populace about the merits of the Common Market. A forceful argument was that while the average income of the 'Six' had grown to 76% since 1958, in Britain it was only 39%.

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63. Ibid., p.155.

The Ministerial effort was tremendous. Prime Minister Edward Heath made a fervent appeal on the Television in which he said: "Many of you have fought in Europe, as I did, or have lost father or brothers, or husbands who fell fighting in Europe. I say to you now, with that experience in my memory, that joining the Community, working together with them for our joint security and prosperity is the best guarantee we can give ourselves of a lasting peace in Europe".[64] Some 280 Ministerial speeches on Europe were made on different forums, the British Foreign Office circulated some 80 Ministerial speeches on the Common Market.[65]

The Conservative Party Organisation set up itself to the challenge and had begun its work, much before the Government, through its half a million grass root workers among the electorate at large. In this, it was guided by Edward Heath's personal triumph, reflecting the Conservative desire to join the Common Market. The Conservative Party think Tank, the Conservative Political Centre, brought out a variety of pamphlets and documents to highlight the advantages of joining the European Economic Community.

The Conservatives had formed a forum called 'Conservative Group for Europe', which included persons drawn

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64. Ibid., p. 149.

65. Ibid., p. 157.

from influencial sections of society like George Gardner, chief political correspondent of Thomson Regional Newspapers, key figures from industry and commerce, besides other distinguished personalities.

It published pamphlets of its own and supplied expert speakers to various meetings across the country to rally around public opinion. Along with the Young Conservatives, it organised the party conference at Brighton, where Eric Blumenfeld of West German Christian Democratic Union, Bernard Destremau of the French Independent Republicans, and Hans Nord, Secretary-General to the European Parliament, spoke for Europe.[66]

In the Commons, the Conservative Government, headed by Edward Heath, managed to get 356 votes to 244 in favour of entry on 28 October 1971, which included 69 Labour MPs. The Labour Party promised to renegotiate the terms of entry when elected to power. But, due to the strong opposition of the Left in the Labour Party, the Labour Government called for a referendum on Europe, on 5 June 1975, in which over 67 per cent of the people voted for staying in the EEC, while 32.8 per cent voted against. As Margaret Thatcher said after the result, "The message of the referendum for the Government is that the people here looked at the really big issues. They

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66. Ibid., p. 159-161.

have looked at what really counts and they have voted that way".[67]

While in opposition, from 1974-79, the Conservative Party continued its pro-European policy. Douglas Hurd, Conservative Spokesman on European Affairs said on 20 March 1976: "The next Conservative Government will want to exercise an influence in Europe much greater than that of the present Government, which in its dealings with the Community slithers unhappily between bluster and back-sliding".[68] The Conservative Party had been actively participating in the working of the European Parliament since 1973. The Party had nominated a team of very experienced Parliamentarians to Strausburg under the leadership of a committed pro-European, Peter Kirk.[69]

Though during the period of her Prime Ministership Margaret Thatcher was to maintain a fighting attitude towards the European Community in opposition, she was eloquent in her support for Europe. About the European Union, she said on 24

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67. Conservative and Unionist Central Office, Campaign Guide 1978 (London 1978), p.604.

68. Ibid., p.609.

69. Conservative Political Centre, Three Views of Europe (Peter Kirk, Christopher Soames and John Davis) (London, 1973),p.27.

June 1977: "This is a great work and it cannot be carried out by timid minds".[70]

CONCLUSION

Jean Monnet once remarked: "There is one thing you British will never understand: an idea. And there is one thing you are supremely good at grasping: A hard fact. We will have to make Europe without you - but then you will have to come in, on our terms". That seems to have haunted the British. And on their terms the British came.[71]

The cost to Britain, in economic terms, was substantial. The British farm imports from New Zealand, Australia and other countries were scaled down according to the agreed plan. Britain's net contribution to the EEC budget after an instant benefit of 45 million pounds in 1975, exceeded 822 million pounds in 1978. The annual percentage increases in food prices were as follows: 1973 - 15%; 1974 - 18%; 1975 - 25.5%; 1976 - 20%; 1977 - 19%; and 1978 - 7.1%- in all a cumulative price increase of 104.6% in six years. The Retail Price Index (RPI) which is a principal measurement of inflation showed a very steep increase. In December 1972 the RPI was 120.8 (1970-100). In December 1977 - January 1978 the RPI stood at 256.4%. British balance of payments with EEC

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70 Ibid., p.610.

71. H.S. Chopra, n.14, p.18.

deteriorated from 914 million pounds in 1975 to 2952 million pounds in 1978.[72]

The Conservative Party's basic attitude to Europe initially was dictated by real politik, a recognition that Britain was no longer a Great Power. Despite Churchill's fascination for a strong Europe, most leaders in the Conservative Party would have liked to go it alone if possible. But, the unhelpful attitude adopted by the United States during the Suez crisis brought home the reality that Britain was no longer dealing with its trusted ally, the United States, on equal terms. The second major reason for the shifting of priorities was the Commonwealth, which not only had dwindled in importance as a useful economic area but also was slowly becoming a political millstone around Britain's neck, particularly on the issue of the British policy towards Rhodesia after the UDI in 1965. Moreover, the Commonwealth did not present itself as a lucrative market for the British manufactures although it was a source of cheap agricultural products.

Harold Macmillan was the first leader to take the political initiative, assisted by Edward Heath, to hitch Britain with the European Community. They realised that Europe, with its vast industrial base and expanding market

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72. The Economist, 17 November 1979.

could provide the necessary stimulus for the British industry and Britain could be more effective in world politics if it spoke as a European. However, it was basically a British mistake in underestimating the European nations' determination to integrate. In the beginning Britain was offered the leadership of the European Union Movement, but it declined. As a result, when it joined later it was unable to influence the moulding of certain very important policies like the Common Agricultural Policy, which was tailor-made to suit the farm interest of France and Germany. The Conservative Government tried to discourage the Spaak Committee when the British views were sought. It only served to harden the attitudes of the European countries against Britain. There was a grave miscalculation of the French Goverment's attitude towards the British membership of the EEC. Perhaps, if De Gaulle was not the President of France at that time Britain would have been able to get into the EEC without waiting for over a decade.

However, it is interesting to see how the Conservative Party's attitude towards European integration slowly changed during 1980s, following long arguments over the British budget contributions, political integration, economic issues and of course, by Mrs. Thatcher's lukewarm attitude, born out of strong nationalist approach and pride, towards Europe.

CHAPTER II

THE ECONOMIC FACTOR

By the time Margaret Thatcher assumed the Prime Ministership in 1979, the Conservative Party's favourable attitude to European, integration, was being given a wild buffeting by economic factors. Thatcher herself did not share Edward Heath's enthusiasm for Europe. Her attitude was one of restraint, indifference and qualified support. While for Edward Heath Europe was the future, for Margaret Thatcher Europe, with all its bureaucracy and controls, was socialism in sheep's clothing. With Thatcher revisionism set in, for she did not really believe that entry into the EEC was the high point of 'Conservative internationalism'. For her, Europe was only the forum for united action against the Soviets. As Lord Soames, a pro-European Conservative Leader, said about her attitude to Europe: "She is an agnostic who continues to go to church".[1]

In 1976, using the rhetorical flourish of an Opposition Leader, she said that she looked forward to a European Community, "which is free, which respects the rights of the individual, which acknowledges responsibility toward the weak

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1. Hugo Young, One of Us: A Biography of Margaret Thatcher (London 1990), pp. 184-5.

and which is determined to play its full part in establishing a prosperous and just world order".[2] Her attitude, once she became Prime Minister, changed and the immediate provocation for such a hostile attitude towards the European Community was over the question of the 'British budget contributions and the Common Agricultural Policy, both of which seemed to be unfair to Britain.

BUDGET CONTRIBUTIONS

In 1982, the EEC budget was around Ecu 19.3 billion. This was just a trifle compared to the combined budgets of the 10 national Governments which was around 710 billion ecus.[3] (1 Pound = 1.7 Ecu). Over the years since 1975, British contribution to the budget was steadily growing. By 1982 it had reached nearly a billion Ecus, which meant that Britain paid a net contribution (what it paid, minus the EEC money spent in Britain) to the EEC. Till 1970, the Community budgetary expenses were financed by Agricultural levies as well as contributions by member states. But, the Treaty of Rome had envisaged that the Community would raise money of its own. On 21 April 1970, the Communicy adopted a new system of collection of finances by levies on agricultural trade, customs duties collected under the Common External Tariff,

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2. The Times (London), 7 December 1976.

3. The Economist (London), 16 October 1982.

and, from 1975, one per cent of the Value Added Tax (VAT) to be enforced on all goods sold within the Community. Member states would make up for the deficit in the following proportion - Belgium 6.8 per cent, France 32.6 per cent, Germany 32.9 per cent, Italy 20.2 per cent, Luxembourg 0.2 per cent and Netherlands 7.3 per cent.[4]

The finances generated through these measures were used for funding the Common Agricultural Policy, the European Social Fund, European Atomic Energy Community, Overseas Food Aid Programme and administrative cost of running the EEC institutions. The British contribution was decided on a 'Key' which was taken as existing British share of the total GNP of the ten countries expected to form the enlarged Community. It was to rise marginally in subsequent years.[5]

The Conservative Government spokesman on the EEC, Geoffrey Rippon, tried to allay the fears of the effects of the tariff changes. He felt that it depended a lot upon British industry's efforts to grasp the opportunities offered by the EEC membership. He also felt that Britain's voice in the Community would be quite influential and that it would press for more funds for regional, industrial and social

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4. Purusottam Bhattacharya, Britain in the European Community, 1973-82, (Ph.D thesis, Jawaharlal Nehru University, New Delhi: 1988), p.95.

