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**BRITAIN'S RELATIONS WITH THE EUROPEAN
COMMUNITY 1982—1992**

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COMMUNITY 1982—1992**

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CERTIFICATE

This dissertation entitled "BRITAIN'S RELATIONS WITH THE EUROPEAN COMMUNITY 1982-1992", is certified to be the bonafide research work of Ms.Cynthia Meritta Jose, for the Degree of Master of Philosophy. It has not been previously submitted for any other degree of this or any other University.

We recommend that this dissertation be placed before the examiners for their consideration for the award of the Degree of Master of Philosophy.


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PREFACE

Britain, due to its traditionally insular and internationalist character and unique geographical position, was radically different from her European neighbours in the Continent. British foreign policy was never solely Eurocentric, the world at large was the arena of British interests. This pattern of British foreign policy underwent a significant change in the 1960s. Consequently, Britain applied for membership in the European Economic Community in 1961.

Almost twenty years have passed since Britain became a member of the European Community. The economic and political compulsions which influenced Britain's decision to join the Community remained largely unfulfilled in the first decade of the membership. The second decade of the partnership between this island nation and the European Community is being attempted to be studied presently. The political and economic dimensions of this relationship are examined, and also Britain's response to the two major Treaties enacted during the period from 1982 to 1992 which led to the amendment of the original Treaty of Rome of 1957 (by which the European Economic Community was founded), is sought to be analysed. The primary and secondary source material available in the libraries in New Delhi were consulted in this venture.

I consider it a privilege to have been able to work under the guidance of Dr. B.Vivekanandan. The several hours spend discussing global and national issues with him are truly one of my treasured experiences.

During the course of this study, I had the fortune to meet some kind and courteous people. Mr.Rahat Hasan, the Chief Librarian at the Reference Library of the British High Commission, New Delhi, with his concern and efficiency made my days spent working there very pleasant.

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CHAPTER I

INTRODUCTION

The Second World War was a watershed in the international relations of Western Europe. It had thrown asunder the delicately worked out balance of power of European politics. The period between 1939-1945 was also marked by the unprecedented cooperation between Britain and the United States, which, indeed laid the foundation of an enduring Special Relationship between the two countries. If in the past widening British Empire, spreading to even the farthest continents, had veered the concerns of the island nation away from affairs European, the experiences of the Second World War added to the mental detachment that Britain felt towards Europe.

The uniqueness of Britain's insular geographical position in Europe, the resilience with which the British withstood the heavy German battering and the timely and invaluable support the United Kingdom received from the United States and the Commonwealth during the war were factors which made a powerful impact on moulding Britain's attitude towards Western Europe in the post-war period.

Mentally and physically exhausted by the war, a few European powers supported the Schuman Plan, a French proposal aimed at harnessing genuine European unity - the

linchpin of which was the Franco-German unity. Out of this Schuman Plan was born the European Coal and Steel Community (ECSC) in 1951 which envisaged the pooling in of coal and steel production in the six participating states - France, Germany, Italy, Belgium, The Netherlands and Luxembourg. As coal and steel industries were perceived to be the mortar of the German power during the Second World War, which enabled the Germans to reach unscaled heights in weaponry in Europe, the management of these two powerful industries collectively by a High Authority was viewed essential to prevent any aggressive nationalistic postures by major European countries in future.

The ECSC's 'taking over' control and production of all steel and coal in the member countries and ensuring of their free movement, free of all customs duty among the community countries was the first step taken towards achieving a federation of Europe.¹ Attlee's Britain though welcomed the move, refrained from joining the Community because of its supranational character.²

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1. B.Vivekanandan, The Shrinking Circle: The Commonwealth in British Foreign Policy 1945-1974 (Bombay, 1983), p.243.
 2. F.S.Northedge, "Britain and the EEC: Past and Present", in Roy Jenkins, ed., Britain and the EEC (London, 1983), p.21.

Britain's initial attitude not to directly join the European integration process was the result of four or five national experiences which have made the British association with the movement of European unity particularly difficult, more so than any other country.³ For Britain, with its world empire, associating with a devastated Europe was considered demeaning. Moreover, striving towards union amongst the European states was a new concept for England. Europe is known for its history of alignments and realignments, amongst the various powers, in a bid to maintain the delicate balance of power. Among significant factor that added to the British misgivings about the proposed suggestion for European unity was that it was a French plan. The traditional rivalry and mistrust between the British and French diplomats played its role in shaping the British view. British reservations about any group entailing supra-nationalism was well known. It is significant that the French insisted that the principle of supra-nationalism be accepted in advance to the conference to agree on the Coal and Steel Community. This made it easy for Britain to refuse. In this context, it would hardly seem abnormal that the French were instrumental in keeping the British out of the European Community on two occasions.

3. Ibid, p.20.

As Hugh Dalton, the first Chancellor of the Exchequer of the Attlee government, put it:

We are determined not to put these gains - that is the social programme achieved under the government - in peril through allowing vital decision on great issues of national economic policy to be transferred from the British Parliament in Westminster to some supranational European Assembly.... We intend to hold what we have gained here in this island.⁴

Similarly, Britain found it most difficult, unlike other countries, to accept the idea of divisibility of sovereignty. Sovereignty has been a continuous tradition for Britain. Throughout her history Britain had remained a *virgo intacta*. As Hugh Gaitskell once said, for Britain to abandon her sovereignty, or any part of it, meant "the end of Britain as an independent European state... the end of a thousand years of history".

In the period immediately after the War, the Continental Europe was the least important pillar of the three pillars - the Commonwealth, the United States and Western Europe - of the British foreign policy.⁵ The obvious intention of the Soviet Union to wreck the European recovery programme made the British Foreign Secretary Ernest Bevin, in the beginning of 1948, to publicly declare that the time was ripe for consolidation of Western Europe. It

4. Ibid, p.23.

5. B.Vivekanandan,, n.1, p.264.

was the conclusion of a series of defense pacts with the countries of Western Europe which the British Foreign Secretary had in mind, rather than the creation of a single political or economic union. An organic integration of Britain with the countries of Western Europe was nowhere on the agenda, United Kingdom's worldwide connections were sought to be retained, especially their relations with the Commonwealth. As Harold Macmillan had rightly pointed out, "the issues of the Commonwealth were aspects which engaged British interests politically, economically and above all emotionally".⁶ After the withdrawal of Britain from the Messina Conference in 1955, which was convened by France, Germany, Italy, Belgium, the Netherlands and Luxembourg to discuss the formation of an European Economic Community, Prime Minister Macmillan had mooted the idea of European Industrial Free Trade Area in 1957, by which agricultural imports from countries of the Commonwealth would be safeguarded.⁷ Britain, it appeared, strove for an economic link between the EEC and the other members of the OEEC. This attempt failed largely due to the French opposition. Subsequently, the European Free Trade Association composed

6. Harold Macmillan, The End of the Day: 1961-1963 (London, 1973), p.7.

7. Emphasis added.

of seven OEEC members, came into being at the Stockholm Convention in 1959, under the British initiative.

TOWARDS MEMBERSHIP

The priorities of Britain with regard to its external relationship underwent a change in the 1960s. Britain, the country which was decidedly against any organic link with the European continent, in 1961, under Prime Minister Macmillan, applied for membership in the EEC. The reasons which prompted the policy makers to make this major departure were many. The old configurations and loyalties in the international arena saw a regrouping. The Suez Crisis of 1956 led to the beginning of the disenchantment of Britain towards Commonwealth. At the same time, the issue made Britain and France strange bedfellows. The Afro-Asian countries regarded the British involvement in the cold war as irrelevant to their interests.⁸ The withdrawal of South Africa, in 1961 from the Commonwealth further compounded the British disenchantment. The warmth which Britain felt for the Commonwealth declined and ever since that the decline has not been seriously interrupted. Economically too, the Commonwealth was proving to be less attractive for Britain,

8. F.S.Northedge, "Britain and the EEC: Past and Present", in Roy Jenkins, ed., Britain and the EEC (London, 1983), p.28.

for, the Commonwealth markets were not expanding to absorb the greater share of the sophisticated British manufactured goods. The role of the United States in the Suez Crisis demonstrated clearly a deterioration in the 'Special Relationship' between the United Kingdom and the USA.⁹

ECONOMIC MOTIVES

Believing Britain's predictions, the battered economies of France, Germany, Italy and the Benelux countries prospered in the EEC. Indeed, the economic resurgence of the West European economy was one of the most remarkable features of the post war Europe. The British economy, however, registered a slower growth rate of 20 per cent between 1954-1960 as compared to the 50 per cent mark achieved by the EEC in the same period.¹⁰

The protection offered to British industry had systematically removed any powerful competitive thrust to the British industry. The lack of competition, it was felt, was the reason for the manifest slow down of the British

9. Purusottam Bhattacharya, British in the EC 1973-1982 (Ph.D. thesis, Jawaharlal Nehru University, School of International Studies, New Delhi, 1988), p.16.

10. Ibid, p.17.

manufacturing industry, apart from over consumption and underprotection retarding economic growth. The British trade was subjected to discrimination in the form of Common External Tariff (CET) in the European markets. Moreover, the Commonwealth and the EFTA had not proved to be an effective alternative to the EEC's Customs Union.¹¹

The prospect of foreign investments, especially that of the US, diverting its base of operations from Britain to the Six was another factor which lead the British into the European fold.¹²

The lure of being part of an economically rich bloc of countries like the EEC, combined with the political motive of regaining the lost prestige and ranking in the comity of nations were influential factors that swayed Britain's thinking towards applying for the membership of the European Economic Community.

MEMBERSHIP - FIRST APPLICATION

In the international sphere, the Berlin crisis and the failure of the Paris Summit of 1960 manifested a high point of the Cold War. According to Harold Macmillan, who was the Prime Minister of Britain in these decisive years:

11. Ibid, p.19.

12. B.Vivekanandan,, n.1, p.266.

With the growing strength of the Russians on the one side and the Americans on the other, and in view of some alarming tendencies in American policy, Europe should grow closer together to defend its widest interests in defence, in foreign policy and economic development.

Therefore, in March 1962, Macmillan was convinced and Britain applied for the membership of the European Economic Community and EURATOM.¹³ By this decision, Macmillan had announced a qualified acceptance of the Treaty of Rome. However, in keeping with Britain's responsibility towards Commonwealth, with whom she shared myriad economic relations - like preferential treatment of the Commonwealth imports and reverse preference for British manufactured goods, Edward Heath, who led the British negotiating team in the EC, insisted that prior to full membership, agreements should be reached regarding the Commonwealth trade, the specific nature of British agricultural system and also for proper arrangements with the EFTA partners.¹⁴ Macmillan had emphasized the above mentioned conditionalities during his speech in the House of Commons on 31 July 1961.

The negotiations were spread out over a year, with extended meeting with various Commonwealth countries. They "had been persuaded at the September [1962] conference to accept the view that Britain's entry into the Common Market

13. Harold Macmillan, n.6, p.340.

14. B.Vivekanandan,, n.1, p.254.

would be likely to strengthen her own economic power and consequently the authority of the Commonwealth as a whole".¹⁵

There were substantial differences between Britain and the Six on the question of agriculture. In January 1963 when the negotiations had reached a crucial stage, General De Gaulle, at a Press Conference on 15 January 1963, announced his reservations to the British membership of the European Economic Community.¹⁶ Thus, the French thwarted Britain's first move to join the Community.

The ostensible reasons cited by General De Gaulle for disagreeing to the British membership of the Community were the British economy, agriculture and system of external trade which differed radically from that of Europe. He said that Britain imported food at low prices and granted large subsidies to its farmers, which was incompatible with the system set up by the Six. Britain, he charged, was not ready to accept the conditions of EEC membership as he understood them.¹⁷ The French President also cited the disinclination of Britain to accept fully the Treaty of Rome, the very foundation of the EEC. The Anglo-American relations, the 'dependence' of Britain on the US, was

15. Harold Macmillan, n.6, p.333.

16. Purusottam Bhattacharya, n.9, p.23.

17. B.Vivekanandan,, n.1, p.258.

another disqualification in the eyes of the General.¹⁸ France wanted Britain to be shorn of all her "flock of connections" before she was admitted into the Community.

In pursuance of the French demand, the negotiations with the British were terminated on 28 January 1963, notwithstanding the fact that the rest of the member states had shown a willingness to continue the negotiations with Britain. The French stand was the result of their anxiety regarding the possibility of Britain outshining the rest of the six member countries of the Common Market once the former is admitted. French bid to preserve its hegemony over Europe was the underlying motive in denying membership to Britain in 1963.¹⁹

The upswing of the European economy, especially that of Germany, France and even Italy was continuing. The membership in the Community had brought unprecedented affluence to FRG and France in contrast to the British economy which was limping. The years 1966 and 1967 were particularly bad for the British economy leading to a devaluation of the pound to a 14.3 per cent in November 1967.²⁰

18. Purusottam Bhattacharya, n.9, p.23.

19. B.Vivekanandan, n.1, p.259.

20. F.S.Northedge, n.2, p.25.

SECOND APPLICATION MEMBERSHIP

Harold Wilson, as the Leader of Opposition during the Conservative rule was a vociferous anti-marketer. However, in October 1964 with the coming into power of the Labour Party, with Wilson as the Prime Minister, he became increasingly convinced of the advisability of British membership into the EC. Under the Article 237 of the Treaty of Rome, Wilson applied for the British membership into the ECSC, EURATOM and the EEC in May 1967. Unlike in the 1962 instance, Wilson declared in 1966 that Britain was willing to accept the Treaty of Rome with all its provisions, apart from the demand for the accommodation of certain vital interests of Britain.

Britain had certain problems with the Common Agricultural Policy which was being formulated at that time. Secondly, the impact of EEC membership on the British balance of payments and the issues relating to Britain's contribution to the Community budget were problematic issues for Britain. Thirdly, Britain sought for adequate safeguards for the Commonwealth trade with Britain which would be adversely affected by the British membership of the Community.

In a Press Conference in November 1967, General De Gaulle, citing the obvious disabilities of Britain as the reason, declared his intention of denying membership of

Britain into the Community. In spite of the strong insistence of the rest of the five governments and the clear recommendation of the European Commission, the French delegation refused to allow the opening of negotiations on the British application.²¹ It was abundantly clear that as long as the French had De Gaulle as their President, the hostile attitude towards Britain's entry into the EEC would continue. It was only in January 1969, when General De Gaulle resigned from the Presidency of France, was the deck clear for a fresh British bid for membership into the Community.

France under Georges Pompidou, the new President, was favourably disposed to furthering friendly relations with Britain. Franco-German relations moved back though not fully into their former state of mutual suspicion. It is significant that in this context the French welcomed Britain into the EC.²²

FULL MEMBERSHIP

The Conservative Prime Minister Edward Heath applied for EC membership in 1971. Britain entered the Community in January 1973. The path of joining the EC was a protracted

21. Purusottam Bhattacharya, n.9, p.36.

22. F.S.Northedge, n.2, p.22.

one for the UK, it was rendered difficult with its ups and downs. Nevertheless, it was apparent that the British decision to join the EEC was the result of "warning of alternatives."²³ It seriously hampered British position during the negotiations for entry, that Britain's membership into the Community was an unpleasant yet unavoidable decision in the light of the shrinking of the other two circles of the British foreign policy.²⁴

The policies of the EEC had taken firm shape by 1973 and they were mainly tailored to suit French interests. Unfortunately for Britain, during the negotiations, the six could take common positions with regard to the issues for which Britain sought redressal. Thus, the terms which emerged from the consultations were 'stiff' in British point of view. The British Prime Minister Heath was of the opinion that Britain did hardly have an option of another alternative - the terms could sufficiently be altered later, once inside the EEC.

TERMS OF ENTRY

Broadly the terms of entry can be grouped as follows -
transitional arrangements for industries and agriculture,
contributions to the Community budget, the arrangements for

23. F.S.Northedge, n.2, p.29.

24. Ibid.

the Commonwealth and financial and monetary issues.²⁵

Arrangements were worked out for a phased removal of Common External Tariff (CET) imposed on industrial and agricultural goods, starting three months after accession in five equal stages. All the countries, not enjoying any trade privileges with the enlarged Community, were also to be subject to the CET a year after accession. This was to be carried out in four stages.