5. Ibid., p. 197.

policies and would see that the agricultural budget would not get out of hand.[6]

When the Conservative Party came to power in 1979 it found that the British budget contributions were reaching levels disproportionate to the British Gross National Product. Germany was paying lesser than Britain, the third poorest country in the Community. While Germany in 1980 paid a net contribution of 833 million pounds, Britain paid around 1310 million pounds. The astounding fact was that Britain had overtaken Germany which, in 1976, had paid a net contribution of 631 million pounds while Britain's net contribution was only 140 million pounds. Another unacceptable fact to the British was that while the EEC per capita budget expenditure as per British amounted to only 10 pounds, the EEC per capita budget expenditure average was between pound 25 pounds and 30 pounds. Margaret Thatcher rejected an offer by the European Council, in November 1979, for a final reduction of about a-third of its net contributions.[7]

To illustrate the gross disparity in British budget contributions, a look at the contributions and receipts of the year 1985 can be taken. That year, Britain paid a net contribution of Ecu 6406 million while it received gross

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6. Ibid., p. 199.

7. Ibid., pp. 206-27.

receipts of Ecu 3232 million. Of the contributions Value Added Tax took away Ecu 3268 million and Customs duties Ecu 2192 million. Of the Receipts, Agricultural Guarantee got Ecu 1900 million while Social and Regional Development Fund together received only Ecu 882 million.[8] The net contribution to the Community budget for 1986 was pound 572 million pounds, in 1987 it was pound 1721 million pounds, in 1988 1362 pounds and in 1989 it was 1966 million pounds.[9]

In 1979, the Community paid out total budget allocations of Ecu 12,846.6 million of which, under the CAP, the European Agricultural Guidance and Guarantee Fund (EAGGF), paid out to Germany Ecu 2,329.8 million, to France Ecu 2,252.9 million, Italy Ecu 1,642.6 million, The Netherlands Ecu 1,416.9 million and for Britain only Ecu 925.7 million. The Regional and Social Funds received only Ecu 513.1 and Ecu 595.7 million respectively.[10]

In 1991, out of a total budgetary allocation of Ecu 52,915 million, EAGGF got Ecu 31,419 million while structural operations and fisheries got Ecu 14,190 million and social policies Ecu 354 million. What was significant was

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8. U.K. Commons, Parliamentary Debates. Session 1985-86, Vol.96, Col.374w.

9. U.K., Commons, Parliamentary Debates, Session 1989-90, Vol.169, Col.610.

10. Purushottam Bhattacharya, n.4, p.208.

that the Community had, after being criticised for the excessive and expanding budgetary allocation for the CAP, had reduced it to some extent. The percentage of increase in allocation was only 18.6 per cent while Regional and Social policies got an increase of 30.5 per cent and 28.8 per cent respectively corresponding to the previous year[11]

The EC Commission proposed that from 1988 onwards the maximum ceiling on available resources would be 1.3 per cent of the Community GNP. This would consist of customs duties and agricultural levies, a 1 per cent levy on VAT yield and a fourth resource which would consist of financial contribution from the member states calculated from the difference between their GNP and the actual basis at VAT used for the 1 per cent levy. However, this proposal was shot down by the United Kingdom and Denmark at the Copenhagen Summit of the European Council in December 1987 on the grounds that the Community had still not reined in the balooning agricultural fund. However, under a German initiative in February 1988, a base of Ecu 27,500 million was fixed for the EAGGP which would not in the future increase annually by a percentage exceeding 74 per cent of the rate of increase in the Community's GDP.

Britain's budgetary wrangles dominated the European meetings in the early eighties. Only Britain along with

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11. Economist Intelligence unit, Background Supplement, 1991-92 (London 1991), p. 29.

Germany have been net contributors. Two-thirds of net British contributions were being reimbursed. This was confirmed at the European Council Meeting at Fontainebleau in 1984. It was also agreed that from 1986, compensation should take the form of an equivalent reduction in the UK's contribution to the Community's resources rather than budgetary expenditure on specific projects in the United Kingdom under the Regional Fund.[12]

THE COMMON AGRICULTURAL POLICY

The main objectives of the European Community's agricultural policy are set out in Article 29 of the EC Treaty as follows:

- to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;

- thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;

- to stabilise markets;

- to ensure the availability of supplies; and

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12. Ibid., p.26.

to ensure that supplies reach consumers at reasonable prices.

The Common Agricultural Policy conducts its policies through the European Agricultural Guidance and Guarantee Fund (EAGGF) which has a market as well as a structural policy which, in simple terms, means providing a guaranteed price to whatever the farmer produces and protecting the internal market against wild fluctuating prices in the world market.[13]

Under the CAP, the National Intervention agencies are required to buy up an agricultural product when the average price has fallen to 94% of the intervention price. Theoretically, this produce is supposed to be released when there is a shortage in the market, but due to a perennial glut in the market, the produce is never released but stored in expensive cold storages. In 1986, there was a grain mountain of 16,780,000 tonnes, milk powder 1,100,000 tonnes, and wine lakes of 15,000,000 hectolitres.[14] The CAP also provides for export refunds, thereby the farmers are subsidised for the exports in world market, prices of which would be at variance with those of the Community.

The EC Commission in 1985 published a Green Paper Perspectives for the CAP which advocated a number of reforms.

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13. Ibid., p.52.

14. The Times, 24 November 1986.

Principal among them was an early warning system for trends in agricultural expenditure, and a system of agricultural stabilisers to limit financial intervention when a production ceiling is reached. Along with these were extenification schemes as well as income support schemes for small producers. These measures have had some success most notably in oil seeds but in most other products the surpluses continued. According to Sicco Mansholt, former Dutch Agricultural Minister and EEC Agricultural Commissioner, whose vision of a plentiful Europe was the driving force behind the Common Agricultural Policy, there had to be reduction in cultivated farming land in Europe, of 20 per cent over the next 10 years, with the farmers being compensated for the cut in profits out of the EEC budget. Scientific methods of farming would make possible, in 50 years time, the ability to feed Europe with one-third of the agricultural land in use now. The Community which previously had been a sugar importer was now producing 12 million tonnes of sugar a year but exporting 3.9 million tons, overproducing by 30 per cent and ruining the world market.

In the British Green Paper the option was to reduce the growing mountains and lakes of agricultural produce. The first option, a reduction in quotas, was considered feasible for cereals. The second option was that of co-responsibility where the farmer would share the burden of surplus production. The third option was price reduction. But

Mansholt felt that if there were price reductions for major agricultural products like milk, cereal and beef, it would effect mainly the small farmers. There are approximately five million farmers in Europe of which three million are very small where price reduction would hurt. About 110,000 farms are big of which 24,000 are in Britain. It would be a politically unwise decision to cut prices, for a 10 per cent reduction in prices would mean a 70 per cent cut in income for farmers in the United Kingdom.[15]

The most feasible option outlined in the Green Paper was the reduction in farming area would rein in production. It could result in a balanced market if some of the farms were kept follow.

CONSERVATIVE ATTITUDE TOWARDS BUDGET CONTRIBUTIONS & THE CAP.

Members of Parliament belonging to the Conservative Party were mostly divided in their attitude towards the British contributions to the EC budget. When Malcolm Rifkind, the Minister of State, Foreign and Commonwealth Office, tried to justify the British budget contributions, saying that Britain, at the Fontainebleau Summit in 1984, got a favourable agreement by which two-thirds of the excess payment was to be reimbursed automatically, he was reminded by a Conservative backbencher, Antony Marlow, M.P. that under

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15. Ibid.,

the previous system the consumer got the advantage even though the tax payers paid more money.[16] Another Conservative M.P., Teddy Taylor, was critical of the export subsidy given to farmers, amounting to 350 million pounds, which Britain had to pay additionally.[17] As Oongah McDonald of the Labour Party said that the British net contributions to the EEC in six years had exceeded 9 billion pounds, which meant an average of 708 million pounds a year under Tory rule compared to the Labour average of only 450 million pounds.[18]

William Cash, Conservative M.P. was concerned that the cost of disposing of surplus grain came to as much as 6.2 billion pounds which was 40 per cent of the entire budget.[19] Robert Jackson, a pro European Conservative M.P. tried to justify the budget contributions. His argument was that the common market required a common external tariff which could not be easily divided among member states, which, therefoe, had to be pooled. As a corollary to common market, there was the need for Common Agricultural Policy in order to ensure tht free trade in goods and services was complemented by free trade in agricultural products. Such an Agricultural Policy,

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16. U.K. Commons, Parliamentary Debates, Session 1985-86, Vol.86, Col.716.