The British contributions to the EC budget was widely discussed and analysed by the British economies. In these discussions, the relationship between the CAP and the British contribution was brought to the fore because the bulk of the Community expenditure was for agricultural support.²⁶ In the negotiations it was settled that the net British contribution to the EC budget would be £100 million to £200 million a year during 1973-1978, which was the transition period. There was to be a marginal increase in the next two years. From 1980 it was agreed that Britain would begin to adopt the Community's financial system.²⁷

25. Purusottam Bhattacharya, n.9, p.39.

26. W.G.C.Haack, "The Economic Effects of Britain's Entry into the Common Market", Journal of Common Market Studies (Oxford), vol.11, 1973, p.139.

27. UK, HMSO, The UK and European Communities, Cmnd 4715 (London, 1971), p.96.

The Commonwealth preferences that Britain accorded to the African, Caribbean, Pacific and Indian Ocean states were to continue till 1975, the period till which the signatories of the Yaounde Convention (signed predominantly by the Francophone countries of Africa) enjoyed preferential trade agreements with the EEC. This would mean that the dynamic advantages to be accrued from this trade would be favourably titled towards the EEC rather than the signatory countries.²⁸ Britain was more than dissatisfied about the terms on the Commonwealth trade, especially the one on the dairy products of New Zealand.²⁹

With regard to the financial and monetary issues, UK had declared that "we are prepared to envisage an orderly and gradual run down of official sterling balances after our accession".³⁰ In conformity with the rest of the member countries, the Value Added Tax (VAT) was introduced which was to be operational from April 1973, the immediate effect of which was a deterioration of Britain's competitive position and the balance of payments.³¹

28. Charles Young, "Association with the EEC: Economic Aspects of the Trade Relationship", Journal of Common Market Studies (Oxford), vol.11, 1973, p.135.

29. Purusottam Bhattacharya, n.8, p.39.

30. UK, HMSO, n.27, p.125.

31. W.G.C.Haack, n.26, p.141.

Thus, Britain entered the EC with much of the economic stakes against it in the transition period. British economists, however, predicted long term dynamic effects to the British economy by the move. The economic rationale for joining the European internal market was set out in the 1970 White Paper "Britain and the European Community: There Would be Substantial Advantage for British Industry from Membership in this New Common Market."³² Moreover, the political mileage received consequent to this decision, was at that time an important consideration.

The Heath cabinet had resigned in 1974 following widespread industrial strife. With the coming into power of Harold Wilson a second time in Britain, in 1975, the European policy of Britain took the hues of the Labour party policy.

Soon after the accession, there was spiralling inflation in Britain and a worldwide recession. Majority of the British citizens saw the Community membership as a major source of such economic problems.³³ With growing economic

32. David Judge, "Incomplete Sovereignty: The British House of Commons and the Completion of the Internal Market in the European Communities", Parliamentary Affairs (Liverpool), vol.41, 1988, p.444.

33. Russell J.Dalton and Robert Duval, "The Political Environment and Foreign Policy Opinions: British Attitudes Towards European Integration 1972-1979", British Journal of Political Science (London), vol.16, 1986, p.116.

ills, the public opinion in Britain plummeted with regard to EEC membership of Britain. Labour party's well known reservations about the British membership did little to alter the prevalent mood. Therefore in 1975 Wilson had to announce the acceptance of the British membership only on the grounds of a renegotiation of the entry terms agreed upon by the previous Conservative government and also on the other hand call for a referendum in Britain on the advisability of continued British membership in the Community.

The 1975 referendum confirmed without doubt the British journey on the European path. However, as indicated by a number of studies, the immediate economic effect of the integration into the Common Market held bad tidings for Britain. The economy was marked by unbalanced trade expansion leading to balance of payments burdens.³⁴ 1974 was the worst year for Britain when the deficit was 4 per cent of the income. Subsequently, in 1976-77, the deficit remained between 2 and 3 per cent of the national income.³⁵ It was only in 1977 that the figures showed a definite improvement in the terms of trade for Britain.³⁶

34. W.G.C. Haack, n.26, p.138.

35. E.L.Grinols, "A Thorn in the Lion's Pain: Has Britain Paid too much for Common Market Membership?" Journal of International Economics (Amsterdam), vol.16, 1984, p.291.

36. Ibid.

COMMON AGRICULTURAL POLICY

The European Economic Community hinges itself on the Common Agricultural Policy. It is doubtful if in the absence of a common policy for agriculture, the Community itself would have proceeded further. However, from the beginning, the CAP was perceived by Britain, as a device by which the Community as a whole has handsomely subsidised inefficient French farmers.³⁷

The perception of the needs of European Agricultural Sector of 1950s had influenced the designing of the CAP in the Treaty of Rome. Accordingly, the guidelines set were: greater productivity; raising the incomes of those who were associated with this sector; and price stability to ensure a steady flow of supplies and also bring to the consumers 'reasonably' priced farm products.³⁸ Indeed, the price policy was the fulcrum on which the initial success of the CAP rested. It was an elaborately worked out system by which a common internal price level, more stable and higher than that which prevailed in the world markets, was established. The mechanism was further strengthened by a system of protection, which included both imposition of tariffs and also insertion of variable import levies between

37. F.S.Northedge, n.2, p.32.

38. John Marsh, "The Common Agricultural Policy", in Roy Jenkins, ed., Britain and the EEC (London, 1983), p.40.

the lowest world offer price and a price thought to be appropriate for the Community. Policies of this nature negated any effective external competition in the Community market.³⁹

Internal intervention pricing and export restitutions to the farmers ensured the latter's well being. The Community undertook its elaborate price manipulations and subsidy allotments under the aegis of the European Agricultural Guidance and Guarantee Fund, which was funded by the Community budget. The 1960s saw the shift of emphasis of the Community's Agricultural policy from pricing to that of structural policy, to ensure modernisation of agricultural structures. Assistance to the so called 'less favoured areas' was the prime concern in the 1970s.⁴⁰ However, the price policy enjoys an open ended commitment from the CAP unlike the other programmes which engages the attention of the policy makers only for a short period.

Apart from ensuring that there prevails free trade between the member states and a commonality of prices in the agricultural products, the CAP also ensures that identical rules on competition exist and that the system of protection blankets the Community as a whole. The pampering of the farming interests of the Community has reached unbelievable

39. Ibid, p.41.

40. Ibid, p.44.

extents with the community's intervention price policy. Apart from the EC buying up the agricultural products when there is a fall in the market price, at a later date when the Community releases the products back into the market at a price rise and if there is a dirth of buyers - the products are either sold to the East European countries and to Soviet Union at knockdown prices or are destroyed.

The working of the British economy was radically different from that of the continent. The British economic management was a balancing of the interests of both the consumers and the farmers. Britain had the system of 'deficiency payments' by which the government gave guaranteed prices for the main agricultural products and farmers received subsidies equal to the difference between these guaranteed prices and lower market prices. Food which had to be imported were done so duty free. Therefore, the British consumers could have the luxury of lower priced agricultural products, as compared to the EC consumers.

As the Community system of price support was designed to make the consumer pay the cost of supporting the farmer, entry into the Community was bound to lead to higher food prices in the UK. During the five year transition period between 1973-78, Britain's food prices were to be brought into line with the Community price level.⁴¹

41. Purusottam Bhattacharya, n.9, p.164.

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Organization for Economic Cooperation and Development (OECD) in its annual economic survey registered the annual percentage in food prices in Britain for much of the 1970s as follows:⁴² 1973-15 per cent; 1974-18 per cent; 1975-25.5 per cent; 1976-20 per cent; 1977-19 per cent; and 1978-71 per cent. In the six years the cumulative price increase was registered at 104.6 per cent. From 1979 to 1982 the increase was as follows: 1979-12 per cent; 1980-12 per cent; 1981-8 per cent; 1982-7 per cent. Taking 1973 as 100, the food index stood in September 1980 at 330.⁴³

The CAP became a mechanism by which the Commonwealth products (the traditional sources for British imports of farm products) became dearer to the British and, therefore, necessitated a diversion of British trade in food to the EC. The resultant burden on the British consumer was disliked by them. The other less obvious non-Community factors such as rising world prices, falling pound and general risk in processing and marketing costs also played their role in the steep rise in British prices of food.⁴⁴

42. OECD, Economic Survey: United Kingdom (Paris), February 1976, p.6; March 1979, p.16.

43. Commission of the European Communities, Britain in the Community, 1973-1983 (London, 1984), p.37.

44. Purusottam Bhattacharya, n.9, p.168.

The positive effects of the CAP on Britain included rise in agricultural productivity. Britain registered approximately an 11 per cent increase in self-sufficiency in 1981, as compared to 1970-72. There was an increase in imports whereas exports to other member countries were on the rise.

BUDGET

By the Article 199 of the Treaty of Rome, a balanced budget was to be maintained by the Community to cover both revenue and expenditure. Till the 1970s, the income of the Community comprised of levies on agricultural imports and financial contributions of the member states. In a bid to replace the national contributions, on 21 April 1970, the Council of Ministers decided, following agreements reached at a summit meeting of the Six at the Hague in December 1969, to adopt a new system which would make the Community self-financing and bring its expenditure into one Central Budget.⁴⁵ The new 'Own Resources System' of revenue accumulation was to be operational from January 1971. The levies on agricultural products in the trade between Community and the rest of the world and the customs duties levied under the Common External Tariff were to form the

45. Purusottam Bhattacharya, n.9, p.195.

chief sources of revenue. Moreover, till January 1975, a share was fixed for each country to cover the additional costs. A proportion (equivalent up to 1 per cent) of the Value Added Tax was also to be added to the Community budget from January 1975 to meet any deficiency.⁴⁶

The Own Resources System was underway when Britain joined the Community in 1973. Labour Party in 1974, was very dissatisfied with the terms of the Community Budget which Britain had to accept. James Callaghan, the British Foreign Secretary, in his submission to the Council of Ministers in 1974, enumerated in detail the British reservations about the Community budget. Britain, he said, was in a position of a permanent disadvantage. The Own Resources System was devised to suit a smaller Community made up of countries which were not such large importers as the UK.⁴⁷ For a country which remained economically more attuned towards non-EEC countries than other members of the Community, and whose agricultural policy rests on very different principles, the costs it had to pay was exacerbating. According to the Labour Government's estimates, Britain had to pay about 24 per cent of the Community budget in 1980, when its share of Community GDP was only 4 per cent.

46. Ibid, p.196.

47. Ibid, p.201.

The disparity between Britain's contribution to the EEC budget and its share of the Community GDP was effectively brought out by a study undertaken by the EEC, taking stock of the economic and financial situation of the Community since enlargement and the scope for future development. The study conceded that Britain's income per head and British growth rate were far below the Community average. Britain was given a temporary reprieve by what was called 'Budget correcting Mechanism'. However, Britain's net contribution rose up once again from 1977 onwards.

BRITISH GROSS AND NET CONTRIBUTION⁴⁸

Year	Gross (At outturn prices)	Net (£ Millions)
1973	181.1	102.4
1974	180.5	30.6
1975	341.7	-56.0
1976	462.8	167.3
1977	736.8	368.4
1978	1348.3	803.8
1979		845.0
1980 (Projected Figures)		£1310.0

In November 1978, during the Dublin Summit, Britain was offered a revision of the financial mechanism of 1975. It

48. U.K.Commons, Parliamentary Debates, vol.975, Session 1978-79, col.80

was all the same very clearly stated that no more offer of this kind would be made. Margaret Thatcher who had been voted to power in May 1979, rejected the offer. She pointed out that Britain had become the virtual paymaster of the EEC inspite of being one of the poorest members. Even though Germany's contribution had been high, the percentage of increase was higher in the case of Britain.

Mrs. Thatcher had raised a number of reservations about the Agricultural policy and the fiscal management of the Community. At the cost of drawing a lot of flak, she raised the anomalies in distribution of the financial burden in the Community. The British Prime Minister wanted a satisfactory long-term solution of three factors. They were the removal of the constraints limiting the effectiveness of 1975 corrective mechanism in proportion with the high rate of Britain's contribution to the EC budget, secondly she suggested that lesser attention be given to agricultural sector and thirdly that greater emphasis be paid to structural measures. Britain demanded a commensurate Community spending in their nation. Following the acrimonious scenes in various Summit meetings, the Community members yielded to the British demand, in the 1980 Luxembourg Summit. The UK was given a reduction in its contributions in 1980 and 1981. However, a permanent relief to Britain was still far away. In 1982 a refund for Britain

was agreed to, if the British net contribution turned out to be higher than expected.⁴⁹

The major changes of policy thrust, as demanded by Britain, could not be carried out because of clash of interests of Britain and the rest of the community, especially France, Ireland, Denmark and Italy, who reaped enormous benefits from the CAP of the Community. Therefore, the malady which was deep seated and required concerted effort could not be rectified. All the same, Mrs. Thatcher succeeded in bringing into light the fact that Britain was justified in nursing a grouse against the rest of the Community.⁵⁰

The first nine years of British membership in the community had not brought about the best in British economy in both agriculture or the industrial sector. British industry was dogged by the domestic structural weakness and continued international economic depression which resulted in poor productivity. The promise of free trade, which it was believed would boost up the British economy, did not turn into British advantage.

The public opinion in Britain reflected the dejection that the nation experienced in its association with EC. A study of the attitudes of the major political parties of the

49. Purusottam Bhattacharya, n.9, pp.208-13.

50. Ibid.

period attests clearly the indifference and very often the antagonism the EC membership had evoked in the British public.

BRITISH POLITICAL PARTIES AND EEC MEMBERSHIP

Labour Party

The British Labour Party has been intrinsically antagonistic to the European Community, the reasons vary. The Agricultural Policy, as a result of which the food prices in Britain would go up, was strongly criticised by the Labour Party which, it argued, would affect the poorest sections of the society the hardest. The issue of losing elements of sovereignty to a supra-national institution was incompatible with the policies of the Labour Party. The rejection of Attlee's government of the ECSC was due to the above mentioned reasons.⁵¹

The issue of European integration was so volatile that it had taken the Labour Party into a path of collision a number of times. The years 1974-75 and 1978-79 were particularly crises ridden in the British Labour Party, due to their European policy.

The Labour Prime Minister, Harold Wilson, had taken a positive stance towards the EEC in 1967 due to a number of

51. John Grahl and Paul Teague, "The British Labour Party and the European Community", Political Quarterly (Oxford), vol.59, no.1, 1988, p.73.

considerations, the economic being the most important one. However, his attempt to get Britain into the Community came to naught due to French veto. Following Britain's joining the EEC in 1973, the Labour Party, in its National Executive Committee meeting at the end of June 1973, expressed its total dissatisfaction with the entry terms accepted by the Heath government and spelt out the objectives in what it called a fundamental renegotiation of the terms of entry.

Harold Wilson became the head of the government in 1974. In keeping with the official Labour Party position, on 23 January 1975, the Prime Minister announced his decision to put the case of British membership into the EEC, to the British people in the form of a referendum. Renegotiations on the entry terms which took place in early 1975 yielded some positive results for Britain. The British cabinet declared that even though a cent per cent satisfaction of the entry terms was not possible, the deliberations did go a long way in 'ameliorating the totally inadequate terms' that the previous government had negotiated. Therefore, the Prime Minister said that the Government had decided to recommend to the British people to vote for staying in the EEC. In spite of the fact that almost every organization in the labour and trade union movements were against the British membership in the EC, the Labour Prime Minister and majority of his cabinet supported

British membership in the EEC.⁵² The vote of assent from the British people for continued British membership in the EC was a landmark in British Labour Party politics and a boost to the career of Prime Minister Wilson who had staked his political career on the issue.