17. Ibid., Col. 718.

18. Ibid., Col. 725.

19. Ibid., Col. 733.

he felt, could not be operated independently, but had to involve a uniform, transnational system of intervention which necessiated that the EC budget should be taken in the context of an increasingly integrated European economy. At the outset, it was felt that the adjustment process would be difficult which had necessiated the European Social Fund for displaced workers. He felt that as trade increased between member countries the national instruments of economic policy would soon be less effective. He said: "That is why the Community needs to develop the instruments of a joint and collective European economic policy, because that is the only route by which we can recover the lost political soverignty over the economy which economic progress has taken away. Of course, this is largely a matter of the co-ordination of distinct national fiscal and monetary policies, but it is a question also of structural policies - of structural economic reforms - in the steel, coal and other industries. These reforms cost money and they can be and are being partially and even wholly financed from the European budget".[20]

Jackson pleaded for Britain's joining the Exchange Rate mechanism whole heartedly, from the point of view of 'equity and justice' to support the importing regions within the Community. He felt that they would be affected by the

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20. Ibid., Cols.741-2.

exchange rate fluctuations, and would no longer be able to operate a strategy of exchange rate depreciations. Advocating stronger economic integration between the European Communities he said:

> The history of national economic integration displays great economic gains for the economic unit as a whole, but the tendency is for these gains to be concentrated in the most dynamic areas. That is why every national economy has developed off-setting devices, both private and public, whether by the flow of dividend income from economic growth to the less well-off parts of the country, or by way of public sector transfer in the shape of social benefits or regional policies. In this way, the increasingly integrated European economy is following exactly the same historical road as the national economies followed during the process of national economic integration in the 19th and early 20th centuries. That road is marked on one side by economic integration, and on the other by the systematic growth of resource transfers organised through the state budget.[21]

Arguing that this was the cause for the formation of Regional Fund and that the members should take the budgetary contributions in an overall manner, which included the social advantages of the European Community, Jacksen felt that the members might feel elated at the fact that Britain's net contribution had been reduced but Britain was also progressively losing its leading position in other European funds which included the Social and Regional Funds. The consolation that getting it all back in the repayment

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21. Ibid., Col. 742.

abatement mechanism was not enough. He regretted that there was an atmosphere of provisionality, an indecisiveness in the Governments attitude towards Europe. Therefore, he believed that the budget was one of the mainsprings of an increasingly integrated economic policy of the European Community.[22] Jackson proposed two policy instruments which could be used to cut European farm production and to protect small producers without damaging the British farmers. The first policy was that of setting aside which could be concentrated on the best land and on the biggest producers, which could have maximum effect on production and the minimum effect on social disruption. The second policy instrument would be the introduction of a system of direct income support payments for those small producers who should be supported. Both these policy instruments Jackson warned would be expensive.[23]

Another Conservative M.P. Anthony Meyer, felt that it was for Parliamentarians, who did not represent agricultural constituencies, to throw farmers 'to the wolves'. He did not think highly of the deficiency payments to farmers rather than the CAP, which, he was sure, would be as costly. Britain, he said, had exhausted its goodwill by harping so much on Budget contributions which left little room for

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22. Ibid., Col. 743.

23. U.K. Commons, Parliamentary Debates, Session 1985-86, Vol. 93, Col. 719.

changes in the Common Agricultural Policy. Meyer predicted that the CAP would perish under its own weight as the Governments would begin to realise how it was costing their non-farmer taxpayers.[24] Teddy Taylor, a staunch Conservative critic of European integration felt that the Common Market would be a better organisation if there were no budget. There would not be the necessity for so many central institutions spending money on a 'squalid' CAP. He saw no reason why should all that money go to Brussels, and then being allocated for projects in the Regional Funds decided by Whitehall. With such a transfer of money he charged, every pound spent on these Euro-projects was costing the British Tax payer 2 pounds. He found it distressing that while the British customers were payment 3 pounds per pound of beef, the same was being sold to the Soviet Union at 15p per pound under special extra subsidies. It was incredible, he said, that the Common Market was spending 100 million pounds every weekend on the storage and destruction of food supplies.[25]

He was opposed to European overproduction of agricultural products and their consequent dumping, at subsidised rates, in the Third World markets which was ruining their economy as well. He said that if the British Agricultural sector should prosper, it should be detached

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24. Ibid., Col. 750.

25. Ibid., Col. 754-5.

from the Common Agricultural Policy and be based on national deficiency payments, besides commensurate the needs of the British people for food. Expressing concern at the net contribution and trade, he said for every 3 pounds of manufactured goods that Britain imported, only 2 pounds of manufactured goods were exported back to the Community. This would create unemployment and push Britain more and more to the periphery.[26]

Among the defenders of the CAP was Nicholes Soames, a pro-European Conservative M.P. He viewed the Common Agricultural Policy as the 'cornerstone' of the European Community, which though 'outstandingly successful' had its own problems. He was appreciative of the budget abatements which would push the British net contribution up to a maximum of 7 per cent while France would contribute up to 27 per cent and Germany up to 31 per cent. Although the VAT ceiling had gone up to 1.4 per cent, the United Kingdom VAT rate would be only about 0.56 per cent under the 1986 Draft budget, while others would pay about 1.2 per cent. This, he felt, was a 'good deal' for Britain.[27]

Another supporter of the CAP was Antony Baldry, a Conservative M.P. He defended the CAP and pointed out that

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26. Ibid., Cols. 756-7.

27. Ibid., Col. 758.

for the first time, since the reform of the Corn Laws, Britain was exporting grain. He felt that the growth of Agricultural guarantee spending was declining from 16 per cent in 1984 to 9 per cent in 1985 and 5.3 per cent in 1986. He considered it impractical to reform the CAP by imposing quotas and cited the failure of the milk quotas. He pleaded that it could not be done by letting the market take over which would hurt the efficient British farmer more.[28]

Andy Steward, another Conservative M.P. was critical of the quota limits proposed by the EC Commission to reduce surplus stocks. He cited the example of milk quotas which reduced jobs not only on farms but in the diary sector. He suggested that all villages and farms with a population of under 7000, should expand up to 10 per cent, which would decongest the urban slums and all of which would be financed by the vast sums the British Government was paying for intervention stocks. He believed that it was criminal to dispose of the surplus stock to the Soviet Union at such giveaway prices and suggested, instead, that it be given to each of 60 million Community pensioners in the quantity of one pound of beef and butter per month. He recalled that the British indigenous crop was grass, and the milk quotas would result in the demise of British grasslands and said that it was amazing that countries in the Mediterranean were

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28. Ibid., Cols.764-65.

producing wine and olive lakes and other agricultural goods, which was being subsidised by the European Commission.[29]

David Heathcoat M.P., another Conservative critic of the CAP, was not only for price restraint but outright price cuts and separating the social and economic aims of the CAP. He suggested direct income support to the small farmers to compensate for the loss of the intervention price.[30]

Michael, Lord a pro-European Conservative M.P. cautioned against blaming the farmers and the CAP for the budgetary deficit. He said that with such a vast array of nations, climates and temperaments it was very difficult to balance the books. He felt that Britain should be grateful for the peace and stability for which net contribution to the EEC Budget was a small price.[31] Jim Spicer, another Conservative M.P. suggested that the cost of the annual burden of the CAP be used to finance the farmers. He also warned of the entry of Spain and Portugal which would necessiate two Agricultural policies - one for the Mediterranean products and another for the products from the temporate climate.[32] His party colleague Charles Morrison, Conservative M.P. from Devizes was concerned about drop in

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29. U.K. Commons, n. 23, Cols.700-702.

30. Ibid., Col. 707.

31. Ibid., Col. 713.

32. Ibid., Col. 724.

farm income. Quoting the White Paper "Annual Review of Agriculture 1986", he said, in 1972 the index for farming income was 200, whereas in 1979 it was 129, in 1984 it was 146 and in 1989 it was a mere 78. He was worried about the size of the market and said that if the Council of Ministers did not face the reality, they would bankrupt not only the CAP but also the European Community. He opposed the 25 tonnes levy-free of farm sales exemption, as well as the co-responsibility levy, which would have no effect on production, but was more likely to increase production as the farmers tried to offset the extra cost.[33]

According to Charles Wondle, a Conservative MP felt that the root of the CAP problem was the need to reduce capacity. And that could be done only by fundamental restructuring, and not by abrupt price changes and other stop gap measures. However, he doubted the political will to do such fundamental restructuring. Quoting from the report of the European Court of Auditors he said that in 1984 the budgeted CAP spending was Ecu 18 billion, of which 800 million pounds would be spent on storage charges and interest payment for surpluses with a book value of about 5.6 billion pounds, much of which was perishable and would soon be destroyed. On the basis of Britain's 21.7 per cent contribution to the CAP in 1984, he estimated that in 1986

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33. Ibid., Col. 732.