The decision of the EEC in December 1975 to hold Direct Elections to the European Parliament which was against the existing system of delegations, seconded by both Houses of Parliament to be sent to the European Assembly, was the next issue which had tempers flying in the Labour Party. The European Council on 21 July 1976 fixed May 1979 as the date for election. In the National Executive Committee meeting of the Labour Party, the proposal of Direct Elections to the European parliament was widely criticised. The encroachment on the national sovereignty of the country was seen as a deterring factor. The opportunity was used by certain confirmed anti-Marketeters to call afresh for a British withdrawal from the EEC. The Labour Prime Minister Callaghan, whose views on the EEC had been similar to that of Harold Wilson, pointed out the impracticability of a British decision to withdraw from the Community, citing economic reasons.⁵³ Moreover, the European parliament,

52. Ibid, p.73.

53. Purusottam Bhattacharya, n.9, p.83.

rather than being an encroachment on the sovereignty of a country, had power merely for deliberations. The vital national interests of a country, it was believed, would be essentially safeguarded by the Council of Ministers.⁵⁴

The elections to the European Parliament took place in June 1979, a month after the general elections in Britain which had brought the Conservatives, under Margaret Thatcher, into power. The results of the European Parliament was largely in favour of the Conservatives, who got sixty seats, Labour finishing second with seventeen, Northern Irish parties received four and the Scottish National Party got one.

Hostility towards the EEC continued to be the official stance of the Labour Party in the post-European Parliament election years. The 'collective foolishness' which the Community indulged in with regard to the CAP, the unfavourable position of the British manufactured and semi-manufactured goods and the growing disparity between Britain's contribution to the Community budget and the proportionate benefit to the nation, fuelled, in 1980, NEC meeting of the Labour Party into including the demand for the British withdrawal from the Community in its next general election manifesto. This led to a split in the Labour Party in 1981. The Pro-Market elements, under the

54. Ibid.

leadership of Roy Jenkins, the former Labour deputy leader, cabinet minister and the newly retired president of the EEC commission, formed the Social Democratic Party.

Subsequently, there was a perceptible change of stance in the Labour Party towards the EEC. It demanded that the European Communities Act of 1972, which subordinated the House of Commons to the Community, had to be repealed, however the nation need not necessarily pull out of the Community. Despite this, the attitude of the Labour Party, a decade after the British membership into the EC remained largely hostile.

The Conservative Party

The Conservative Party, though it had its share of Pro and Anti-Marketeters, projected itself as Pro-European. It is significant that the first moves towards the British membership into the EEC was made by a Conservative Prime Minister - Harold Macmillan, and later it was Edward Heath, an ardent pro-European Conservative, who successfully led Britain into the EEC in 1973. In 1975 Referendum, Heath reaffirmed the support of his party for the European cause by backing the "Britain in Europe" group which campaigned for a 'yes' vote in the referendum. The concessions brought to Britain during the re-negotiations yielded favourable results in the referendum. 67 per cent of British People

voted in favour of continued British membership in the European Community.

The issue of Direct Elections to the European parliament (EP) which had bogged the Labour Party was amicably settled with the official stance of the Conservatives being that of support on principle. The Conservatives justified the Direct Elections on the ground that it would make the EC more democratic. The misgivings the Labour Party had about the sacrifice of sovereignty that Direct Elections to the European Parliament would entail was allayed by the Conservative Party that any step of the European Parliament would have to be endorsed by the Council of Ministers, followed by a note of assent from the respective National Parliaments.

Coming soon after the national elections, the elections to the European Parliament evinced lukewarm support from the British. The interest in the elections was low by European standards and the parties and information agencies were relatively inactive. Moreover, the campaign provided a plank for continued criticism of the EC policies and the adverse effects of the Community membership on Britain, as a result of which the Community's image came under heavy cloud.⁵⁵

55. Russel J. Dalton and Robert Duval, n.33, p.119.

As noted earlier, the European Parliament elections gave the Conservative Party a creditable number of votes in the EP. Mrs. Thatcher saw the membership into the EEC as a means to free enterprises economy, which constituted the very basis of western capitalist system. However, this did not deter her from demanding a redressal for British demands regarding the budget contribution.

The issue of the unfair policies of the Community towards Britain led to a resurgence of the anti-Marketeters in the Conservative party. The 1975 verdict had effectively silenced this section of the Conservative Party. Post 1978, with the coming into power of Mrs. Thatcher and her demands for a restructuring of EEC policies, saw the anti EEC group fighting for their demands with renewed vigour.

The Conservative Party by and large had adopted a policy of staying in, but yet speaking up forcefully for the British demands. Upsetting the EEC cart was never a policy of the Conservative Party, rather effecting positive changes from within has been its basic approach.

The lesser important parties in the British political landscape, namely the Liberals and the newly formed Social Democratic Party were definitely pro-European in their stance. Much as they realised the inefficiency of certain policies of the EEC, the Liberals and the Social Democratic Party reckon it as a malady in the policy formation level

and a problem of the whole Community rather than merely that of Britain.

The British membership into the Community, apart from its political dynamics, was above all a step towards economic integration. The theory of economic integration professes a growth in the economy, characterised by increased competition, economies of scale, faster technological progress and bigger investment.⁵⁶ But, a careful scrutiny of Britain's economic performance in the first decade of its membership in the Community was disappointing. The figures show that Britain which was predominantly turned towards non-EEC countries economically, had increasingly veered towards the EEC member states. The trade with the Community had accounted for over 43 per cent of Britain's world trade as a whole in 1982 as compared to 30 per cent in the 1970s.⁵⁷

After a decade of EEC membership, Britain was still faced with a number of deep seated economic problems. Unemployment remained high in Britain. Similarly, inflation was on the rise. The high British interest rates showed monetary control in Britain higher than that of any of the other EC member states. From the various studies, it is

56. W.G.C. Haack, n.26, p.144.

57. Roy Jenkins, "Britain and the EEC: Present and Future", in Roy Jenkins ed., Britain and the EEC (Southampton, 1983), p.8.

obvious that membership in the EEC has helped to ease the situation in Britain to a large extent.⁵⁸

The first nine years of this new component in British foreign policy were not very pleasant. Britain was at a greater disadvantage than the other members of the EEC, because of the costs imposed on a member that remained economically more turned towards non-EEC countries than the other members of the Community, and whose agricultural policy rested on very different principles. The dilemma of its external burdens and economic imperatives were yet to be favourably resolved.⁵⁹ The manner in which Britain resolved this dilemma is discussed in the subsequent sections of this study.

58. Ali M.El-Agraa, "Has Membership of the European Communities been a Disaster for Britain?", Applied Economics (London), vol.16, 1984, p.300.

59. Stanley Hoffman, "Reflections on the Nations State in West Europe Today", in Loukas Tsoukalis, ed., The European Community Past, Present and Future (Oxford, 1984), p.33.

CHAPTER II

POLITICAL DIMENSION

During the second decade of Britain's membership of the European Community (EC), the misgivings the United Kingdom had entertained regarding membership had to some extent been mollified. The question of "Benefits -at what cost"? had given way to the question 'Union - at what pace?' in the U.K. During this period, Britain and the EC have come a long way in improving their mutual relations. The member states who used to look askance at the commitment of Britain to the European cause, have it would seem, tried to understand the unique factors that go into shaping policies both external and internal, in the UK.

Britain on its part has, however, maintained its special relationship with the United States, inspite of the calls for increasing cohesion of policies in the European Community. At times of crisis, Britain gave its traditional historical allies preference over the EC partners. Thus, a survey of the events of this decade gives an image of an erstwhile world power, shorn of its grandeur of power, but whose obligations remain. Yet, its European credentials are also seen to be asserted and firmly entrenched. Britain, along with France, Italy and Germany (before unification), send the largest contingent of elected members to the

European Parliament, as two elections to the European institutions held during this period would demonstrate.

The nature of British perception of the Community membership from the political angle is sought to be examined in this chapter. During the period under study, a number of occasions arose in the international scene which taxed energies of the EC, in which Britain had high stakes. The views as expressed by the heads of government, the major political parties in the UK and an analysis of events of international importance which evinced British and European interests are taken as variables which would make the study a fruitful exercise.

THE FALKLANDS WAR

Almost a decade after its membership of the EC, Britain was faced with the "most serious crisis since the Suez crisis of 1956",¹ when Argentina invaded the Falkland Islands on 2 April 1982. The British response was to go to war with the Latin American nation, and the war was concluded successfully in Britain's favour within a span of four months.

Diplomatically, the United Kingdom sought to exercise the maximum pressure on the Argentinian Junta in three

1. B.Vivekanandan, "Washington Must Rely on London, Not Bonn", *Orbis* (Philadelphia), vol.35, no.3, Summer 1991, p.415.

areas. They were: to win active support of the American administration, to win and also maintain the support of the UN Security Council, and thirdly to impose the maximum economic and diplomatic impact with an import embargo by the European Community.²

In keeping with the general Atlanticist approach of Margaret Thatcher, the British Cabinet meeting held on 1 April 1982, before the Argentinian invasion, was summed up by the Prime Minister by saying "that the best hope... of avoiding confrontation lay in the influence that the United States could bring to bear on the Argentine government."³

After 2 April 1982, Britain, as a member of NATO, was given logistic support by the European nations. A considerable section of the NATO fleet was put at Britain's disposal.⁴ The support of the United States for Britain during the war was qualitatively and quantitatively substantial.⁵ At the cost of risking its own position in Latin America, where the opinion was in favour of Argentina, the US lend assistance to Britain.

2. Geoffrey Edwards, "Europe and the Falklands Crisis", Journal of Common Market Studies (Oxford), vol.22, no.4, June 1984, p.299.

3. Ibid.

4. The Times (London), 19 May 1982.

5. B.Vivekanandan, n.1, p.416.

Initially, the European Community members backed Britain with a semblance of unity when all of them had agreed, on 14 April 1982, to impose economic sanctions on Argentina for a period of one month, starting from 16 April 1982. According to the clauses of the sanctions, the goods shipped before the deadline or those for which contracts had already been signed, or import licenses delivered, were excluded from the ban, which was, therefore, widely seen as having no immediate effect in economic terms. At the request of the EC, Norway also agreed, on 19 April, to support the Community ban.

Trade with Argentina was of considerable importance to the European Community. The European Community was the largest market of Argentina.⁶ According to the figures of 1980, the annual EC imports from Argentina amounted to £1,013 million, with West Germany and Italy accounting for the two largest shares. Half of Argentina's exports to the Community was consisted of foodstuffs, such as beef, and a quarter of the trade was in raw materials such as leather, which was of particular importance to the Italian and Irish footwear industry. While sanctions were not expected to have an immediate economic impacts the political and psychological impact of the Ten acting in concert it was

6. Edwards, n.2, p.300.

hoped would act as a caution.⁷

In May 1982, when the duration of the EC sanctions were to expire, the willingness exhibited in April by the Community in this regard was found wanting. Britain was taken aback when the Foreign Ministers of the EC, who met in Luxembourg on 17 May 1982, gave greater priority to the budget and farm price issues than to the renewal of sanctions.⁸ France was unwavering in its support to Britain in this regard, inspite of a rift created in Luxembourg over the former's toughness on the farm prices issue. But, other member States were not very forthcoming about an extension of the sanctions. Ireland and Italy backed out of the sanctions altogether. Apart from the economic reasons cited earlier, owing to Italy's strong ethnic ties with Argentina and also because of the Socialist Party's threat to bring down the government if it supported further sanctions against Argentina, the Italian Government's hands were tied.⁹ The re-election of Charles Haughey as the Irish Prime Minister in March 1982, meant a toughness of attitude towards Britain. The personal relationship between the Irish Prime Minister and Margaret Thatcher had also declined dramatically. The sinking of the Irish trawler by a British

7. Ibid.

8. The Times, 17 May 1982.

9. Ibid, 19 May 1982.

submarine in April 1982 had added to the Irish disenchantment.¹⁰ Thus Ireland and Italy withdrew from the common position under Article 224 of the Treaty of Rome.¹¹

The continued use of force by Britain doused the initial enthusiasm of the Federal Republic of Germany. Though sympathetic to the British cause, the Federal Republic was anxious about the potential loss of the American and European influences in Latin America and the consequent rise in the Soviet sway in the region. Moreover, the deployment of a considerable section of the NATO fleet in Falklands, heightened German sensitivity towards European vulnerability. Chancellor Helmut Schmidt when he pledged support for economic sanctions, had done so thinking that he had assurances that Britain was going for a diplomatic solution.¹²

President Mitterand on the other hand gave firm support to Britain on this issue. The French were less sensitive to the use of force. However, the opinion was widespread in France that the British actions were largely disproportionate to the actual problem. The President's stand was widely criticised in French political circles and

10. Geoffrey Edwards, n.2, p.310.

11. Ibid., p.311.

12. The Times, 19 May 1982.

French press, where unease was expressed over the possible damage to European relations with Latin America.¹³

Given these problems and the known aversion of EC member countries to the efficacy of economic sanctions as a political weapon, it was surprising that Britain was given the support that it received from the EC. There was widespread discontentment in Britain towards the attitude of the European Community. The British press in particular commented on the EC attitude. The Guardian of 25 May 1982 commented, "Even the supposed magnanimity of seven of our EEC partners in renewing trade sanctions against Argentina turns out to involve little sacrifice since the import ban affects only new contracts... The final impression is of a community which, far from rallying to the support of a member state in need, has taken psychological advantage of our preoccupation with more pressing events."¹⁴

The Argentine forces formally surrendered to the British task force on 14 June 1982. On 22 June 1982, the EC member states lifted the sanctions on Argentina. A statement of the EC said that it expected "no further acts of force", should this not be the case, a new situation would arise to which the Ten would have to react immediately. The British Foreign Secretary Francis Pym,

13. Ibid.

14. See Geoffrey Edwards, n.2, p.309.

who had commented to Conservative back-benchers about the positive support of the EC towards Britain in May 1982, made it abundantly clear, in June, that Britain would have appreciated an extension of EC economic sanctions until the formal end to the hostilities.¹⁵

On 10 August 1982, the French Foreign Minister confirmed the list of the embargo on arms sales and deliveries to Argentina, which had been imposed earlier on a Community wide basis on 9 April 1982.

The American support for Britain during the Falkland crisis proved that the "Special Relationship" between the two English speaking democracies was still intact. Europe on the other hand demonstrated that their identity as a unified, purposeful political force was yet to emerge.

TERRORISM

In the eighties Europe in general was subject to a number of terrorist attacks which seemed to be interconnected. Britain, in particular, was the ground for a number of incidents of terrorist violence. 1985 saw Britain spearheading Community wide proposals to combat terrorism. The UK called for a two pronged strategy. Firstly, EC solidarity in the face of international terrorism, by jointly applying diplomatic pressure. Secondly, legislation

15. The Times, 19 May 1982.

of EC laws, accompanied by intra-Community co-operation in combating terrorism within the EC.

Libya

The conflict between Libya and the United States in 1986 was seen by Britain as a chance to redress many wrongs, primary of which was state aided terrorist attack which Britain was also subjected to: the murder of an English police woman, Yvonne Fletcher, at the hands of Libyan terrorist-diplomats at St.James Square in 1984; and the continued Libyan assistance to the Irish Republican Army in Northern Ireland. However, the fact that Britain was a beneficiary of US military support during the Falkland War was no less an important consideration for Mrs.Thatcher to permit Americans to use British bases to bomb Libya.¹⁶ The other European allies of the United States were uniformly opposed to military attack on Libya, France and Spain (who are members of the NATO) could not be persuaded by President Reagan to provide logistic support.¹⁷ Amidst considerable public hostility in Britain towards US air strikes against Libya and also to the consent given for the use of air bases

16. Ibid, 18 April 1986.

17. B.Vivekanandan, n.1, p.416.

in Britain to the United States, Mrs. Thatcher stuck to her decision.¹⁸

Britain was disappointed by the inadequacy of the actions of the European Community members and the British Foreign Secretary, Geoffrey Howe, criticized, in the Commons, the "slowness" of the European action,¹⁹ and their failure to take tougher measures.²⁰ He emphasized that the whole of Europe was faced with the terrorist threat and the only possible way of overcoming it was by clipping Gaddafi's "tentacles".²¹

A near unified EC (with the abstention of Greece) agreed on a stance against Syria in October 1986 for its role in abetting terrorism. This was in keeping with the uncompromising attitude requested by Britain on this issue. The EC pledged to refrain from new arms sales to Syria and also agreed to maintain closer observation of Syria's diplomatic activities.²² The loopholes in the existing

18. The Times, 24 April 1986.

19. Hansard, vol.96, no.99, 23 April 1986, cols.299-300.

20. The Times, 24 April 1986.

21. Hansard, vol.96, no.99, 23 April 1986, cols.299-300.

22. The Times, 11 October 1986.

contracts, to continue behind the scenes deals, between the member states and Syria could not possibly be prevented. The redeeming development was the willingness on the part of the EC to articulate jointly on this issue, which, otherwise, would have left Britain isolated in its stand against terrorism as well.

The enthusiasm of the Community members to dismantle all frontier formalities, to ensure "free movement of people" was sought to be partially curbed by Britain. The EC Interior Ministers met in London in October 1986 and decided that "the goal of freer movement will be aided by better intelligence, tighter visa arrangements and improved extradition procedures".²³ The agreement for increasing cooperation in policing within the Community was a substantial gain for Britain.

The complete elimination of frontiers was unacceptable to the Britain. The Chief Superintendent of the Royal Constabulary, Bill Wilson, told his counterparts in Brussels about the consequences of free borders which would aid the terrorists.²⁴ The British expressed concern over the proposed loosening of control in the flow of firearms, which

23. See the statement of Lynda Chalker, Minister of State for Foreign and Commonwealth Affairs, in The Times, 8 October 1986.

24. The Times, 18 November 1987.

was currently tightly regulated in Europe, also the entry of illegal immigrants and drug smuggling. The Home Office, Foreign Office and other Whitehall officials expressed the view that while Britain was in favour of "harmonization", relaxing of firearm control or the dismantling of physical checkpoints at frontiers was ruled out.

Keeping in view the specific problems faced by Britain, its susceptibility to terrorist acts of violence due to both historical and political reasons, Britain sought to sensitize the European Community on this aspect and effect follow-up action to fight it an all Community plank and also at the larger international level. The British efforts were not without success as an assessment of the EC measures on this question would prove.

South Africa

The eighties was a period which saw increasing concern of Western countries directed towards the racist White regime in South Africa. There were appeals from all over the world to isolate Pretoria diplomatically and economically.²⁵ The attitudes adopted by the West towards South Africa depended on the degree and the extent of contacts between the latter and the individual nations. The

25. James Barber, "An Historical and Persistent Interest: British and South Africa", International Affairs (London), vol.67, no.4, October 1991, p.724.

Western States with close contacts with South Africa were, notably, Britain, United States, Germany and France. Britain in particular has much longer and stronger ties, as stated by Douglas Hurd, Britain's Foreign and Commonwealth Secretary, "an historical and persistent interest".²⁶

South Africa is an important customer in the British export market and British is the main external investor in South Africa. Outside Europe and the United States, South Africa formed Britain's second largest export market.²⁷ In 1984, South African market was worth £1,200 million to the British exchequer.²⁸ The most tangible of Britain's interests in South Africa are economic.²⁹

South Africa exported critical minerals to the Western markets, which could be replaced only by Soviet Union - a dependence which most of the Western nations wanted to avoid. These economic compulsions restrained the powerful Western nations from diplomatic handtwisting which is often indulged in by the West.

Britain's interests in South Africa are a compound of concerns and commitments, both at individual and private

26. Ibid, p.723.

27. The Times, 27 June 1985

28. Ibid, 10 September 1985.

29. James Barber, n.25, p.729.

levels, political, regional and economical levels.³⁰ Therefore, punitive economic sanctions against South Africa was not a policy favoured by Britain. In the face of international pressures, both at the EC and Commonwealth levels to impose stricter measures, Britain stood isolated on the plea that sanctions would damage the welfare of black South Africa, without succeeding in their main objective.³¹ On the other hand, negotiations and exerting strong diplomatic pressure on the South African Government was the means preferred by Britain.³² Britain's opposition to sanctions was derived from the belief that "economic growth in South Africa offers the most likely route for peaceful political change".

The EC member states were profoundly distrustful of economic sanctions as a political weapon. Therefore, in 1984, the European Parliament, while rejecting the call for the imposition of economic sanctions against South Africa, urged its Foreign Ministers to ensure that the November 1977 UN embargo was respected by all the member countries.

The imposition of a state of emergency in South Africa on 20 July 1985 and the unresolved question of Namibia, led to the mounting of international pressure on South Africa.

30. Ibid, p.727.

31. The Times, 27 June 1985.

32. Ibid, 26 June 1986.

The EC Foreign Ministers met at Helsinki in August 1985 and issued an ultimatum to South African government, calling upon it to lift the state of emergency and to begin talks with the black leaders, within a period of six weeks, failing which economic sanctions would be enforced against it.

In September 1985, an EC team of three Foreign Ministers, which visited South Africa after many rounds of discussions with the representatives of the Government and church leaders, opined that imposition of sanctions would not be productive.³³ The EC, however, decided to go ahead with a package of sanctions against South Africa. A comprehensive list of measures against South Africa which included an embargo on sales of oil, military and paramilitary equipment and sensitive technology to South Africa and a prohibition of new contracts for nuclear cooperation was drawn up by the EC and to be approved by the European Council. The package was also intended to end all cultural and scientific contacts with South Africa. The British Minister of State of Foreign and Commonwealth Affairs, Malcolm Rifkind refused to give British consent for it,³⁴ and opposed these measures. Instead, he brought out a

33. Ibid, 3 September 1985.

34. Ibid, 12 September 1985.

statement condemning apartheid and calling for the immediate lifting of the state of emergency and unconditional release of Nelson Mandela.

The British action was censured by its other EC colleagues. The European Commissioner for External Affairs, Willy de Clerq, told the European Parliament, at Strasbourg, that Britain's decision to block agreement on joint EEC measures against South Africa offer a glimmer of hope to those who want to maintain apartheid.³⁵ The British action was supported by the Conservative group in the European Parliament, while the Socialist group which included members of the Labour and Liberal Parties of Britain expressed disappointment with the British stand.

Britain favoured the strengthening of the existing EEC code which provides guidelines to the European Companies operating in South Africa. This was the toughest stance that was agreed upon by the British to be imposed on South Africa. The other cosmetic measure which Britain decided to support was the recall of military attaches from the embassy in Pretoria. Sir Geoffery Howe justified the British stance at the UN by declaring that while political signals in the form of restrictions were necessary to initiate positive changes in the Pretoria regime, tough economic sanctions

35. Ibid.

would only destabilize the economy further, leading to adverse conditions for the blacks in South Africa. In a speech delivered at the Royal Commonwealth Society at London on 23 July 1985, British Foreign Secretary explained that the British policy towards South Africa was guided by the belief that only economic growth would lead to peaceful political change in South Africa.³⁶

In the face of rising pressure from within and also from outside on Britain urging to impose economic sanctions against the Pretoria regime, Mrs. Thatcher, in June 1986, made a statement in the House of Commons graphically mentioning the nature of sanctions imposed by Britain on South Africa, and added that "I do not find another industrialized Western country which in fact has done more".³⁷ Some of the sanctions against South Africa, as mentioned by the British Prime Minister, included refusal to cooperate in the military sphere, an embargo on export of arms, cessation of exports of scientific equipment to the police, etc. Labour Party's demand for wider and stricter imposition of sanctions against the Pretoria regime was countered by Mrs. Thatcher on the ground that "the extent of economic sanctions being called for from some parts of the

36. UK Foreign and Commonwealth Office (London), Survey of Current Affairs, vol.15, no.8, August 1985, p.259.

37. Hansrad, vol.99, no.130, 15 June 1986, cols.908-86.

House would add to poverty and unemployment which increase violence and make matters a great deal worse, not only for the people of South Africa itself, but for frontier states and other countries beyond.³⁸

The fact that Britain preferred diplomatic pressures to effect a change in South Africa was made obvious when the British Foreign Office summoned the South African ambassador to register its protest about the widespread arrests and detentions in South Africa, under the state of Emergency declared by President Botha on 12 June 1986.³⁹ At the EC Summit at the Hague on 26 June 1986, however, Britain continued to adhere to its stand of limited economic sanctions to South Africa to protect widespread British interests in that country and also admittedly to prevent a deterioration of the situation in South Africa. As a token measure, to mollify international indignation at the deteriorating situation in South Africa, Britain disclosed at the Hague that it was ready to be part of a diplomatic mission to visit Pretoria. In February 1986, Geoffrey Howe, the British Secretary of State for Foreign and Commonwealth affairs, and Hans van den Broek, the Foreign Minister of Netherlands (whose country held the Presidency of the EC Council during January-July 1986), had a meeting with the

38. Ibid.

39. The Times, 26 June 1986.

Foreign Ministers of the six "Frontline States, viz., Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe. This was the first meeting between the two groups. The United Kingdom at the Hague Council meet suggested a diplomatic mission of the same nature. Britain, however continued to oppose the new EC proposals, at the Hague Summit, of a ban on new investments in South Africa and a ban on the import of South African fruits and vegetables. The sterner British resistance, however, was on the ban on air flights to South Africa.

Britain, by rendering impotent any punitive measure which EC might have imposed on South Africa, succeeded in protecting its economic interests in the Union. A collective, concerted effort by the EC had to be replaced by ineffective individual action.

GULF CRISIS

Ever since the Suez debacle of 1956, European countries have been largely maintaining a cautious involvement in the affairs of the Middle East. Though the European Community had adopted the Middle East as its number one priority in 1970s, it had limited its role largely to declarations of principle, especially with regard to the Arab-Israeli conflict. The diplomatic and security relations of the West in the Middle East was by and large dominated by the United

States, Europe, proving to be a bystander, relegated to the sidelines.⁴⁰ Yet, there had been individual actions on the part of Britain, France and Italy, associating themselves, very often grudgingly, with various peace-keeping operations under the auspices of the United Nations.⁴¹ The Gulf crisis of 1990-91 saw the active EC involvement.

The first crisis faced by the world, having international ramifications, in the post-Cold War period was the invasion of Kuwait by Iraq on 2 August 1990. For the first time, one member of the UN had been not merely invaded, but completely occupied and annexed by another. There were intense diplomatic efforts by the international community to coerce Iraq to retract its actions. Britain and France were quick in joining the United States in the UN Security Council in condemning the attack.⁴³ Consequently, the UN Security Council, by resolution 661, imposed the most comprehensive economic sanctions the UN has ever employed. Moreover, a multinational force, consisting of units from more than twenty nations were deployed in the region, within

40. Robert K.Olson, "Europe Returns to the Middle East", America-Arab Affairs (Washington), no.34, Fall 1990, p.47.

41. Ibid.

42. Fred Halliday, "The Gulf War and Its Aftermath: First Reflections", International Affairs (London), vol.67, no.2, April 1991, p.223.

43. Olson, n.40, p.46.

days of the invasion.⁴⁴ This force was to be later commissioned into action in January 1991.

The EC, on its part, met in Rome on 4 August 1990, less than forty eight hours after the Iraqi invasion and declared an immediate freeze of Iraqi and Kuwaiti assets, as well as an embargo on oil transactions. It is significant that half of Iraq's foreign trade was with the EC, 95 per cent of which was oil trade.⁴⁵ The general nature of EC's response to the Gulf war was one of avoiding recourse to punitive military action in the Gulf.⁴⁶ A firm implementation of economic sanctions, backed by diplomatic pressure and dialogue, were initially regarded by the EC as effective weapons to combat the situation. This attitude of the EC was likened to the perspective of 'civilian power', first enunciated by Francois Duchene. This is ascribed to the outlook that sees in peaceable social intercourse a model for interstate relations, and conduct of domestic affairs, as different from a recourse to arms to solve disputes of any nature.⁴⁷ In keeping with this abhorrence towards

44. Christopher Greenwood, "Iraq's Invasion of Kuwait: Some Legal Issues", The World Today (London), vol.47, no.3, March 1991, p.40.

45. Virginio Rognoni, "Europe and the Gulf Crisis", NATO Review (Brussels), vol.38, no.6, December 1990, p.1.

46. Ibid.

47. See Michael Brenner, "America and the Euro-Weenies: The Alliance: A Gulf Postmortem", International Affairs, vol.67, no.4, October 1991, p.672.

military initiative, the EC, at the insistence primarily of the French, the Germans and the Italians, send numerous peace appeals to Iraq on the Kuwait issue and the Palestinian question. None of them, however, elicited a positive response from Iraq. The EC proposal of a meeting between its representatives and the Iraqi Foreign Minister was refused by Iraq.⁴⁸

Britain's perception of the crisis was, however, at variance with that of the other members of the EC. It was Mrs. Thatcher, at Aspen, who braced President Bush's resolve to oppose Saddam Hussein. The Crisis infused a new life into the Special Relationship between Britain and the United States which had received a set back in the post-Reagan years. The amity and co-operation between the English speaking Anglo-American countries stood in bold relief in contrast to the lukewarm attitude of the continental partners.

Toughness and unreserved condemnation of the Iraqi action were the chief characteristics of Britain's initial response to the crisis. Active military action to deal with the enforcement of the embargo on Iraq was supported by Great Britain. On 6 August 1990, shortly after the passing of the Resolution No.661 by the UN, the United States and

48. UK Foreign and Commonwealth Office (London), n.36, vol.21, no.1, January 1991, p.3.

Britain announced that their warships operating in the region would intercept ships suspected of violating the sanctions.⁴⁹ When the EC on the other hand had drawn satisfaction from the fact that quick economic sanctions were imposed on Iraq. Britain went ahead contributing her military might to ensure that the sanctions were effectively enforced.

Margaret Thatcher, in August 1990, had criticized the EC reaction to the situation as "patchy" and "disappointing". The British Prime Minister felt that the European Community had failed to live up to the expectations of the world community, despite the rhetoric of rapid movement towards political union and common foreign policy.⁵⁰ As the deadline of 15 January 1991, given to Iraq for withdrawing from Kuwait failing which it will have to face the combined multinational forces, approached, the increasing dichotomy of views of the member States within the EC became evident. If the cleavage between the policies between London and its EC partners restrained the forging of a common foreign policy platform in this regard, the independent and unpredictable acts on the part of France demonstrated to the world the fluidity of EC's political

49. Greenwood, n.44, p.41.

50. The Times, 10 August 1990.

cooperation. The French President's last ditch independent peace initiative on 14 January 1991 to be send to Baghdad, of which the EC members were intimated only later, came to naught when President Saddam Hussein rejected it. America and the EC saw the French efforts between 9 and 15 January as clandestine diplomacy, overriding the decision of the EC foreign ministers on 14 January 91 to drop all plans of sending a peace mission to Baghdad, following the failure of the UN Secretary-General Perez de Cuellar's discussions on Iraq.⁵¹

The Federal Republic of Germany, tied down by the domestic pressures of recouping the East German economy which was in shambles, expressed no great enthusiasm to join its NATO partners in deploying force in the Gulf. The presence of peace movements in Germany questioning the morality of war went a long way in shaping the diffidence Germany felt towards active military action. By citing the 'out-of-area' clause of the NATO, Germany justified its decision of not sending troops to the Gulf for active combat as part of the NATO forces. The restrictions in the Basic Law against deployment of German military forces abroad was explained as restraining Germany from joining the coalition of eleven nations. Financial assistance was however

51. Brenner, n.47, p.673.

promised by Germany to the coalition.⁵²

The defense of Turkey, which formed part of the defensive operations in a NATO area, was carried out with German troops joining the larger NATO command. Germany send Alpha fighter aircraft and some 300 air personnel to help defend Turkey. It is significant that this was the first deployment of German troops outside German territory since 1945.⁵³ The token German involvement in the Gulf was the flotilla of minesweepers deployed there to help the allies clean up.⁵⁴ The Germans were virtual non-players in the Gulf crisis, what little support Germany did provide to the coalition was as a result of great international pressure which was brought to bear on Germany.