Britain would spend 2.7 billion pounds on the CAP to help pay for a massive exercise in over-production and subsidies. He said that milk production in 1984 cost the Community about 4.3 billion pounds of which British share was pound 900 million pounds. While Britain, complying with the need to reduce milk production, cut its output of milk by dairies by 1 per cent in 1984, Germany, a bigger producer than Britain, cut its production by only 0.27 per cent and France by 0.36 per cent. In addition, producers paid about 350 million pounds through the co-responsibility levy. Wondle proposed some major measures. First, the co-responsibility levy must be abolished. He suggested that more revenue could be generated by prudent financial management and belt-tightening. Secondly, there was a need to ensure that levy payment that were charged collected is a fashion that pays heed to seasonal fluctuations in output and to farmers' cost flows. Thirdly, there was need to ensure that the outgoers scheme was more flexible. Fourthly, there was need to ensure the ability to trade quota between farmers. Fifthly, there was need to ensure that British quota reductions were matched equally by all other member states.[34]

Conservative M.P. Antony Baldry held the view that it was any day better to have a surplus than a shortage. The CAP provided secure food for people of Western Europe. At the

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34. Ibid., Cols. 738-46.

same time, he said, there was need to reduce surplus production. There was need to have a equilibrium between countries, producers, retailers and consumers. He felt that the proposed 3 per cent co-responsibility levy on cereals was unfair to the British farmers as it applied only to off farm surplus after the first 25 tonnes. It would operate unfairly between farmers who use their own cereals and those who sell them, which would mean that all British farmers, but only half the West German farmers, would be subjected to the levies. He reminded that due to the CAP, food in 1986 was cheaper in real terms than it had been for 30 years. Grain was cheaper in real terms than what it was in 1900. Therefore, he said, it would be a mistake to undermine all that the CAP had done just because of its surplus.[35]

Speaking on behalf of the Government, Minister for Agriculture, John Gummer told the House of Commons, on 30 April 1990, that at the Agriculture Council Meeting the CAP reforms, agreed to in 1988, which included price stabilisers, had been protected despite the efforts of some countries to pull it down. The compromise package included the devaluation of the Green pound, which was thought to be disadvantageous to the British farm exports. Monetary compensation was reduced, for a variety of products like cereals and other crops, from 19.7 per cent to 8 per cent, for milk from 18.8p to 11.1 per cent, for beef from 15 per cent to 5.8 per cent

35. Ibid., Cols. 745-46.

and for pigmeat from 11.4 per cent to 0 per cent. Gummer said that originally the Commission wanted only a one-third reduction. Looking at it in that way the reduction for cereals and other crops was not 33 per cent but 55 per cent, for milk 38 per cent, beef 55 per cent, pigmeat 86 per cent and sheep 56 per cent. The advantages to British farmers through increase in support prices was 10.7 per cent, milk 6.8 per cent, beef 9.5 per cent and sheepmeat 11 per cent.[36]

By and large, the Conservative Party was united in its stand against the excessive net British contribution to the EEC budget which, on an average, exceeded 1000 million pounds annually. However, the study of its criticism varied from leader to leader.

However, basically most of them supported the Government's viewpoint of negotiated refunds, while a minority wanted Britain to take drastic steps. The Common Agricultural Policy came in for all round criticism from the Conservative rank and file, still, there were strong defenders of the CAP, mostly the Conservative MPs elected from farming constituencies who reminded others that the British farmers were also getting the benefits and that it was always better to have a surplus than a famine. However, they too wanted a reduction of the surplus food production without knocking down the CAP.

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36. U.K. Commons, Parliamentary Debates, Session 1989-90, Vol.171, Col.725.

CHAPTER III

POLITICAL, SOCIAL, SECURITY AND OTHER FACTORS

Two major political factors that had considerab. influenced the Conservative Party in its attitude towards the European integration were the attempts to usurp the decision-making role of the British Parliament by the European Parliament and other Brussels-based centralised institutions, and the implied loss of sovereignty if Britain fully meshed itself into the European Monetary System.

MONETARY UNION

The Treaty of Rome, which established European Economic Community, had laid no provision for a monetary union. However, pushed by the enthusiasm of the European integrationists the concept of monetary union became, in 1969, an accepted element of the policy of the European Community. In December 1969, the Heads of Government Conference, held at Hague, called for the drawing up of a plan for step by step realisation of the economic and monetary union. The 'Werner Report' suggested a three stage plan for their completion by 1980.

The Council of Ministers had agreed on measures to be taken during the first phase, which included the establishment of a short term monetary support mechanism in

1970, and the narrowing of fluctation between the member states and the establishment of a medium-term financial support fund in 1971.

In 1972 the Council took the decision which committed the member states to the maintenance of a 2.25 per cent band between their currencies, limiting the margins of fluctuations between their currencies to the permissible margins of fluctuations against the US dollar. This scheme came to be known as "the snake in the tunnel". From the beginning, problems cropped up with Italy and it was not integrated into the system and, after the 1973 devaluation of the US dollar, the lira once again became a floating currency. With Britian joining the EEC in 1973, the lira was joined outside the system by the pound sterling and the Irish pound. By 1974, as inflation raged uncontrollably within the Community and the member countries faced balance of payment difficulties, the ideal of economic and monetary union was seeming to be very distant. Finally, France which always had a weak currency like Italy, floated its currency although an attempt was made, in 1975, to bring the Franc back into the snake. It was, however, unsuccessful.[1]

With three major currencies floating, exchange rate instabilities caused serious distortions to competition and to internal trade as well as disruptions to the agricultural

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1. Economic Intellegence Unit, Background Supplement 1991-92 (London 1991), p.27.

markets. With such instability in the monetary market, there could not be a proper co-ordination nor convergence of economic policies within the Community. By 1977, the importance of creating a European zone of monetary stability as a condition for monetary union as well as European integration was beginning to be realised.

The European Monetary System (EMS) was an idea conceptualised by a leading Labour Party 'European' Roy Jenkins, who was also the President of the European Commission. It was discussed at the European Council in Copenhagen in April 1978 at the initative of President Giscard d' Estaing and Chancellor Helmut Schmidt. The EC institutions and groups of experts were commissioned to examine the mechanisms of the system and to resolve various technical problems. Later in the year, at Bremen, the European Council set out the framework and a time-table, for a system for the creation of closer monetary co-operation leading to monetary stability in Europe. After the European Council had adopted a resolution on the introduction of A European Monetary System on 5 December 1978, the EMS actually went into operation on 13 March 1979. The formal incorporation of the EMS in the Treaty of Rome was effected in 1986 under the Single European Treaty.

There are three main components in the EMS. They are the European Currency Unit (ECU), the Europan Monetary

Corporation Fund (EMCF), and the Exchange Rate Mechanism (ERM). As from 1989, when the Portugese Escudo was included, all 12 member states contribute to the basket of currencies from which the ECU is calculated daily and belong to the EMCF, while at the twelve all, except Greece and Portugal, now participate in the ERM following Britain's entry into it in October 1990.

The Exchange Rate Mechanism (ERM) is used to guide the European Currecny Unit (ECU); when an ERM realignment takes place, currencies are devalued or revalued against the ECU. On this basis, bilateral central rates are then calculated, around which there is permissible fluctuation of 2.25 per cent for all currencies, except for the Spanish Peseta and the British Pound Sterling for which 6 per cent is allowed. A further piece of sophistication is added to the system by the "divergence indicator". If a currency rises or falls against its ECU central rate, alarm bells are meant to ring in the member states, Central Bank and the Treasury, and actions should be taken to bring the currency closer into the line. However, the divergence indicator is seldom used.

The ECU central rates for currencies is the ERM in force. Since the last realignment on 12 January 1987 in units per ECU were: Deutschmark - 2.05853; Belgian Franc - 42.4582; Danish Krone 7.84195; Irish Pound - 0.767417; Luxembourg franc - 42.4032; Spanish Peseta - 133.804; Dutch

Guilder - 2.31943; French Franc - 1538.24; and the United Kingdom Pound Sterling 0.696904.

The ECU is linked to a basket of currencies, each contributing a certain percentage. The weighting coefficient as a percent of the total which remained unchanged since 1989 is: the Deutschmark - 30.1; Belgian Franc - 7.6; Danish Krone - 2.5; Irish Pound - 1.1; UK Pound Sterling - 13.0, Spanish Peseta - 5.3, Dutch Guilder - 9.4; Luxembourg Franc 0.3; French Franc - 19.0; Italian Lira - 10.2; Greek Drachma - 0.8, Portugese Escudo - 0.8.

Since 1979, the Central Banks of the EC nations and the European Monetary Co-operation Fund have traded 20 percent of Gold reserves and 20 per cent of dollar reserves for ECUs. These ECUs may be utilised for settlement of foreign exchange operations, within the Europe Community, of upto 50 per cent of claims or more if the creditor state agrees. Recently, non-EC central banks were allowed to acquire ECU balances, and interest rates on these balances were made more competitive. However, Central banks have been conservative in their use of ECUs.

The financial markets are however less cautious. The main attraction has been the guaranteed stability of the ECU compared with national currencies. There have been three main areas of growth - international bond issues, syndicated bank credits and the financing of international trade. The British

Government launched its first ECU Gilt in 1991 while Italian, French and even Swedish Companies have been issuing a significant value of ECU bonds.

The EMS is intended, in the longer term, to facilitate the convergence of member state economies. The period of its operation has seen a significant reduction in inflation rate. During the first five months of 1988 the consumer price index for EC-12 rose by 1.7 per cent compared to 1.6 per cent in 1987, and over the twelve month period to the end of May 1988 by 3.2 per cent compared to 2.9 per cent upto May 1987.[2]

The European Monetary Co-operation Fund is a shadowy bank that lends money to strengthen member state currencies and its funding is the through assets received from members against which it issues ECUs. It is hoped that the EMCF will become something of a national Central Bank.

It is estimated that Monetary union would save European businessmen time and money and would result in increased trade, travel and economic integration. There would be uniform inflation and stable interest rates through Europe if there is a strong Central Bank like the German Bundesbank. But, the demerits of the monetary union would be that since no country would have separate currency, it would mean that they would loose most of their power to influence economic

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2. Ibid., p.29.

conditions. Countries with high employment could not make themselves more competitive by currency devaluation. Regions where excessive borrowing or shortages were raising costs could not rein in demand with higher interest rates. Since the Government would not have the freedom to print money, even taxes and public spending, though still in the individual Government domain, would be under severe restraint as it cannot print money to pay their debts.[3]

In March 1979 the Labour Government of James Callagahan did not joint the EMS due to lack of sympathy, a desire for policy independence and Sterling's status as a petrocurrency. In 1980, as Britian became self-sufficient in oil, it had a surplus of $6.7 billion on its external current account. Every other EEC country had a deficit collectively of $43.4 billion. Like the Deutschmark, Pound Sterling is an international currency and free of exchange controls. All the other EMS currencies are pygmies beside these two. There is not much possibilities of a devaluation of these two as there is a huge market for them outside and its respective Central Banks push up interest rates upto over 100 per cent that deter speculation on the Sterling and Deutschmark.

ATTITUDE TOWARDS THE POLITICAL IMPLICATIONS OF JOINING MONETARY UNION

Nothing has divided the Conservative Party more than the issue of, as Margaret Thatcher termed it, "Creeping

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3. The Times (London), 11 December 1991.

federalism and the trap of monetary union".[4] Led by Mrs. Thatcher, who effectively stalled a wider involvement of Britian in the European Monetary System, a section of the Conservative Party which included skeptics like Norman Tebbit, John Biffen, Nicholas Riddley, all former Conservative Ministers, forced John Major, Margaret Thatcher's successor, to go for an opt out clause on the single currency at the Maastricht Summit of the EC in December 1991.

Margaret Thatcher prefered to give people the choice of common currency or they could continue to use their own currency. President of the EC Commission, , Jacques Delor's formula for a single currency envisaged a board of 12 bank Governors, with powers over monetary and budgetary policy. Mrs Thatcher felt that once Britain surrendered this right, it would lose its sovereignity, which would be unacceptable to the British Parliament. She reminded the members of the Parliament that they were elected to uphold the powers of Parliament, not to squander them.[5] Thatcher was unmoved by the argument of some members parliament that since Spain has found it advantageous to move into the exchange rate mechanism, Britian should also move in. She said that

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4. The Times (London), 21 November 1991.

5. UK, Commons, Parliamentary Debates, session 1989-90 vol.175, col.493.

Spain's interest rate was still very high, inflation and her trade deficit has not moved at all, so she found no comparative advantage of Britain's moving into the Exchange Rate Mechanism.[6]

As her Chancellor Norman Lamont said about the single currency," They are practicals, they are progressive, they offer choice, not participation. They evolve naturally from stage I and have the potential to evolve further. In time the ECU would be more widely used. It would become a common currency for Europe. In the very long term, if people and governments so choose it could develop into a single currency, but that is a decision we should not take now for we cannot yet force what the size and circumstances of the new Europe would be".[7]

The Chancellor justified the Conservative party's decision to join the exchange rate mechanism in October 1990, as it provided for a more secure framework for combating inflation. When Sterling was linked to other currencies which had a better record of low inflation, he argued, it would bring more discipline into the monetary policy. He appealed to the members to make British membership of the Exchange Rate Mechanism a success. And, after nearly eight months, the

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6. UK, Commons, Parliamentary Debtes, Session 1989-90, vol. 171, col.91.

7. UK, Commons, Parliamentary Debates, Session 1990-91, vol. 188, cols. 166-7.

Sterling had behaved well within its band during a difficult period and the reductions in interest rates had been received well by the markets. The Chanceloor also assured the Commons that he had no plan to move the Sterling into a more restrictive band. The Government had plans to do so in the future, but only after it had made sufficient progress in curbing inflation.[8]

Pro-European enthusiasts in the Conservative Party, like Nigel Lawson, former Chancellor, and Hugh Dykes were unhappy with the slow pace at which the Government was proceeding towards monetary union. Nigel Lawson felt that Britain should have joined the EMS earlier and the time table fixed by the Government was too leisurely. Huge Dykes, Conservative M.P., compared Britain with Spain with its inflation rate, but, unlike Britain, Spain had a much greater enthusiasm for joining the EMS. Dykes warned that the waiting for inflation to come down would lead to unnecessary delay. He also felt that it was dangerous to be locked into a policy which made its hallmark in the fact that high interest rates were the only British policy of control.[9]

David Mitchell, Conservative MP, said that there was a downside to joining the ERM. According to him, the single currency did not provide an easy soft option. It

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8. Ibid., col.491.

9. UK Commons, Parliamentary Debates, Session 1989-90, vol. 170, col. 365-367.

required the British to run their economy in such a way as to keep the British currency in line with its given slot among other European currencies. He felt that there could be a clash between what was in the interest of the British internal economy and their committment to maintaining that currency link.[10]

Justifying the Conservative Government's cautious approach to the single currency, Peter Lilley, Financial Secretary to the Treasury, said that the proposal to establish a single currency and a single Central Bank went in to the very heart of Sovereignty and self-government. Elaborating it, he said that every state has had its own currency. First a currency is a symbol of the state authority. Secondly, it is a source of revenue, because of the seignorage that results from issuing a currency whose value exceeds the cost of production. Thirdly, it is necessary to have the ability to issue money in order to act as leader of last resort to the banking system, which requires Government regulation to maintain its stability. Fourthly, monetary policy has a profound effect on economic activity."[11]

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10. UK Commons, Parliamentary Debates, session 1989-90, vol.174, col.624.

11. Ibid., col.630

Demonstrating the Conservative Government's commitment to the ECU, the Chancellor of the Exchequer Nicholas Ryder said that the government's European Currency Unit Treasury bill was an overwhelming success, with subscription reaching upto three billion ECU, upto March 1990 and the government was issuing bills at one, three and six month maturities on very good terms. The Conservative Government felt that there was a demand for longer maturities and the market was far from reaching saturation levels and the Government was keen on developing the private ECU market in London, which the Conservative Government felt, showed the practical approach of Britian for greater European Monetary integration.[12]

David Howell, a Conservative MP, was appreciative of the Conservative Government's 'throughly sensible proposals' on monetary union and hoped that the Prime Minister would not relent on this issue under pressure from other members. He felt that the Conservative Government's pragmatic approach was much better for a future Europe than the attempts by Federalists to impose a single centralised European Bank, which, he opined would be difficult to operate in the European monetary system.[13]

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12. UK Commons, Parliamentary Debates, session 1989-90, vol.169, col.688.

13. UK Commons, Parliamentary Debates, session 1989-90, vol.175, col.492.

As Conservative Prime Minister, John Major said, on 18 December 1990:" The closer we get to the difficult decision which need to be taken on economic and monetary union, the more the difficulties of Centralised prescriptive approach become apparent and the attractions of a pragmatic step-by-step approach, with experience gained on the way before making the final decision, can clearly be seen.[14]

THE ISSUE OF POLITICAL SUPREMACY OF THE EUROPEAN PARLIAMENT

The Conservative Party, under Margaret Thatcher's leadership, had always been haunted by the spectre of an all powerful European Parliament, reducing the British Parliament to just a minor impotent Assembly. Statements of a large number of Party leaders and Members of Parliament had indicated the apprehension that one day the European Parliament would usurp the power of the House of Commons.

Michael Knowles, a Conservative MP, felt that anti-Europeans were being unrealistic about the Community and wanted to have it both ways. He said that those misguided zealots who opposed the Community on Nationalist ground still believed that Britain could go it alone in this world and warned that Britain had tried to create the European Free trade Association in 1957 and had failed.

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14. UK Commons, Parliamentary Debates, session 1990-91, vol.183, col.161.

Justifying his argument for giving more powers to the European Parliament, Knowles felt that Britian's future lay with Europe and, quoting Benjamin Franklin, he said that either Britian hanged together with Europe or it could hang separately, for Britian could become a colony of either United States or Japan, if it was alone. The grim reality of the present world was power counts and countries without power he felt would end up as colonies of the Super Powers.

The Community, he suggested, could be made better if the meetings of the Council of Europe was, opened to the public. The council was the only legislature that was meeting in complete secrecy and people had the right to know what decisions were being taken in their name and why. He further suggested that the power that is shared between the Council and the Commission be extended to the European Parliament.