The response of the other EC members exhibited a preference for an active combat under the aegis of the Western European Union. The Netherlands, Belgium, Denmark and Spain held this view. Greece sent a frigate for the enforcing of the blockade.⁵⁵ Italy's coalition government incapacitated a unified voice from the government, however,

52. Ibid.

53. Trevor C.Salmon, "Testing Tims for EPC: The Gulf and Yugoslavia 1990-92", International Affairs, vol.68, no.2, April 1992, p.238.

54. Ibid.

55. Ibid, p.241.

Italy sent three frigates, and Tornado planes to the Gulf ultimately, and suffered one death.⁵⁶

The British Prime Minister John Major declared in the House of Commons, on 17 January 1991, that no diplomatic initiative had been spared to find an amicable solution to the problem, the failure of efforts necessitated the offensive against Iraq by the multinational force.⁵⁷ In spite of international pressure on Iraq, exerted collectively and repeatedly, as is evident from the twelve resolutions passed to this effect by the UN and also the EC, Iraq could not be persuaded to leave Kuwait.⁵⁸ Moreover, the continuing of sanctions would merely give Iraq more time to destroy Kuwait and to reinforce its defences against allied troops. In an oblique reference to the EC members advocating caution, John Major said: "Those who caution delay because they hate war.... must ask themselves this question how much longer should the world stand by and risk the atrocities continuing in Kuwait?"

The British government received support for its stand in the Gulf crisis from almost all the political parties in the Parliament. The Leader of the Opposition, who is also

56. Ibid, p.237.

57. UK Foreign and Commonwealth Office (London), n.48.

58. Hansard, vol.183, no.34, 17 January 1991, cols.734-825.

the Labour Party leader, Neil Kinnock called Iraq's invasion of Kuwait on 2 August 1990 the "first act of warfare" and expressed his full support for Britain's forces fighting in the Gulf.⁵⁹ The Liberal Democratic Party Leader, Paddy Ashdown, said that Britain's forces fighting in the Gulf were upholding international law and the authority of the UN.⁶⁰

The forces of the UK in the Gulf were second only to that of the US in their numerical strength and variety of functions. The British forces had taken part in the naval, air and ground operations. John Major disclosed in the House of Commons that RAF Tornado and the Jaguar aircraft had done creditable job in the air offensive which had the forces of seven nations, namely the US, Britain, Saudi Arabia, Kuwait, France, Canada and Italy.⁶¹ The land operations involved the forces of eleven countries - Britain, the US, Saudi Arabia, Kuwait, Egypt, France, Syria, the UAE, Bahrain, Qatar, Oman and Kuwait. The British navy was patrolling the Gulf on anti-aircraft duty, assisting in

59. Ibid.

60. UK Foreign and Commonwealth Office (London), n.48.

61. Hansard, vol.184, no.38, 21 January 1991, cols.23-31.

62. UK Foreign and Commonwealth Office (London), n.36, vol.21, no.2, February 1991, p.54.

the enforcement of sanctions against Iraq, escorting shipping and keeping the shipping lanes free from mines.⁶³

Following a successful allied ground offensive against Iraqi forces in Kuwait and southern Iraq, Britain and its coalition partners suspended hostilities in the Gulf on 28 February 1990. A day before that, the British prime minister had announced in the House of Commons that the British embassy in Kuwait had successfully been repossessed and that the Kuwait City had been occupied.⁶⁴ Iraq announced its observance of the ceasefire and notified the UN Secretary General of its agreement to comply fully with Resolution No.660 and all other Security Council resolutions.⁶⁵ Till 3 April 1991 on which day, by the Resolution No.687 the UN Security Council approved the terms for a formal end to the Gulf War, Britain and her allies continued with the sanctions against Iraq. David Hannay, Britain's Permanent Representative to the UN, speaking after the adoption of the Resolution told the Security Council, on 3 April, that the expulsion of Iraq from Kuwait had marked a "clear, firm and effective determination of the world

63. Ibid.

64. Hansard, vol.186, no.63, 27 February 1991, cols.645-646.

65. UK Foreign and Commonwealth Office (London), n.36, vol.21, no.3, March 1991, p.140.

community not to allow the law of the jungle to overcome the rule of law".⁶⁶

The behaviour of Britain during the crisis is in keeping with the mental make up of an erstwhile world power, which is waning in its influence, but is yet ready to accept responsibilities, which it may seem are much beyond its capability. It is significant that the opposition in the British parliament, along with the treasury benches, had referred to the war as one being fought for a new world order.⁶⁷ The British, across party lines, thought it to be in the fitness of things that Britain should be associated with an endeavour of this nature. Though on the central question of the crisis, European opinion was almost unanimous that unprovoked aggression was the root cause of the Gulf crisis, and that Saddam Hussein had to be stopped.⁶⁸ It was in the *modus operandi* that there were differences of opinion. Great Britain wanted and expected whole hearted commitment to the cause, whereas its European parties thought and acted differently. Britain did not shirk from the thought of a military offensive and yet again proved to the world that the "special relationship" enjoyed

66. Ibid, vol.21, no.1, April 1991, p.140.

67. Ibid, vol.21, no.2, February 1991, p.56.

68. Robert G.Nuemann, "Europe and the Gulf War", American Arab Affairs, no.34, Winter 90-91, p.48.

between United States and the United Kingdom was indeed intact and that the two countries could still act in tandem in times of crises. The EC unfortunately remains a house divided. National perceptions are at variance with each other; long standing historical traditions and ties of each state, among other reasons, seem to result in variant policy positions.⁶⁹

CRISIS IN YUGOSLAVIA

The tremendous changes that have been taking place in Eastern Europe in 1989-90, where the dismantling of the communist systems of government was in progress, were primarily the assertion of the right to self-determination of peoples. Though countries like Poland, Hungary, Czechoslovakia, Romania, etc. effected the transformation to non-communist regimes through varying degrees of violence, they had remained largely at peace internally thereafter.

The case of the Yugoslave Federation is, however, different. The Socialist Federal Republic of Yugoslavia was a mosaic of various ethnic groups which are racially and linguistically close, had, however, lived as separate and

69. See Trevor C. Salmon, "Testing Times for EPC to the Gulf and Yugoslavia, 1990-92", International Affairs, vol.68, no.2, April 1992, p.235.

very different political entities for many centuries.⁷⁰ The union of these communities into one state, a post-Second World War creation, was essentially an artificial one. In the nationalist upheavals spreading across Eastern Europe, the delicate balance of the six republics and two provinces of Kosovo and Vojvodina that formed the Socialist Federal Republic of Yugoslavia were thrown asunder. Ever since 1991, Yugoslavia has become a seething cauldron of hatred, violence, and fighting.

The virtual civil war in Yugoslavia, with the Serbs fighting the Croats and Slovenes, in a bid to establish a greater Serbia caught the attention of the EC. Yugoslavia due to its geographical propinquity with the EC, the existing trade, aid, and cooperation agreements prompted avid EC interest in solving the Yugoslav problem at the very outset. The possibility of a spill-over of events across the borders was not one of the least important factors influencing EC concern. The problem was seen increasingly as an European problem, which had to and also could be dealt with by the EC.⁷¹

The US unlike in the gulf crisis took the back seat, with the EC taking the lead. The EC, at first, strove to

70. Christopher Civic, "Yugoslavia I: New Shapes from Old", The World Today (London), vol.47, nos.8-9, August/September 1991, pp.125-7.

71. Trevor C.Salmon, n.53, p.248.

prevent the break up of the republic, with the threat of an economic sanctions against Yugoslavia mediating by sending the troika of foreign ministers several times to the beleaguered nation, also arranging for peace conference under the EC auspices.

The survey of the course of events in Yugoslavia, from June 1991, demonstrates clearly the active efforts taken by the EC in bringing about a peaceful solution of the Yugoslavian quagmire. In June 1991, Slovenia declared its intention of breaking away from the Socialist Federal Republic of Yugoslavia. The very next day, Croatia announced its decision to follow the Slovenian lead. The EC's troika of foreign ministers belonging to Italy, The Netherlands and Luxembourg (the past, present and future presidential countries of the EC Council respectively) visited Yugoslavia, two visits in three days to prevent a break up of the Republic and also to mediate in order to put an end to the violent clashes between the Serb minority in Croatia and the Croats, but without success. On 7 July 91, the EC send a diplomatic mission to Yugoslavia, which met representatives of both the Yugoslav federal government, and the republics of the newly formed Croatia and Slovenia which met at Brioni. Consequently, the Brioni declaration was issued which elicited an assurance of a ceasefire from the clashing groups and in return a pledge from the EC to

provide a monitoring mission consisting of about fifty people which would report to the Prague Secretariat of the Conference on Security and Cooperation in Europe (CSCE).⁷²

In keeping with the guarantee given in the Brioni Declaration in August 1991, Yugoslavia announced a ceasefire. In the same month EC exhorted the CSCE meeting at Prague to support the former's efforts in Yugoslavia.⁷³ In the same declaration a willingness was expressed by the foreign ministers of EC to convene a peace conference to negotiate a settlement of the continuing problem in Yugoslavia. The ceasefire was, however, broken by the Serbian irregulars and the Serb dominated Yugoslav National Army (JNA), to indulge in fresh violence in Eastern Croatia.

The EC assumed increasingly the role of arbiter in the crisis in the face of escalating violence in Eastern Croatia. On 3 September 1991, the EC announced the convening of a Peace Conference at the Hague to bring about an amicable settlement to the crisis. The EC saw the need of a comprehensive and effective ceasefire and the setting up of impartial foreign monitors as essential precondition to negotiations for settlement of the issue. The Peace Conference was to bring together the Federal President, the

72. UK Foreign and Commonwealth Office (London), n.36, vol.21, no.7, July 1991, p.265.

73. Ibid, vol.21, no.8, August 1991, p.304.

other representatives of the government, and the Presidents of the Republic on Yugoslavian side and the President of the EC Council of Ministers, representatives of the member States and the European Commission. Lord Carrington, the former Foreign and Commonwealth Secretary was to preside over the Peace Conference. The EC also proposed to set up an Arbitration Commission, which would look into the disputes or grievances of the republics and give its decision within two months.⁷⁴

Yet, again in September 1991, the Federal Government of Yugoslavia signed a ceasefire agreement. The EC in turn signed a memorandum of understanding with Yugoslavia that the activities of the former's monitoring mission would be extended to Croatia. The monitoring mission was to report on the success of the implementation of the elements of ceasefire, but was not to participate in its enforcement.⁷⁵ Non-EC member States, like Poland, Canada, Sweden, Czechoslovakia were also to send unarmed observers to serve in the monitoring mission.

The aims of the Conference in achieving peace in Yugoslavia were stated clearly by the EC, before the convening of the Conference. They were: no unilateral change of borders by force; and protection of the rights of

74. Ibid, vol.21, no.9, September 1991, p.337.

75. Ibid, p.338.

all citizens in Yugoslavia. It was also stated that the Chairman of the Conference was to transmit issues submitted for arbitration to the Arbitration Commission. Despite continuing violence in Croatia in violation of the ceasefire accord, the opening of the session of the Peace Conference took place as planned on 7 September 1991.

The disregard demonstrated by the warring groups in Yugoslavia to maintain the ceasefire had prompted some EC members like Germany, Belgium, The Netherlands, Luxembourg, France, and Italy to think in terms of a military intervention under the EC auspices to help maintain a ceasefire. From the outset of the Crisis, Britain expressed her strong misgivings on military intervention and talked in favour of political initiatives springing forth from Yugoslavia itself.

The United Kingdom's opposition to military intervention reflected strongly its adverse experience in Northern Ireland. Britain warned France, Italy and Germany, who were in favour of a full fledged peace keeping force, of the dangers of being drawn into a quagmire like Yugoslavia. The high rate of casualties such a move would cause, and the likelihood of having to deploy 30,000 and above troops were brought to the attention of the EC member states.⁷⁶

76. Salmon, n.53, p.250.

Britain's views with regard to military intervention was at variance from that of Germany, which was keen on an EC sponsored peace-keeping corps to be deployed under the WEU banner. Britain wanted the EC to exercise caution when dealing with Yugoslavia. As early as July 1991, making a statement in the House of Commons, the foreign and Commonwealth Secretary, Douglas Hurd, said that Yugoslavia's problem would not be resolved by the use of force and that any further military action would lead inevitably to widespread bloodshed.⁷⁷ In September 1991, on the day of convening of the peace conference, he said: "We in Britain, we in the twelve, do not have a blueprint for Yugoslavia. What we do have is the offer of help by which they can find an agreed solution for themselves."⁷⁸ Britain regarded the peace conference as the "only framework in which various parties can discuss their differences, it is important that this conference should continue."⁷⁹

A country with a strong sense of history like that of Britain was well aware of the dangers of adopting a policy

77. Hansard, vol.191, no.137, 3 July 1991, cols.328-29.

78. UK Foreign and Commonwealth Office (London), n.36, vol.21, no.9, September 1991, p.338. Emphasis intended.

79. Douglas Hogg, Minister of State Foreign and Commonwealth Affairs in the House of Commons. See, UK, Commons, Hansard, vol.196, no.154, 14 October 1991, cols.40-41.

of confrontation by western European power in the Balkan region. Douglas Hurd, addressing the Conservative Party meeting on 8 October 1991, declared: "The luxury and danger of the West European powers pursuing national policy on their own in eastern Europe belong in the first, and not in the last, decade of this century. Even if the EC had not been invented in 1956, we should have had to invent it now for this reason. Had we not become a member in 1973, we should have to do so now."⁸⁰ Britain, it is clear, wanted a collective, yet peaceful intervention in Yugoslavia.

Douglas Hogg, the Minister of State of Foreign and Commonwealth Office, had declared, in the House of Commons on 14 October, that the EC had to exert all political pressure that it could in Yugoslavia, so that the political leaders there could reassert control on the recalcitrant military and irregular forces.⁸¹ The external pressure tactic, favoured by Britain, was in the form of a UN sponsored complete embargo on the deliveries of weapons and military equipment to Yugoslavia. The resolution in the UN to that effect was sponsored by Australia, Belgium, Britain, France and the Soviet Union. The resolution also

80. See Jon Roper, "Yugoslavia and European Security EC, NATO, WEU, CSCE which task for whom?" Review of International Affairs (Belgrade), vol.43, no.1001, February 1992, p.2.

81. Hansard, vol.196, no.154, 14 October 1991, cols.40-41.

urged all parties to settle their difference through negotiations in the EC Peace Conference.⁸²

Historical tradition and cultural attachment, besides domestic pressures, in Germany forced it to ameliorate its stand towards Croatia and Slovenia. Germany, by November 1991, was pushing for full recognition of Croatia and Slovenia, although it toed the EC line that recognition should be part of a new peace treaty and a new political settlement.⁸³ France, Britain and the Netherlands were opposed to recognition. Britain did not want to remove the element of pressure on the leadership of Croatia by granting recognition too soon.⁸⁴ On 17 December 1991, however, the EC ministers agreed on the criteria of recognition to the two breakaway Republics, provided certain conditions were complied with, namely the human rights guarantees, assurance on the protection of rights of the minorities, an undertaking that borders would be changed only through peaceful means and commitments to non-proliferation and arms control, to support the UN efforts to deploy a peacekeeping force and also to accept the EC Peace Conference. It was decided that if the republics adhered to these conditionalities, EC would

82. Survey of Current Affairs, vol.21, no.10, October 1991, p.363.

83. Salmon, n.53, p.252.

84. Hansard, vol.205, no.76, 25 February 1992, cols.487-92.

grant them diplomatic recognition on 15 January 1992. Germany, however, went ahead of the EC and recognized Croatia and Slovenia on 23 December 1991. President Von Weizsacker of Germany assured that it would open formal diplomatic relations with the two new States only on 15 January 1992.⁸⁵

Even though the European Community had followed a policy towards Yugoslavia, which was largely in keeping with Britain's views on the subject, there were different shares of opinion, which in times was asserted, much to the anger of the other member states.