Michael knowles was critical of the lack of cohesion among the 12 national Governments who were selective in their apprisal of the Cockfield Report for the Common market, which he warned was most likely to end up with other Reports that 'litter the shelves of Europe'. He felt that Britain had a great opportunity to build a common market, which would immensely benefit its manufacturing and service industries, but for this there was a political price to pay and it would not be possible to build a common market without strengthing the common institutions that oversee them. He ridiculed the

idea of some members who wanted to build a super EFTA, and reminded that Britain's experiment with EFTA had failed long back. He said: "If we want the benefits of a common market, we need common political institutions. The two are inextricably linked and there is no divocring them."[15]

Knowles was critical of the Commission's policy of 'robbing Peter to pay Paul'. The Commission, he felt, had to pay up to all its commitments. He was appreciative of the European Parliament's role in restructuring the Budget which showed that the European Parliament was a responsible body and was, indeed, the Political locomotive of the European Community. It was much more responsible than the Council which 'fudged and dodged' the budget issue.[16]

Giving reasons for why the national Governments should not be entrusted with the veto, Knowles said that similarly all other 11 nations states will also demand that veto power, it would result in constant deadlocks over every issue whereas an European Parliament would look at things in the larger perspective. He said that he was prepared to face the reality and see that sovereignty was passed from the British Parliament to another popularly elected European Parliament than see power in the hands of a Council or Commission

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15. UK., Commons, Parliamentary Debates, session 1985-86, vol.86, col.766.

16. Ibid., col.767.

appointed by National Governments.[17]

Edward Taylor, a Conservative M.P. and an active anti-marketeer, 'found it incredulous that spending on the European Parliament was up in 1985 by as much as 26.7 per cent. He asked whether the EEC could not operate without this 'silly, powerless monstrosity' which was taking up valuable time of sensible educated people and had no power to do anything.[18]

While Geoffrey Howe, Minister for Foreign and Commonwealth Affairs, felt that powers of the European Parliament would not be at the expense of the British Parliament and that any change would be a positive one, enhancing the effectiveness of the Community's decision taking procedure,[19] Antony Marlow, another Conservative M.P., was apprehensive that if there was a socialistic majority in the European Parliament, they would see that Britian, once again, be led back on the path of Socialism.[20] Douglas Hurd, Minister for Foreign Affairs, said that national Parliaments like the British Parliament could not keep track of the day-

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17. Ibid., col.768.

18. UK.,, Commons, Parliamentary Debates, Session 1985-86, vol.86, col.755.

19. UK.,, Commons, Parliamentary Debates, Session 1985-86, vol.87, col.265.

20. UK., Commons, Parliamentary Debates, Session 1985-86, vol.96, col.321.

to-day administration of the EC Commission. He felt that this was an important role the European Parliament could play in tightening the financial accountability of the EC Commission. He suggested that the Budgetary Council Committee of the European Parliament and the European Court of Auditors be given more powers and the European Parliament should have more privileges in summoning the Commission Officials.[21]

David Howell, Conservative M.P., said that if meaningful changes are to be brought about in European Political institutions, it should be through national Parliaments working in partnership with the European Parliament. He felt that full political union on the scale of the United States of America, with vast pyramidical structure of centralised institutions, was unnecessary.[22] Michael Irvine, another Conservative MP, said that the fact that the Council of Ministers meet behind closed doors and its proceedings were not open to scrutiny of national Parliaments made it quite undemocratic. He felt that there was inadequate policing of legislation and extraordinary powers of the Commission Officials. However, he was appreciative of the cautious and pragmatic approach of the

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21. UK., Commons, Parliamentary Debates, Session 1989-90, vol.174, col.26.

22. Ibid., col.43.

British Conservative Government on this issue.[23] Antony Marlow, yet another Conservative M.P., felt that the European Parliament was just an assembly and it should always be referred to as such. He felt that the European Parliament was, forever, trying to increase its powers and it wanted to spend public money that it did not earn itself.[24]

THE ISSUE OF EUROPEAN FEDERAL UNION

Ray Whitney, a Conservative MP, felt that there were great challenges to the concept of political union. He said that he was not looking forward to a federalist solution nor did he think that any Frenchman, Spaniard, or Italian was contemplating the same. He felt that they all were bound together not only by economic forces but more importantly by communications, by social and cultural forces.[25]

Prime Minister Margaret Thatcher said that Political co-operation did not mean that the Conservative Government had agreed to relinquish its soverign right, unilaterally or bilaterally, to make its own statements regarding any issue. She said it was difficult to define Political union, but she meant it as increasing the efficiency of the Community

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23. Ibid., Col. 96-97

24. UK., Commons, Parliamentary Debates, Session 1984-85, vol.84, col.206.

25. UK., Commons, n.22, col.50.

institutions and increased political, economic and monetary union.[26] Prime Minister John Major, in a further elaboration on the subject, said that the Conservative Government remained opposed to federation in the context of a federal European Government. He said, for them the concept of political union was clear. It was one of even closer co-operation and working together between the member states of the Community, while preserving their national Parliament, Government and tradition. It was not to be a Centralised European super state.[27]

At the Conservative Party Annual Conference, in September 1991, while the bulk of the European motions supported John Major's stance in European negotiations, many warned explictly against any further moves towards a federal Europe. Typically, one from the North West Young Conservative urged the Conference to oppose any extension in the power of the European Community institutions and called upon all Conservative MPs to oppose the concept of a federal United States of Europe.[28]

Margaret Thatcher was to lead the Euro-skertics, when out of power, to demand a referendum on the issue of

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26. UK., Commons, Parliamentary Debates, Session 1989-90, vol.171, col.905.

27. UK., Commons, n.15, col.161.

28. The Times, 21 September 1991.

political union. She said: "Any one who does not consider it has to explain how the voice of the people shall be heard. We should let the people speak, otherwise we shall be depriving them of their say over rights which are not only taken away from them but from future generations and which we know that once they have gone, they will not come back."[29] She warned that political union would be on enormously important issue for the British Public and that if the Conservative Party did not offer a referendum, the people would have no choice but to vote for extremist parties in the elections.

Anthony Favell, Conservative MP called for a referendum saying that after 900 years of independence, no step should be taken without the full hearted consent of the British People.[30] Terrence Higgins, another Conservative MP, opposing the referendum felt that the British Parliament was capable of deciding the outcome of the negotiations the Government would have with the European Community. Norman Fowler, Chairman of the Conservative Backbench Committee on Europe, said that there was no need for a referendum on a single European Act. He felt that those clamouring for a referendum were bent on destroying anything that came out of 'Maastricht' summit of European heads of Government.

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29. The Times, 21 November 1991.

30. Ibid.

Norman Tebbit, former Conservative Minister arguing his case for a referendum on the issue said that federalism must be stopped in its tracks and that the Treaty of Rome should be amended to uphold the union of nation-states and to exclude a federal union.

ATTITUDE TOWARDS SOCIAL POLICY OF THE EUROPEAN COMMUNITY

The British Conservative Party was concerned about interference from the European Community on social issues, especially since most European political parties gave a very high emphasis on social security, which seemed more akin to the British Labour Party's manifesto, than the Conservative views on this subject.

'Socialism through the backdoor', was the way the Conservatives viewed the social policies of the European Community. The Conservative Government was adamant on non-interference from the European Community on social issues. While the Community wanted better working conditions, information and consultation of workers, subsidies for job creation, employment conditions for immigrants, equality between men and women for job opportunities and at work, the Conservative Government opposed all such policies at the Maastricht Summit in December 1991, alienating itself from the 11 other member states.[31]

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31. The Times, 7 December 1991.

The Conservative manifesto 'Leading Europe into the 1990s' says about worker participation: "We do not believe in the rigid imposition on every European company of mandatory worker participation. The idea of mandatory participation is rooted in a class-conscious idea of industry, which has less and less meaning in the modern world".[32] The Conservatives were appreciative of worker participation, but making it obligatory was as ridiculous as compulsory volunteering.

Prime Minister Margaret Thatcher was highly critical of Labour Party Leader Neil Kinnock's support for the Commission programme of social action. She felt that the Commission had no right to interfere in the rules of the United Kingdom regarding part-time and overtime work. According to Thatcher the Commission was always talking about the doctrine of 'subsidiarity' but never honouring them.[33]

The European Social Fund was established in 1957, 'to improve the employment opportunities for workers in the Common Market for equal opportunities in work and pay for men and women to contribute to rise in the standard of living. The European social fund has only a minor allocation under the EC budget of about 8%. Britain basically gets benefits from this scheme under the Youth Training Scheme.[34]

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32. The Times, 23 May 1984.

33. UK., Common, Parliamentary Debates, Session 1989-90, vol.175, col.491.

34. Economist Intelligence Unit, Background Supplement 1991-92, (London 1991), p.50.

The European Regional Development Fund was created in 1975 to develop the less favoured regions which, due to some reason, was less developed than others in infrastructure, industrial advancement and had witnessed a general decline in population and living standards due to the migration of people to more prosperous regions. Till 1985 Britain received about 24 per cent of the fund which was mainly related to the development of infrastructure.[35]

Anthony Mayer, Conservative MP, felt that the Governments make some deductions on the money that the Community gives for developing depressed regions and he felt that getting European money to develop such backward regions was politically corrupt. He felt that it was a waste of time and effort for funds to be allocated by the Community when such a task could be more easily and more responsibly done by national Governments.[36]

R. Knapman, another Conservative MP, was concerned about the political damage that could be caused to the Conservative Party if the Conservative Government was unable to manage subsidiarity in the Community budget. He felt that the Conservatives were giving a helping hand to Socialism in the process. His party colleague Christopher Gill, MP, said

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35. Ibid., p.51.