Britain actively supported UN's role in Yugoslavia. The British Foreign Secretary had, in October 1991, in his address to the UN Security Council, urged it to add its authority to the efforts already made by the EC and the CSCE. Cyrus Vance was sent to Yugoslavia as the UN special envoy. On 8 February 1992, the UN Security Council unanimously passed to send a peacekeeping force to Yugoslavia. The British government welcomed the UN peacekeeping force, as revealed by Douglas Hogg at the House of Commons debate in February.⁸⁶ Hogg said that the primary aim of Britain, European Community and the UN

85. Salmon, n.53, p.253.

86. Hansard, vol.205, no.76, 25 February 1992, cols.487-92.

combine was to encourage the parties to participate in the negotiations under the chairmanship of Lord Carrington. Britain rendered considerable medical assistance, as part of the peacekeeping force, in the form of casualty evacuation by wheeled ambulance, or helicopter and, also supplementing the medical support of the UN battalion.⁸⁷

Following the referendum conducted in Bosnia and Herzegovina, 99 per cent of the population in the former had voted for secession from the Yugoslav Federation. The majority in Herzegovina also voted for secession. Britain and other EC countries decided, on 6 April 1992, to recognize the Republic of Bosnia. Shortly after the referendum, fighting began in Bosnia, between the Serbs, the Muslims and the minority Croats. EC had issued a statement condemning violence and urged all warring groups to refrain from any actions which violate the sovereignty of the republic or undermine the ongoing peace process.⁸⁸ The British Foreign Secretary condemned the violence and said that it was unacceptable that the Croatian and Serbian irregulars or the Yugoslav army intervene in Bosnia.

Unfortunately, the fighting and the tension continue in the erstwhile-Yugoslavia. All attempts by the European

87. UK Foreign and Commonwealth Office, n.36, vol.22, no.5, May 1992, p.122.

88. Ibid.

Community to effect a peaceful settlement of the crisis have failed. Though it had to be admitted that the EC brought the rival groups appreciably closer to the negotiating table, albeit to be met by another ceasefire violation.

The internal setting of the conflict set a number of constraints on the nature and extent of international intervention in ending the crisis amicably. The first international actor to get involved in seeking a solution to the Yugoslav crisis was the European Community. When it realized that it had exhausted all possibilities of preventing a war, it encouraged the involvement of the United Nations in the efforts to find a solution to the crisis.⁸⁹

In spite of the fact that the EC's involvement in Yugoslavia is as yet an unfinished business, a notable contribution Britain made has been to oppose military intervention under the auspices of the EC as a solution. Britain in its political wisdom and adeptness in state craft had prevented the shortsighted vision of France and Germany from materialising, thereby avoiding a major confrontation and a further deterioration of the situation in the region.

89. Ranko Petkovic, "Role of the European Community and the UN in Solving the Yugoslav Crisis", Review of International Affairs (Belgrade), vol.43, March 1992, p.5.

ATTITUDE TO EUROPEAN PARLIAMENT ELECTIONS

The European Parliament with its 518 members has more of a supervisory and advisory role in the EC decision making rather than possessing real legislative powers. It has a peripatetic existence, with its secretariat situated at Luxembourg, its plenary sessions being held in Strasbourg and the Committees holding their sessions at Brussels.⁹⁰ The elections to the European Parliament takes place every five years.

The 1984 elections to the EP was the second one which Britain took part in. Apart from the Conservative and Labour Parties, the Social Democratic Party formed an alliance with the Liberals to contest the election. An opinion poll conducted during June 1984 showed that in the Community as a whole, three trans-frontier problem exercised the minds of the voters, namely unemployment, wasteful farm surpluses and defence.⁹¹

The manifestos of the political parties in Britain demonstrated the respective attitudes of the Parties towards the European Parliament in particular and the EC in general. The Social Democratic Party and the Liberal Alliance published its manifesto under the title "Let's get Europe

90. The Times, 25 May 1989.

91. Ibid, 11 June 1984.

Working Together". The effusive enthusiasm for Europe, EC and its institutions and activities was the prevailing sentiment in the manifesto. It proposed a massive interventionism by the Community with money and measures to create jobs and stimulate industrial activity.⁹² It would have Britain join the EMS, and move to the next stage of the establishment of a European Monetary Reserve Fund. An active role for the EC in formulating a European defence and foreign policy was also proposed by the Alliance.⁹³ Something like confederal Europe is the subliminal aim of the Alliance.

The Labour Party in contrast is lukewarm to the continued membership of the UK in the EC. In its manifesto launched on 21 May 1984, called "A Fair Deal for Britain and a New Deal for Europe", the Labour proclaimed that it stood for a continued membership of Britain in the European Community for the next five years, after which, each country should be allowed to retain the option of a possible withdrawal.⁹⁴ The primacy of The Westminster over the EC was sought to be maintained by the Labour.⁹⁵ The reforms of

92. Ibid, 22 May 1984.

93. Ibid.

94. Ibid.

95. Ibid.

the EC budget and its agricultural systems seemed to be the primary aim of the Labour, alongside it demanded the freedom to withdraw from the EC, if Britains did not get a fair deal from the Community.

The Conservative Party, like the Labour, advocated sustained support for British interests. However, it ruled out a bid to eventual British withdrawal from the European Community. In a TV broadcast on the eve of the European Parliament elections in 1984, Mrs. Thatcher accused that the Party's main opponents did not even believe in the Community. The other opponents believed in Europe but were prepared to weaken Britain, e.g., by undermining its power to veto, during the decision making in the European Community.⁹⁶ The Conservative manifesto, "The Strong Voice in Europe", emphasized the need for safeguarding of national interest and declared its outright opposition to the move towards closer integration in the Community or an increase in the power of the European Parliament.⁹⁷

The response of the British voters to the European Parliament elections was lukewarm as the low turnout at the election had indicated. The survey conducted for independent television news by Harris Research, examined

96. Ibid, 13 June 1984.

97. Ibid, 22 May 1984.

voters at 49 polling stations. Although Northern Ireland registered a 65 per cent voter turnout, the overall percentage of votes cast in Great Britain showed a 30 per cent in 1984, as compared to 32 per cent achieved in 1979.⁹⁸ Whatever the political persuasion of the British voter, the indifference bordering on antipathy towards the EC was clearly evident. The low turnout in Britain for the EP election was also seen as the indifference of a nation to a largely ineffective Parliament.⁹⁹

However, in this election, the British voters, like their counterparts elsewhere in the Community, were reacting more to the internal political issues of the day rather than greater questions of the EC as the pattern of voting revealed. The Labour Party gained more number of seats as compared to the 1979 elections. It raised its share from 17 seats in 1979 to 32. The Conservatives won 45 seats as against 60 in 1979 and the Scottish Nationalist Party got one seat. The swings from Conservative to Labour in London, which was larger than in any other part of the country, were ascribed by all parties to the unpopularity of the Government's Bill to abolish the Greater London Council.¹⁰⁰ The increase in the number of seats for the Labour Party,

98. Ibid, 18 June 1984.

99. Ibid, 19 June 1984.

100. Ibid.

raised the Socialist Group as the largest single Group in the European Parliament. However, the majority was continued to be held by centre-right, as earlier.

The Single European Act of 1987 gave a major boost to the status of the European Parliament in the hierarchy of the EC institutions. While the largely advisory and consultative role of the EP, as envisaged in the Treaty of Rome, remains, the Single European Act gave powers to the European Parliament to amend European legislations relating the Single Market programme of 1992.¹⁰¹ This was a right, denied to the National Parliaments, which was conceded to the EP.

As regards the attitude of Britain towards the European Parliament, there was not any marked difference. The supremacy of the Westminster remained supreme in the British mind.

The Labour Party underwent a metamorphosis, during this period, in its stance towards the EC. The Party which, in 1983, had declared the continued membership a most serious obstacle; and withdrawal as the right policy for Britain; in 1989 wanted Britain to take full advantage of working with "our European Partners".¹⁰² The Labour Party's manifesto for the EP elections of 1989 was titled, "Meeting the

101. Ibid, 25 May 1989.

102. Ibid.

Challenge in Europe". It proclaimed its future programme as being one of closer and closer cooperation rather than an attempt to create a United States of Europe.

The Labour's approach to issues like reforming the CAP, the opposition to the harmonization of the Value Added Tax throughout the Community, and the advisability of Britain's joining the European Monetary Union only when the time was ripe remained largely akin to the Conservative's approach. The Labour, however, emphasized the need to implement the Social Charter throughout the EC. Co-operation with other European nations on environment protection also remained dear to the Labour Party.¹⁰³

The Conservative Party in its manifesto in 1989 "Leading Europe into the 1990s", promised to retain all that was most precious and unique to the national character of Britain and her institutions, and also to seek practical ways of Britain's cooperation with its neighbour's for mutual benefits. A Europe committed firmly to the defence of the West, and providing a climate of economic liberty, was envisaged by the Conservative Party. The swift completion of the Single Market of 1992 was of more importance to the Conservatives rather than the deliberations about the implementation of the proposals of the Social Charter in the EC. Proposals such as economic and monetary union and the

103. Ibid, 24 May 1989.

harmonization of the Value Added Tax was also opposed by the Conservatives.

The British voter showed himself as the most indifferent European when it came to voting for the European Parliament. The June 1989 elections showed Britain at the lowest rung in the voting per cent, with a mere 33 per cent as compared to 89 per cent in Luxembourg which registered the highest turn out among the Twelve. The Labour Party gained a majority in the elections winning forty-five seats as against the thirty two seats won by the Conservatives, an exact reversal of the seat positions as in the EP elections of 1984.

The proceedings of the European Parliament remains peripheral to the British concerns of the EC. This attitude is reflected in the lowest voter turnout in the EP and the largely lacklustre British contingent that finds place in the European Parliament. When the other member countries send their former Prime Minister or other well known ex-ministers, Britain sends new recruits who are, very often, little known in Britain. The British Member of EP, belonging to both Conservative or the Labour Party, has little influence on the British policy towards the EC.¹⁰⁴ The relative lack of power of the EP translates itself into

104. Strafford Thomas, "Assessing MEP Influence on British EC Policy", Government and Opposition (London), vol.27, no.1, Winter 1992, p.3.

the lack of influence of the British MEP. The ambivalence, and disinterest shown by the British electorate towards the EC has considerably ruled out any possible influence the MEP can exercise on British policy towards the EC.¹⁰⁵

The study of various major political events of the past decade which engaged the attention of Britain and the European Community gives Britain the image of a country with a sure footing in international affairs. In spite of the fact that Britain is twenty years in the EC now, she reacts differently from the rest of the Community to any international situation, as evident from the Gulf and the Yugoslav crises.

Despite the declaration of the British Prime Minister of his aim to put Britain at the heart of Europe, the British reactions to world events prove that things are different.¹⁰⁶ The trans-Atlantic ties with America, which was cemented firmly in the second and fifth decades of this century, seem to be stronger than the age old relations Britain had with her continental partners.

The Conservative government of Britain had persistently held on to the view that, "the greatest weapon against

105. Ibid, p.5.

106. The Times, 28 June 1991.

apartheid was economic growth."¹⁰⁷ Britain had consistently thwarted the moves by the European Community for comprehensive economic sanctions, such as ban of new investments in South Africa. Throughout the eighties Britain had very often been isolated in her stand vis-a-vis South Africa, both in the European Community and also at the Commonwealth heads of government conferences. Britain was in favour of exerting diplomatic pressure on the Pretoria regime in contrast to the EC demand of punitive economic sanctions.

It has become clear that Margaret Thatcher's view of the efficacy of the policy of "constructive engagement" as different from punitive economic sanctions, seem to have worked, even though, one cannot pinpoint with accuracy as to what helped in the dismantling of apartheid.

The Irish insurgency in Britain had made it particularly vulnerable to terrorist attacks. Illegal immigration of people from all over the world was yet another problem faced by Britain. These factors went in to colour Britain's views about lifting of all border controls within EC countries. United Kingdom's firm support to the United States to curb the power of the Libyan leader Muammar Gaddafi, who according to America and Britain,

107. Christopher Johnson, "Conservative MEP for East Kent in the European Parliament", The Times, 12 September 1985.

sponsored terrorism was the result of Britain being subjected to organized terrorist crime. Therefore, Britain took a stand different from that of her partners in the EC.

Europe is yet to think as a cohesive whole. It has a long way to go before congruence in policies can be achieved, if at all possible. Differing geographical perspectives from which the states view the outside world, along with each state's view of its place in the world, the varying economic and strategic interests of the member states which have direct consequences in the policy formation of nations and the sensitivity of the issue of sovereignty are some of the factors which lead member states to take independent stand, different from that of the partners.¹⁰⁸

For a nation like Britain, whose historical development is at variance from that of its continental partners, it is but natural to differ in issues of international importance, and differ it did, with aplomb.

108. Salmon, n.53, p.235.

CHAPTER III

ECONOMIC DIMENSION

The raison d'être of Britain's joining the European Community was primarily for the economic gains which were sought to be accrued for itself. The prosperity which the Continent had witnessed after the formation of the European Economic Community (EEC) in 1957, and the new market potential it generated were largely the factors which drew the United Kingdom into the fold of the European Community. Britain thought that it would be beneficial to be part of that large market.

Traditionally, Britain had an economy which was largely attuned to the non-EEC countries. Her economic ties with the Commonwealth were still held dear. The agricultural sector of the United Kingdom, however, remained comparatively small. Britain, prior to the membership into the European Community was a net importer of food items. All these factors indicated that Britain's adjustment to the economy of the European Community was not going to be a smooth one.

The initial years of membership in the Community i.e. the seventies, were particularly gloomy for the United Kingdom. The disillusionment with the Community grew as the instability in the world economy during 1973 and after

brought along with it unemployment and related hardships. The unfavourable terms of entry into the Community added fuel to the fire. The call for a referendum on membership, and its assent vote, retained the United Kingdom's membership in the Community. The terms of entry were re-negotiated by Harold Wilson, the Labour Prime Minister of Britain. The period of transition, that of adjustment into the European Community regulations, was set to be till 1979.

Thus the period beginning from 1980, in the normal course, would have characterised the picture of a country which would have adjusted to the European Community rather comfortably. But this was not the case with Britain and her relations with the European Community. Indeed, the decade between 1982-1992, which forms the period under study, was one of the most tumultuous years in the history of the European Community. During this period, Britain raised the questions of her mounting budgetary contribution and the soaring expenditure set aside for the Common Agricultural Policy. Besides, the European Community was faced with imminent bankruptcy during this period. The crisis was averted by acrimonious negotiations, considerable arm-twisting and a pragmatic outlook. Britain played a very active role in dealing with these critical issues.

The European Community during this period was put into

the course of greater integration. The significant development was that of the setting of the goal for the completion of a Single Common Market for 1992. Britain was an enthusiastic supporter of the endeavour. The event of much greater significance was the decision of the European Community to pursue the goal of Economic and Political Union the first stage of which was to begin by 1 July 1990. Britain had and still maintains a number of misgivings about the venture. With her strong nationalistic traditions Britain declined to be part of a programme which would rob her Parliament of its sovereignty.

The economic dimension of Britain's relations with the European Community encompasses a number of issues. Virtually all aspects of economy find a place in the EC administration. Therefore, in this study a few major events of this decade, which engaged the attention of both Britain and the European Community in the economic sphere, are sought to be examined.

BRITAIN AND THE EC BUDGET

The Budget is one of the major instruments of the economic policy of regional economic associations like that of the European Community. The European Community which is an amalgam of the three Communities, namely The European Coal and Steel Community, the European Atomic Energy Commis-

sion and the European Economic Community, was conferred with a Common Budget as per the 'Merger Treaty of 1967.'¹

Revenues

The revenues of the Budget was in the form of fixed payments by the member countries. This financial dependence of the Community on its member states for contribution continued till 1970. In accordance with the provision of Article 201 of the Treaty of Rome, the Council decided to gradually replace the financial contributions of member states to the Community Budget.² This decision of the Council in 1970 was implemented in January 1980.³ As per the changes; the financial contributions of the Member States were replaced by revenues which were appropriately called "Own Resources". This granted a certain degree of manoeuvrability to the Community. The three types of

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1. T. Hitiris, European Community Economics (London, 1991), edn.2, p.80.
 2. Ibid.
 3. Geoffrey Denton, "Re-Structuring the EC Budget: Implications of the Fontainebleau Agreement", Journal of Common Market Studies (Oxford), Vol.23, No.2, Dec. 1984, p.120.

narrow agricultural sector, combined with high rate of imports of industrial goods and agricultural products, had problems with the Community on both sides of the budget.