36. UK., Commons, Parliamentary Debates, Sesson 1985-86, vol.86, col.751.

that the structural funds contradicted the principle of subsidiarity. He felt that these decisions were made remotely and arbitarily. According to him, these funds negated a very attractive feature of the Community which was a single free common market with all barriers removed. The Conservatives believed that only from a free market could benefits to all member nations come, but with such structural funds, Britain was subsidising her competitors especially when Britain was having a balance of payments deficit with the European Community and also its net contribution the EC budget was higher than most other memeber nations.[37]

EUROPEAN SECURITY ASPECT

For the Conservatives security was a very vital issue. Britain's independent nuclear deterrent, membership of the NATO, an alliance based on nuclear deterrence, these were the bedrock on which the Conservatives have based their defence strategy. As Margaret Thatcher said, "it is the balance of nuclear forces which has preserved peace for 40 years in a Europe which twice in the previous 30 years tore itself to pieces.... preserved peace not only from nuclear was but from conventional war in Europe as well".[38]

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37. UK., Commons, Parliamentary Debates, Session 1989-90, vol.174, col.95.

38. The Times, 11 October 1986.

Tim Devlin, Conservative MP, argued that since majority of the American troops had been transferred from Europe to the gulf, hopefully never to return, and due to the changes in Soviet Union, should not the Italian proposal for a common initiative on defence, including a common defense force, be given serious consieration by the Conservative government. However, Prime Minister John Major was not receptive to that proposal and was for firmly tying up Britain within the NATO alliance.[39] John Major said that though defense was negotiated in NATO, it was still not enough. Acknowledging the importance of the Helsinki accords, he said the Conference on Security and Cooperation in Europe which was signed by 35 nations on both sides of the political spectrum in Europe, was an important one and Britain wanted it to meet more often at the Foreign Minister level.[40]

Douglas Hogg, Secretary in the Foreign and Common Wealth Office of the Conservative government, said that security was already discussed as part fof the framework of European Political Cooperation. Although the conservative government believed that this could be developed further, NATO shoudld remain the main forum for consultation. He hoped that closer European cooperation on defense could be

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39. UK., Commons, Parliamentary Debates, Session 1989-90, vol.183, col.173.

40. UK., commons, Parliamentary Debates, Session 1989-90, vol.171, col. 908.

achieved by strengthening the Western Europe Union.[41] Douglas Hurd, Foreign Secretary in the Conservative Government, said that NATO should be the bedrock of Britain's defense and that Americans expect Europeans to play a larger role in the defense of NATO.[42]

Cyril D. Townsend, Conservative MP, referred to the general consensus among the people that Britain could no longer deploy short range missiles that would hit democratic countries of Eastern Europe. He argued that the doctrine of flexible response needed to be revised due to the fall of the iron curtain in Eastern Europe. He warned that failure to do so would undermine Britain's nuclear policies and it would also be used as an issue by political opponents. He said the Conservative Governement had a hard time to explain to the British electorate why Britain and NATO needed nuclear weapons in the 1990s. He felt that the Conservative Party should increase its support base regarding this issue especially among the youth who were being swayed by nuclear disarmament ideals.[43]

Townsend quoted Lord Carrington as saying: "I would have thought there is no conceivable situation now in which short-range nuclear weapons, which land on East German soil,

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41. Ibid., col. 380w.

42. Ibid., col.839.

43. UK., Commons, Parliamentary Debates, Session 1989-90, vol.171, col. 621.

would be acceptable. That Chapter, I think is over". Townsend said that 'Lance', a land based missile of 110 kms from its deployment position in West Germany could hit only East Germany and Czechoslovakia. He appealed for wider consultation and discussion on this issue.[44]

William Waldegrave, Minister of State, Foreign and Commonwealth office, said that there would be no question of undermining the collective arrangements that had guaranteed the security of the west for 40 years. The Conservative Government's position was that the United Germany should remain a part fof NATO. United States and other stationed forces should remain in Germany and that NATO should continue to deploy nuclear weapons. Although there was scope for increased political role for NATO, its underlying military role must not be disturbed.[45]

INDUSTRY

The Conservatives believed that Industry was the key to the future prosperity of the European Community. Individual efforts of competitive technology would be futile against the Japanese and American efforts. Therefore, there was the need for common efforts on research and innovation such as the Espirit programeme on information technology, and the new programme on telecommunication and bio-technology. The

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44. Ibid., col.622.

45. Ibid., col. 623-24.

Conservatives also wanted to remove obstacles to joint European ventures and investment. They favorured support to Airbus industries and to nationalise the traditional industries, such as steel and ship building, on a fair basis.[46]

ENVIRONMENT

The Conservative manifesto, 'Leading Europe into the 1990's said that pollution knew no national boundaries and committed Britain to working with EC and other countries to counter threats to the natural world. However, it did not mean that farmlands would be converted into museums but that within the EC, Britain would press for greater use of environmentally sensitive areas and the setting aside of redundant agricultural land to protect its natural habitat. The Conservative Party would also ensure that Commission proposals on pesticides and nitrates would be 'relevant and sensible' and that the rules would apply equally to all member states. It would also seek to change the CAP so that it strikes a better balance between agriculture and conservation. The Conservative manifesto also promised the consumer 'the highest degree of sensible protection' over food standards, better labelling and realistic rules on plant and animal health. It sought a permanent ban on seal hunting and the development of alternatives to experiments on live

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46. The Times, 22 May 1984.

animals. Defending Britain's record on river quality, the Conservative manifesto had promised tough controls on the quality of drinking water, 1 billion pounds over four years for improving sewage and disposal and for stricter controls on dangerous industrial efluents. It also promised that Bathing water standards off British beaches would meet relevant EC standards. Regarding nuclear power, the Conservative Party regarded it as the driving force behind energy and said that Britain would work for the 'widest possible commitment among member states to the development of nuclear power' while working for the highest standards of safety including waste disposal. The Party said that it would tighten the laws regarding shipping and dumping of hazardous wastes.[47]

FREEDOM OF MOVEMENT

The Conservative manifesto, 'Leading Europe into the 1990s approved of the abolition of unnecessary paper work at border posts, but was critical of the EC Commission's plans to scrap all frontier checks as part of completing the single market. It felt that such safeguards are needed to combat international crime, illegal immigration and terrorism. The Conservative Party refused to give up the government's right to check people at fronters as well as elsewhere.

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47. The Times, 23 May 1989.

Thus, it may be seen that the Conservative Party's disenchantment with the EC's political and social ideals got set in soon after the pro-European enthusiasts in Community pressed forward their utopian dreams of integration in these sectors. The Party, least known for championing Worker's rights found the EC's Social Charter too socialistic for a market economy. The party liked the unfettered development of industry with the least interference of the state. It thought that the Social Charter would result in greater protection of the work force, but with less impetus to production, which, the Party felt, would result in a narrowing down of the competitive edge.

Political integration with Europe was another inflammable issue within the Conservative Party. While the French and German Governments used it as a smokescreen to pursue their own national interests, the Conservative Party found it hard to justify political integration. With a world-wide trend for decentralisation, it was difficult for the Conservative Party to hand over power to the European Parliament and other centralised institutions. And, if Britain was to be just another unit of a super state like Europe then it could as well be the 51st state of the United States of America with which it atleast shared a common language. The Party realised that full monetary union would not only result in loss of national pride, ie. the removal of the queen's face on the pound sterling, but also domination

by a single Central Bank which would be another Bundesbank. Britain would not be in a position to adjust its macroeconomic policy if it went for monetary union, which also implied loss of sovereignty.

CHAPTER IV

CONCLUSION

It could be said that the Conservative Party's enthusiasm for Europe seems to have died with Edward Heath's stepping-down from the leadership of the Party in 1974. But then, in the Seventies political and monetary union were just nothing more than Utopian ideas bandied about by pro-European politicians and intellectuals. Not many in the Conservative Party had realised the full implications of the European Community membership nor the excessive speed with which most of the EC members would push the community towards the goal of a European superstate in the Eighties. For most of the Conservative Party, membership of the EEC was only a means to secure a bigger European market, to attain industrial competitiveness and as a substitute, at least a partial one, for the dependence upon the United States.

Unlike political parties of Europe which, after the destructive outcome of the Second World War, were realising the futility of nation states, the Conservative Party revelled in the British national identity and her empire. Winston Churchill's espousal of European unity was not taken seriously by the Conservative Party as a programme to be applicable for Britain. Of course, . Churchill himself

meant it for Europe alone, a European Union without Britain in it. The Conservative Party had not properly understood the economic decline of Britain after the Second World War and that its pre-eminence as a military power had to be supplemented with an economic clout.

While in Europe, with France and Germany taking the lead the European Coal and Steel community was formed to forestall their possible disputes over two prime minerals, Britain decided to stay away from this supernational association. When six European nations decided to form the Common Market, the Conservative Government in Britain was lukewarm to that proposal and tried to establish a counter Association, the European Free Trade Area (EFTA). Later in 1960, European Free Trade Association was established. But, it could in no way match the European Economic Community, and the Commonwealth market also could hardly compensate for the loss of the EC market.

However, the political will for taking a decision to join the EEC came after the Conservative Government got disillusioned with the Commonwealth and found that the United States could no longer be relied totally upon in a crisis. The Suez crisis of 1956 was an eye opener to Conservative leaders like Harold Macmillan and Edward Heath the two leaders who later led Britain into the EEC. They hoped that Britain could play a greater role in World Politics if it

became part of Europe. Many believed that, Britain's destiny lay in Europe, and not across the Atlantic.

French President Charles De Gaulle effectively stalled the British efforts to gain admission into the EEC for nearly a decade. De Gaulle spurned the idea largely because Britain did not fit into his plans for French political supremacy in the European Economic Community. The Conservative Government of Macmillan miscalculated De Gaulle interntions when he, as an opposition leader, had expressed his opposition to the EEC. But, once in power De Gaulle realised that the EEC could be dominated by France and could stand up against the United States. Britain, he apprehended, would usurp French position in the European Community. Finally, when Britain was admitted to the EEC in 1973, it had to accept a number of conditions regarding the import of cheap agricultural goods from the Commonwealth.

The Conservative Party's return to power in 1979 was marked by Margaret Thatcher's disenchantment towards European Community. The main cause of this disenchantment revolved around Britain's net budget contributions and the European Community's Common Agricultural Policy. It may be seen that the Common Agricultural Policy was framed with a view also to help continental farming, especially the French, to compete against the advantage the German industrial goods enjoyed in the EEC. Under the CAP, when an agricultural product was

falling below its average price, National intervention agencies intervened to pull up the prices and buy the unsold stock. Although these were supposed to be released when the price rose and when there was a shortage in the market, due to a perennial glut in the market the surplus stock could never be released. In 1986, in the three principal products there was a massive surplus. The grain surplus amounted to over 16 million tonnes, milk powder of one million tonnes and wine lakes of 15 million litres.

To keep such products in cold storages itself needed a fortune, and this was one of the complaints of many members of the Conservative Party. The fact that Britain, traditionally a non-agricultural country, was competing with France and Germany for funds under the CAP, was not received well within the Conservative Party. Britain had been getting cheap agricultural goods from the Commonwealth countries and when this was substituted by expensive agricultural products from the EEC the Party could hear loud protests from the public. But a section of the Conservative Party, mostly of those representing farming communities, tried to justify the CAP as they felt that it was an essential requirement for the EC which had a free trade in goods and services, should also have an uniform intervention policy in Agriculture.

Linked to the CAP was the net Budget contributions by Britain to the EEC which in the Eighties, exceeded 1000

million pounds annually. For every 3 pound of manufactured goods that Britain imported only 2 pound of manufactured goods were exported back to the Community. Some Conservatives were incensed over the fact that for every pound spent on projects financed by the EEC, it was costing the British taxpayer two pounds. They felt that it was unjustified that while the British customers were paying 3 pound per pound of beef, the same was being sold to the Soviet Union at 15p per pound under special subsidy programme. Therefore, many Conservatives demanded price restraints by intervention agencies and a cut in the budgetary support for the CAP.

At the same time, a section of the Conservatives were appreciative of the CAP and felt that what was good for the continental farmers were also good for the British farmers. They criticized the efforts which were being made to impose quota limits and felt that it would reduce jobs. The Conservatives suggested that such policy decisions should be taken with a minimum impact on social disruption. They were in favour of the introduction of a direct income support payments for small farmers.

However, opposition to the CAP and budgetary contributions was more pronounced in most of the Party MPs who warned that unless fundamental restructuring was done on the farming sector, the CAP was bound to go out of control.

They suggested reduction of capacity, better financial management and belt-tightening. They wanted other EC countries to comply strictly with the rules regarding the quota reduction.

The Conservative Government of Margaret Thatcher was divided on Europe although it presented a united face in most EC ministerial meetings. While Thatcher spent most of her first term fighting over the British Budget contributions and opposing the CAP, her second term in office found the Conservative Government suggesting measures to break down barriers and obstacles to free trade. However, by 1987 Thatcher realised that economic integration, as envisaged by Brussels would also have legal, social and political overtones.

Integration with Europe would involve a lot of changes in Britain which Thatcher and some Conservatives were not prepared to accept. Britain was yet to meet the high standards of Europe with regard to environmental protection, food inspection, laws relating to sex discrimination, interception of electronic and ordinary mail and public services. Although they could be viewed as just minor matters, these were pointers to the political implications of integration which the Conservatives did not like.

Thatcher denounced the 'Social Charter' issued by the European Commission in 1989 as a "Socialist Charter" and was

worried that Socialism which the Conservatives had combatted all along in Britain was being let in through Brussels. Though Thatcher, with her ideological view of the world, was opposed to the EC, most of her senior ministerial colleagues, including Geoffrey Howe and Nigel Lawson, her first and second Chancellors of the Exchequers respectively, were for European integration. Howe fell out with Thatcher after he tried to force her to make concessions, at the Madrid EC Summit in 1989 on her rigid stand on currency union. How was removed as Foreign Secretary and made Deputy Prime Minister, a largely symbolic position. Nigel Lawson resigned as the Chancellor after Alan Walters, Thatcher's personal economic adviser, criticized Lawson's position on Europe.

Sovereignty was the issue over which a section of the Conservative Party, led by Margarat Thatcher and Norman Tebbit, felt very strongly. They felt that monetary union would result in the loss of sovereignty of the British Parliament. At the same time some other Conservative leaders like Nigel Lawson, former Chancellor, were concerned over the slow pace at which Britain was proceeding towards a monetary union. However the Conservative Government of John Major was for a step by step approach, and to learn from experience.

Conservatives were also worried about a possible socialistic majority in the European Parliament trying to dictate to the British Parliament. They urged that the veto

power should not be given to the European Parliament to torpedo decisions of the Commission and national Parliaments. The Conservatives wanted European Parliaments to have the right to summon officials of the European Commission and to monitor and audit their accounts and activities. Some Conservatives were critical of the European Parliament and wanted it to restrict itself and insisted that it should be referred to only as an 'Assembly'.

The Conservatives were opposed to the concept of 'Federal Union' and, as Prime Minister, John Major said that Federalism meant ever closer cooperation and working together among member states, while still preserving their national Parliament, Government and tradition. Thatcher, when out of power, demanded a referendum on the issue and warned that the people would vote for other extremist parties if the Conservative Government did not propose a referendum.

Conservatives viewed the social policy of the EC with suspicion as another effort to sneak in socialism into Britain. One of their main objections to this was that it would extend the power of a centralised bureaucracy into areas that should properly be left to national Governments. They felt that the social policy of the EC was against the Conservative desire to see Europe without barriers, to promote greater trade and to make Europe more competitive. The social policy would drive costs up and make it difficult

for poorer countries within the EC to catch up if such laws on part-time, better working conditions etc., were strictly implemented. While on security, most Conservatives believed that with fall of the iron curtain, Eastern Europe should not be targetted for nuclear attack, the Conservative Government felt that NATO was the best security cover for Europe and defense should not be brought within the ambit of the EC.

The Conservative enthusiasm for further European integration cooled off in the Eighties once it became apparent trhat the European definition of integration was much wider and all-embracing. Visible gains in the form of increased competitive spirit among the industrial enterprises, bigger markets, and the euphoria of being European soon dissipated as the enormous waste of the CAP and the British budgetary contributions came to be known.

The pro-Europeans in the Conservative Party were not helped by global events, like the oil price shock of 1973 and 1979, as well which caused an industrial recession in Europe. But, it was Margaret Thatcher's ideological outlook, her personal combative style in defying the Trade Unions and European leaders, Britain's victory in the Falklands war, the full-steam production in the North Sea oil fields, the global boom in the Eighties, and her personal rapport with American President, Ronald Reagan, that gave her the confidence to

stand up to the EEC and, if necessary, pull Britain out of the Community.

The Conservative vision of a Europe, strong and powerful as a third force between Soviet Union and the United States was the dream of leaders like Macmillan and Edward Heath who had realised Britain's weakness as a global power.

Later another Conservative Prime Minister, Mrs. Thatcher also carried with her no illusions of Britain's supremacy. But, unlike Heath, she understood the importance of power much better and the art of using it. For her, Europe with its varied culture, languages and tradition, becoming something like the United States of Europe was unimaginable. And all those in the Conservative Government who disagreed with her soon found themselves on their way out. Thatcher's successor, John Major, found himself on the defensive after his mentor Margaret Thatcher demanded a referendum on the issue of European monetary and political union. At the Maastricht Summit of the EC, in December 1991, Major secured an opt-out clause for Britain in case Monetary Union took place by 1997. An important fact that comes out of this analysis is that the Conservative Party would find it hard to agree to give up Britain's sovereignty or diminish the supremacy of the British Parliament.

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