The United Kingdom was aware of the disadvantageous position it was going to be placed once it joined the European Economic Community. During the negotiation for accession it was decided that the anomalies in the budgetary structure of the European Community would be worked out. After much debate, when the United Kingdom joined the Community, it accepted the existing system of budgetary finances. It was agreed that during the transitional period, its contributions to budgetary costs would rise gradually from 8.64 per cent in 1973 to 18.92 per cent in 1977,⁶ which was later extended to 1979. The promised diversification of the Community expenditure or revenues never took place, leading the British government to cite the "unacceptable situation" clause in the Treaty of Accession and demand a readjustment of the existing arrangements.

The Labour Government of Britain, in 1974, started the renegotiations regarding the provisions agreed to by the previous government, pertaining to the EC membership. The prime concern of Britain during the earliest round of

6. T. Hitiris, n.1, p.89.

negotiations was the gross contribution rather than remedying the problem of the net contributions.⁷ In the EEC Dublin Summit of 1975, at the United Kingdom's insistence, it was decided to take corrective measures to meet the problem of gross contributions by countries other than Britain. However, the inadequacy of the "Financial Mechanism" of 1975, became evident when Britain failed to fulfill a necessary condition of having a balance of payments deficit. Consequently, Britain, in spite of being a relatively poor member of the Community, ended up being the net contributor to the Community Budget.

The efforts of the British government to gain sufficient reimbursement of the rising British contribution continued under Prime Minister James Callaghan in 1978. The issue was taken up by Margaret Thatcher in 1979 when she came to power. The fact that "Own Resources System" was to begin functioning by 1980 increased the sense of immediacy of the British demands. Britain cited the "unacceptable situation" clause of the Treaty of Accession, by which "the very survival of the Community would demand that the institutions find an equitable solution".

Thus, the decade from 1982-1992 which is sought to be

7. Geoffrey Denton, n.3, p.121.

studied presently began on this note of disaffection between Britain and the European Community. The arduous negotiations for a fairer distribution of the contribution and receipts resulted in what is now known as the May Mandate of 30 May 1980. Accordingly, "Very large reductions in Britain's net contribution to the Community budget was made in 1980 and 1981. It had also provided for the European Community to produce a report, and also for decision to be taken at the end of 1981 on a longer term solution to the problem".⁸ The compensation of excess payments of Britain was carried out on a temporary basis, in the form of direct repayments to the British Treasury and also in the form of extra EC spending on approved projects.⁹

The proposals of reform as contained in the May Mandate were that of a restructuring of the budget and that of a reduction of the proportion of the budget taken up by the FEOGA (the French acronym for European Agricultural Guarantee and Guidance Fund). The May Mandate, however, was not implemented, which led to the extension of the temporary refunds for Britain for the year 1982 and 1983.

8. See the statement of Francis Pym, Foreign and Commonwealth Secretary, in the House of Commons. See Hansard, Vol.24, no.124, 26 May 1982, cols.936-1012.

9. T. Hitiris, n.1, p.90.

Refunds

Refunds for the United Kingdom for the year 1981 was put into operation in the budget adopted on 21 December 1981. Of the ECU 1804 million (IECU=\$ 1.2) allocated, 1618 million, i.e. almost 90 per cent, was committed at the end of March 1982; and the remainder, in December to co-finance investment programmes relating to telecommunications, roads and road infrastructure, electricity and water supply.¹⁰

For the year 1982, as mentioned earlier, the old ad-hoc arrangement was to be continued following the non-implementation of the May Mandate proposals. In this arrangement the United Kingdom would receive net ECU 850 million for 1982 in the form of extended and modified supplementary measures. It was assumed that the United Kingdom's net contribution would amount to ECU 1530 million. If the actual net contribution differs from this figure, the compensation was to be increased or reduced as appropriate according to a precise formula.¹¹

The European Parliament in December 1982, however, rejected the supplementary budget which allowed for immedi-

10. EC Commission, Sixteenth General Report on the Activities of the European Communities 1982, (Brussels, 1983), p.52.

11. Ibid.

ate repayment of about £ 500 million to Britain and £ 124 million to West Germany.¹² The 1982 supplementary budget, which was agreed to by the Commission and the Council of Ministers earlier, was considered one of the "most complicated and difficult compromise ever worked out in the Community."¹³ The Parliament at Strasbourg passed a linked resolution on the same day, calling on the Commission and the Council to submit new financial and budgetary proposals as soon as possible to give a lasting solution to the British problem.¹⁴

In February 1983, the European Parliament adopted the revised supplementary budget for 1983. Making a statement in the British House of Commons, Nicholas Ridley, Financial Secretary to the Treasury said that net budget rebate already received for 1980 and 1981 accounted to over £ 1400 million. The payment for 1982 was to be £ 500 million. Since Britain's net contribution went beyond the Commission's previous estimates, a greater share of refunds was due to Britain, which would bring the total net refunds over the three years to about £ 2000 million.¹⁵

12. The Times (London), 17 December 1982.

13. Ibid.

14. Ibid.

15. Hansard, Vol.37, no. 66, 21 February 1983, cols.667-748.

The Stuttgart Summit of June 1983 decided to incorporate the refunds for Britain's contributions into the draft Community Budget for 1984. The British government secured for itself a rebate of about £ 437 million. Consequently, the United Kingdom received for the four year period of 1980-1983, budget refunds of more than £ 2,500 million.¹⁶ The Stuttgart Summit had also decided that deterrents to the long-term survival of the Community, such as agricultural surpluses, unfair budgetary burden, uncontrolled Community spending, etc., had to be effectively combated.¹⁷ In the Athens Summit of December 1983, there was a lack of progress on these lines; "the Community was not ready at Athens to take the necessary decisions".¹⁸

Fontainebleau Agreement

At the Fontainebleau Summit of June 1984, a serious effort was made by the European Community to grant a permanent solution to the British demands for a fairer share of

16. Margaret Thatcher in the House of Commons, Hansard, Vol.44, no.6, 23 June, 1983, cols.145-154.

17. UK, Foreign and Commonwealth Office, Survey of Current Affairs, (London), Vol.13, no.12, December 1983, p.406.

18. Margaret Thatcher in the House of Commons, Hansard, Vol.50, no. 65, 7 December 1983, cols. 323-328.

the budgetary burden.

The ad hoc arrangement of the past four years were sought to be replaced by a permanent solution at the Fontainebleau Summit. Britain during its campaign for a redressal of the wrongs of the unfair budget had maintained that though it, as the member state, drew attention to the issue, it was a problem which concerned other member states as well. It was the success of Britain that the Community, at the Summit approached it as a Community problem. In the Agreement it was stated that "...any member state sustaining a budgetary burden which was excessive in relation to its relative prosperity may benefit from a correction at the appropriate time". Portugal, which was to join in June 1986, like the United Kingdom, was a large net importer of agricultural products, and, in the absence of any special arrangements, had also the prospect of becoming a net contributor to the EC Budget.¹⁹

As the Minister of State at the Foreign and Commonwealth Office, Malcolm Rifkind, had said, in the House of Commons in March 1984, Britain was the first member state put forward a proposal for a strict financial guideline to ensure, for the first time in the history of the Community,

19. Geoffrey Denton, n.3, p.126.

a control over the agricultural spending and the Community expenditure as a whole.²⁰ In March 1984, decisions were made on tough set of price proposals for the forthcoming market year and on quantitative controls over the production of milk, which was by far the largest problem of surplus production.

The refunds fixed for Britain for 1984 at the Fontainebleau Agreement was to a sum of ECU 1,000 million ECU (which is approximately £ 600 million). This sum was about 51 per cent of the expected total net contribution: for the year 1985 and after, the Agreement provided for a fixed percentage of 66 per cent of refund of net contribution. But, since the Value Added Tax ceiling was raised to 1.4 per cent, the actual amount given to the United Kingdom was only 58-59 per cent. The redeeming feature, however, was the permanence of the Agreement, which was considered an adequate compensation.²¹

The Fontainebleau Agreement was a landmark in the development of the Community and its relations with Britain. The years of prolonged negotiations between the United Kingdom and the Community right from the year of Accession,

20. Ibid., p.126.

21. Hansard, Vol.54, no.102, 20 February 1984, cols.573-660.

particularly after 1974, were marked by acrimony and had generated considerable ill feeling against Britain. The island nation was branded non-communautaire by its European Community partners.²² Within Britain, the European Community was perceived as a bad bargain which Britain got itself into. The public opinion polls in Britain had consistently showed the Community as being unpopular through out 1979-1984.²³

The British government, therefore, wanted the European Community to reach an early solution to the problem. Moreover, the problem, it was reiterated by Britain, was a Community problem; which demonstrated a lacuna in the whole Budgetary Mechanism of the Community rather than being a specific British interest. In 1983, the Minister of State at the Foreign and Commonwealth Office declared, in the House of Commons, that Britain was not suggesting a mechanical formula to guarantee that each member state received back exactly the sum that it contributed. However, "...if there is to be an element of redistribution of the Community expenditure, any net transfer should be on the basis of movement from the more prosperous to the less prosperous members of the Community. It is essential that the criteria

22. Ibid.

23. Geoffrey Denton, n.3, p.134.

applied should be defensible and logical".²⁴

Despite the refund of 1984, the United Kingdom remained a net contributor to the EC budget, the second largest after Germany, unlike the Netherlands and Ireland which received much greater benefits from the Community than their actual payments into the Community, as is clear from the table given below.

Table No. I

Member State's budgetary contributions to own resources
and receipts from allocated expenditure,
1985 and 1987²⁵

	1985		1987	
	Payments	Receipts	Payments	Receipts
Belgium	5.0	4.3	4.8	3.2
Denmark	2.4	3.7	2.4	3.7
Spain	-	-	4.8	6.4
France	20.4	21.9	20.7	21.9
Greece	1.5	6.9	1.0	6.1
Ireland	1.1	6.3	1.0	4.7
Italy	13.9	18.1	14.7	17.1
Luxembourg	0.2	0.03	0.2	-
Netherlands	7.2	9.0	6.7	9.4
Portugal	-	-	1.0	2.4
United Kingdom	19.2	12.6	16.2	10.1
Unallocated	0.6	0.17	-	0.3

25. See, Court of Auditors (1986 & 1988) Annual Report concerning the Financial Years 1985 and 1988.

24. Hansard, Vol.37, no. 63, 21 February 1983, cols.667-748.

25. See Court of Auditors (1986 & 1988) Annual Report concerning the Financial Years 1985 and 1988, (Brussels).

Compounded with internal problems of rising farm costs, and reduced tariff revenues, the fall in the dollar led to overspending by the European Community in 1986 which was carried forward to 1987.²⁶ 1987 was a crisis year as regards the Budget in the European Community. The Commission's estimates of the deficit on agricultural spending rose in excess of ECU 4 billion that year. Cereals were the biggest problem, as their over-production absorbed 30 per cent of the Common Agricultural Policy spending and the Council would not agree to a 20 per cent reduction in prices which was needed.²⁷

Britain had more reasons to differ with the European Community's financing policy when the Delors Plan was launched on 18 February 1987.²⁸ The Plan envisaged a commitment to increase Community spending by 1992 to over ECU 52 billion.²⁹ The main innovation was the proposed new fourth resource. The revenue raising was to be altered from

26. The Times, 28 November 1986.

27. Christopher Brewin and Richard MacAllister, "Annual Review of the Activities of the European Communities in 1987", Journal of Common Market Studies, Vol.24, no.4, June 1988, p.437.

28. The Times, 19 February 1987.

29. Christopher Brewin and Richard MacAllister, no.27, p.437.

Value Added Tax receipts (which provide two - third's of EEC revenue) to one based on gross national product. VAT receipt was to be retained in a composite flexible package of financing, but at a reduced level, from 1.4 per cent (which was raised to 1.6 per cent in 1988) down to a uniform 1 per cent.

These measures would have meant a radical change in the way the British budget rebate was calculated. For the British Prime Minister, Fontainebleau agreement was not merely satisfactory, but was sacrosanct.

Britain's solution for the crisis faced by the European Community, was to control the EC spending, especially farm expenditure rather than raising revenues.³⁰ By July 1987, it was clear that the EC budget for 1987 registered a deficit of ECU 4 billion. In the Brussels Summit of July 1987, Britain's was the sole dissenting voice, when certain elements of the new economic package, as put forward by Delors, was accepted by the other eleven member states. Margaret Thatcher was accused by the French prime Minister Jaerues Chirac as one "lacking Community spirit" and of acting like a "housewife" over her opposition to the oils and fats tax.

30. The Times, 19 February 1987.

31. The Times, 1 July 1987.

Acceding to the British demands, the European Community resorted to other measures to meet the 1987 deficit, including a shift from advance payments of farm support to EC states to reimbursements as demanded by Britain.³²

The important break-through with regard to EC budget came in the Brussels Summit of February 1988. A five year deal was fixed by which the European Community budget was to be raised from ECU 31 billion in 1988 to ECU 36.9 billion in 1992, which, in real terms, meant an increase of 42% per cent, compared to the official 1987 budget.³³

At the Brussels Summit it was also decided that by 1992, the member States would be contributing an equivalent of 1.2 per cent to the Community's GNP into the European Community. That would be equivalent to 1.9 per cent of the VAT, using the traditional calculation. In 1987, the total VAT contribution was 1.4 per cent. The new system took cognizance of "relative prosperity" of the member states - which would work favourably for the British tax payer.³⁴

32. Ibid.

33. The Times, 13 February 1988.

34. The Times, 12 February 1988.

With regard to the British contribution to the EC budget the rebate agreed at Fontainebleau in 1984 continued to remain intact, with new benefits of the GNP accounting. The British Prime Minister said that since 1984 the rebate saved British tax payers more than 3 billion, half of it in 1987 alone. The Brussels agreement had brought Britain's 1988 contribution to the equivalent of 0.5 per cent of the VAT.³⁵

The cut in farm spending, agreed at the Brussels Summit, was accompanied by the assurance that increased allocation would be made for "structural funds" which provide the cash for regional development, urban renewal and job creation schemes in the Community's poorest areas.

The British misgivings regarding the fairness of the EC budget were largely put to rest by 1988. The genuine problems experienced by Britain sought to be highlighted by it in the European Community platform. It is, however, significant that it was through years of protracted friendly, and not so friendly, negotiations that Britain had succeeded in extracting a deal from the rest of the European Community. The negotiations had been particularly arduous, each government had felt obliged to defend its own national interest in retaining net benefits, or avoiding net contributions.

35. The Times, 13 February 1988.

Britain's efforts can certainly be considered to have received a partial success. The start of the eighties had seen Britain being awarded ad-hoc, year-to-year, refunds, 1984 effected the permanent compensation of 66 per cent of the net contributions, thereafter, the pragmatic approach of Britain brought it to notice of the rest of the European Community members of the dire need of a reform of the European Community's soaring expenditure. The unreleting attitude of the British negotiators, along with the other reasons brought about the 1988 decision to effect a cash cut in the EC budget.

The Common Agricultural Policy:

For economic, social and strategic reasons agriculture has been given priority by all governments in the world. The Agricultural Policy was initiated in 1957 with the signing of the Treaty of Rome. The horror of the war years, marked by devastation and starvation, was in the minds of the founding fathers of the Treaty, when they resolved that self-sufficiency in food items had to be achieved by establishing a Common market in agriculture.³⁶

The rationale behind the formulation of the Common

36. The Times, 24 November 1986.

Agricultural Policy (CAP) was the fear of food shortages, the high proportion of population still working in the farming sector and the significant role played by food in consumer expenditure.³⁷ In 1958 16 million people of the six signatory states namely France, Germany, Italy and the Benelux countries were employed in agriculture; which was a quarter of their working population, as compared to the mere 4 per cent in Britain's during the same period.³⁸

The Common Agricultural Policy owes its existence to a deal struck by the French and the Germans. The Germans needed a market for its nascent industries. The French in turn could be induced to accept free trade within the Community only on the assurance that they would be compensated by benefits for their large agricultural sector through the CAP, and a free market for their farm products.³⁹

The Common Agricultural Policy at present has been one of the spectacular successes of the European Communities, as far as the production is concerned. The self-sufficiency mark has been exceeded to a scenario of mounting surpluses in all sectors of agricultural output.

37. Rosemary Fennell, "Reform of the CAP: Shadow or Substance?" Journal of Common Market Studies, Vol.26, no.1, September 1987, p.62.

38. The Times, 24 November 1986.

39. Geoffrey Denton, n.3, p.137.

CAP Mechanism:

The unequal size and level of development of the agricultural sector in each member State, different national environment and different social, political and economic objectives meant that countries of the EC pursued, strongly interventionist, yet different national agricultural policies. The presence of these policies and a bid to accommodate the different interests determined the principles, the structure, and also to a large extent the flaws of the Common Agricultural Policy.⁴⁰

The aim and objective of the CAP as defined in Article 39 of the Treaty of Rome, embodied the perception of agricultural policy needed in the 1950s. They emphasized the need for greater productivity, the wish to raise the incomes of those who worked in agriculture, security of supplies, and the wish that consumers received their goods at "reasonable" prices. As the years went by other concerns like the Regional aspects of agricultural problems, and environmental issues have come into the fore.⁴¹

The Common Agricultural Policy was sustained by a

40. T. Hitiris, n.1, p.167.

41. John Marsh, "The Common Agricultural Policy" in Roy Jenkins, ed., Britain and the EEC (London, 1983), p.40.

number of measures like the price policy -- a complex system of manipulation of prices of important agricultural commodities -- the price of which is set on a common internal price level, which would be more stable and higher than the world market. The other measures included protective tariff imposed on all imported goods. Moreover, variable import levies were inserted between the lowest world offer price and a price thought to be appropriate for the Community. This mechanism successfully negated any competition from the lower priced world agricultural goods.

Apart from the protection enforced from outside, almost all the agricultural products which are quantitatively important are covered by the internal intervention by the European Community. For important commodities such as cereals, milk and beef, the Community intervenes in the domestic market at an acceptable price. This programme of the European Community is financed by the European Agricultural Guidance and Guarantee Fund (EAGGF), from the Common Budget.⁴²

The European Community gives fillip to the farmers for export -- by offering restitutions, subsidies which bridge

42. Ibid., p.41.

the gap between high Community and low world price. The efficiency of the European farmers are sought to be increased through EC administered prices and intervention prices in the Internal Market and through export restitution for trade in the world market.

The vast strides made in science and technology were harnessed for improving the efficiency of the agricultural sector, which led to very high production which could not be absorbed by the home market. As early as 1958, Sicco Mansholt, the person who had conceived the idea of the CAP, had warned Europe of the possibility of mounting surpluses.⁴³ In the United Kingdom, for eg. productivity in 1986 of arable land had doubled in thirty years, largely through scientific advances in crop strains. Milk production per cow had doubled over 25 years, in 1986, largely through advances in breeding and dairy technology. The demand, in the meanwhile remained static. The lacunae in the policy acts both ways -- the advance in agricultural technology leading to high productivity compounded by the system of intervention pricing, the support system that enables farmers to sell surplus stocks to the European Community, at guaranteed prices.⁴⁴ When the domestic market could absorb

43. The Times, 24 November 1986.

44. The Times, 27 November 1986.

no more of the products produced, the Community had to either sell it abroad or opt for storing the commodities. This led to what have been called the 'edible mountains' of grain, butter, beef, and "lakes" of wine and milk.⁴⁵

The full cost of all this had to be borne by the Community budget and the consumer. The sixties saw the creation of the structural policies of the EC, which laid stress on the modernisation of agricultural structures. In the 1970s the emphasis was shifted to the so called "less favoured areas" to give thrust to increased production. However, the expenditure for these policies remained considerably minor, as compared to the open ended commitment to the price policy.⁴⁶

The table given below would illustrate that the higher percentage of the allocation for agricultural sector, set aside in the Community budget was taken up for the "guarantee" part of the European Agricultural Guidance and Guarantee Fund.

45. The Times, 24 November 1986.

46. John Marsh, no.41, p.43.

Table No.2
Community budget allocation 1980-1990

	1980 - 1984	1985 - 1989	1990
<u>REVENUES (per cent)</u>			
1. Customs duties Agricultural levies sugar levy.	45	40	39
2. VAT	55	60	61
<u>EXPENDITURES (per cent)</u>			
1. Agriculture	67.5	68.0	58.3
Guarantee	64.3	65.3	54.8
Guidance	3.2	2.7	3.5
2. Social Policy	4.8	6.4	8.4
3. Regional Policy	9.9	7.6	11.9
4. Industry, research energy	3.1	2.6	3.5
5. Development Aid	3.7	3.0	2.9
6. Administration	4.6	3.8	4.9
7. Reimbursements to members	5.5	5.6	1.8
8. Other policies and reserves	0.9	3.0	8.3

(See, Eurostat 1984 and Bulletin EC, No.II, 1989 and other issues.)⁴⁷

Britain prior to her joining the European Community had widely debated the consequences of the Common Agricultural Policy on the British agricultural sector. During the entry

47. EC Commission, See Eurostat 1984 and Bulletin EC, no.11, 1989 and other issues.

negotiations, Britain had pointed it out to the other member States of the incompatibility of the small agricultural sector of the United Kingdom with the CAP, which favours large agricultural producers like that of France. Sir Geoffrey Howe, Foreign & Commonwealth Secretary, speaking at the Franco-British Chamber of Commerce and Industry in Paris on 25 May 1984, said that Britain had let the member States of the EC know, during the negotiations in 1970s, that "it would gain relatively little from the CAP and that if the balance of policies remained unchanged; it would at the end of the transitional period in 1979 be paying into the budget far more than it received. The United Kingdom was given the assurance that the balance of Community policies would change and that there would be less emphasis on agriculture and more on industry and the completion of the Common Market and that if that change did not take place, and an unacceptable situation arose, the very survival of the Community would require solutions to be found".⁴⁸ However the member States which drew a lot of benefits from the agricultural policy of the EC effectively thwarted any major alteration in the policy. The CAP continued to devour more than 60 per cent of the Budget allocation in the beginning of the eighties.

48. UK, Foreign and Commonwealth Office, Survey of Current Affairs, Vol.16, no.6, June 1984, p.209.

In 1984 Britain contributed 21 per cent of the budget in the form of customs duties, agricultural levies and Value Added Tax, while only 13 per cent of the Community expenditure took place in Britain. The chief reason was that the Community expenditure did not favour countries with small agricultural sector. As a result, Britain received a mere 10.5 per cent of the agricultural guarantee expenditure in 1984 -- half the rate of which it contributed to the Community budget. Britain was unable to combat the anomaly by increasing its agricultural productivity, in the face of the soaring surplus of agricultural production within the Community.⁴⁹ In spite of this, as mentioned earlier, Britain's milk production and grain output have doubled in twenty five and thirty years respectively.⁵⁰

The early years of the eighties were marked by the demands of Britain for budgetary refunds. This was intrinsically linked to the high concentration of EC budget on agricultural sector and the smallness of Britain's agricultural sector. Right from the eighties, Britain had made efforts to restrict the European Community's farm allocation. Britain's veto in May 1982 of the farm prices package for that year was overridden by the Agricultural Council

49. Ibid.

50. The Times, 27 November 1986.

meeting. The issues was settled for the first time in the Community's history by majority voting. According to the Luxembourg Compromise of 1966, discussions on major issues of national interest was to be continued until unanimity in agreement was reached. Britain strongly criticised the breach of the Luxembourg Compromise.⁵¹ In 1982 Britain, Denmark and Greece were against the rise in farm prices as decided by the Community. The proposed raise added £ 120 million to Britain's net contribution to the Community budget at a juncture when the budgetary refunds due to Britain were being discussed. Britain disassociated itself from the proceedings on the grounds that the seven member states of the Community went ahead with the farm price package in spite of "fundamental objections" from the three member states.⁵² In the words of the British Minister for Agriculture, Fisheries and Food, Peter Walker, "It has always been accepted that it is a matter for the individual member State to decide when its important national interests were involved".⁵³

51. UK, Foreign and Commonwealth Office, Survey of Current Affairs, Vol.12, no.6, June 1982, p.192.

52. Ibid., p.193.

53. Ibid.

The issue of changes in the agricultural policy was subsequently taken up in a number of EC Summits by Margaret Thatcher. The mounting surpluses leading to structural imbalances and the enormous expenditure incurred in their disposal were the unattractive features of the system which Britain sought to remedy. The Common Agricultural Policy was seen as a quicksand which absorbed huge quantities of money. The ills of the Common Agricultural Policy were many. The very high level of sufficiency over a wide range of commodities had made it increasingly vulnerable to the levels of production in other temperate agricultural exporting countries to the unpredictability of the markets available and the fluctuation in the value of the US dollar; which plays an important role in international agricultural trade.⁵⁴

Britain's campaign against the Common Agricultural Policy was intensified since 1984. The CAP rested on a very fragile budget. Financing of the Agricultural Policy became even more difficult as a result of the exhaustion of the Community's own resources in 1984. A supplementary and amending budget, which required increased financing from the member countries had to be passed in order to make up the shortfall of appropriations as announced by the

54. Rosemary Fennell, n.37, p.74.

commission.⁵⁵ As part of the efforts to reform the CAP, in 1984, following the Fontainebleau European Council meeting, it was decided that Monetary compensation amounts were to be gradually eliminated. The milk production was to be controlled through quotas, and that super levy was to be instituted for over producers.⁵⁶

The United Kingdom which had succeeded in extracting the agreement for fixed refunds for its contributions to the European Community budget in 1984 was now faced with a situation of further demands of contribution in order to finance a policy, which firstly was not suited to the British agricultural sector, and secondly exceeded all logic in economic terms. The CAP was an amalgam of economic, social, political and even cultural factors.⁵⁷ It was precisely due to the latter aspects that the European Council refused to compromise on overall reform of the Agricultural Policy, which the Commission had proposed in 1985.⁵⁸

55. EC Commission, Eighteenth General Report on the Activities of the European Communities, 1984, (Brussels, 1985), p.163.

56. T. Hitiris, n.1, p.195.

57. Rosemary Fennell, n.37, p.76.

58. EC Commission, Green Paper, "A Future for Community Agriculture", Nineteenth General Report on the Activities of the European Communities, 1985, (Brussels, 1986), p.208.

In 1985, however, there was no let up in production in the vital farming sectors. The system of quotas was not a permanent solution to the ills of over production. Cereals, which have been described as the "cornerstone" of the Agricultural Policy by the commission's green paper, was produced in excess.⁵⁹ In 1986, the first significant steps towards reforming the CAP were undertaken. The Council adopted a two-pronged strategy to reduce surplus production and lower the budget costs of the CAP. Firstly, a limit was set to the production of certain commodities, and producer co-responsibility for the cost of disposing surplus output was enforced. Secondly, the size of the Community budget was to determine the extent of agricultural spending.⁶⁰

COPENHAGEN SUMMIT

The year 1987 was marked by severe crisis in the European Community, when the Council failed to agree on lower farm prices and policy reforms and consequently the farm spending shot up to 15 per cent more than the 1987 budgetary allocation. Prime Minister Margaret Thatcher, at the Copenhagen Summit of December 1987, urged the European Community

59. The Times, 16 July 1985.

60. T. Hitiris, n.1, p.196.

to effect detailed and binding European farm reforms to stave off EEC bankruptcy.⁶¹ She declared at the Summit that Britain would increase its contribution to the Community budget, in order to fund the increased farm spending, only on condition that the stabilizer proposals which were suggested by the Commission were effected by the European Council.⁶² Though Margaret Thatcher had agreed to implement the concept of "set-aside" by which farmers are compensated for taking land out of production, Britain had insisted that the stabilizer controls had to be implemented. The United Kingdom had demanded strict stabilizers, with an annual limit on cereals out put of 155 million tonnes. The West German government however insisted on the higher ceiling of at least 165 million tonnes in cereals.⁶³

At the Brussels Summit, in February 1988, of the European Community a major agreement on cuts in farm spending was agreed to 'Set-aside' proposal agreed to in the Copenhagen Summit formed part the 'farm-package' at the Brussels Summit. The budgetary-stabilizers, the system which penalized farmers for over-production was enforced. A compromise

61. The Times, 5 December 1987.

62. Ibid.

63. The Times, 7 December 1987.

was worked on the ceiling for cereal production between the German and British demands. A ceiling of 160 million tonnes of annual production of cereals was fixed upon.⁶⁴ The ceiling for production had also been instituted at the Brussels Summit on other commodities like oilseeds, rapeseed, sunflower seeds, soya beans and peas, and beans and lupines grown for animal feed. The ceiling for these were higher than that demanded by Britain.⁶⁵

The Federal Republic of Germany and France, in keeping with their traditional policy of pandering to the farming interests of their respective countries, thwarted all moves of comprehensive restructuring of the Common Agricultural Policy. The successive governments of the United Kingdom had demanded a long term solution to the lacunae in the Common Agricultural Policy, by giving a more important role to market prices.⁶⁶ This was consistently resisted by the majority of the member States of the European Community and their powerful farming lobby.

Though the Common Agricultural Policy will still contain provisions which remain unacceptable to Britain the

64. The Times, 12 February 1988.

65. Ibid.

66. The Times, 16 July 1985.

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efforts of the British government, and its negotiators at Brussels, paid dividends in 1988. The European Councils, and the Agricultural Councils had moved from compromises and package deals to recourse to veto power when major decisions had to be arrived at. The resort to the Luxembourg Compromise had changed somewhat, in 1982, when the United Kingdom invoked the compromise, but failed to secure enough support to block the adoption of the 1982-83 CAP price package.⁶⁷ Subsequently, qualified majority voting began to be adopted in the Agricultural Council, but the construction of complex package deals remains an integral part of CAP decision making. However it cannot be denied that the 1988 package of agricultural stabilizers was the result of vociferous demands by Britain to curb the soaring farm expenditure.

BRITAIN AND THE COMMON MARKET

A prime lure towards a membership in the European Community, for Britain, was the prospect of being part of an eventual barrier free large European market.

Britain was in the forefront of the Member States in committing the European Community to work towards a genuine Common Market. Geoffrey Howe the Foreign and Commonwealth

67. Alan Swinbank, "The Common Agricultural Policy and the Politics of European Decision Making", Journal of Common Market Studies, Vol.27, no.4, June 1989, p.320.

Secretary, in a speech delivered at the Royal Institute of International Affairs in 1983 had remarked that "the greatest single step that the Community could take towards encouraging economic growth in Europe would involve almost no budgetary cost at all, namely the establishment of a genuine Common market".⁶⁸

Britain had consistently pursued the policy of bringing about a common internal market in the period under the present study. The completion of a Common market was a goal set in the Treaty of Rome and, therefore, Britain did not have any difficulty in accepting it as one of the goals to be pursued. The original Community of six members had come into being on the basis of shared problems and the perception that the best way to tackle them was to create a more coherent economic base in the market to improve European prosperity. Britain also believed that the only way to generate wealth in the EEC was to bring down the trade barriers.⁶⁹

The Treaty of Rome specifically states that the objective of the European Community is to "promote throughout the

68. UK, Foreign and Commonwealth Office, Survey of Current Affairs, Vol.12, no.12, December 1983, p.406.

69. The Times, 20 November 1987.

Community a harmonious development of economic activities,... an accelerated raising of the standard of living and closer relations between the States belonging to it". The creation of the Single market, free of restrictions on the movement of goods, people, services and capital was imperative. The instituting of a system ensuring that competition in the Common market is not distorted was also considered an important step in achieving the objectives of the Community as stated in the Treaty of Rome.⁷⁰

There were a number of impediments to free internal trade as Britain saw it. Tariff barriers and more importantly non-tariff barriers, were severely guarded by the EC member states to protect their industries.

SERVICES

In May 1981, the European Council had agreed to strengthen and develop the free internal market in goods and services; and the implementation of this principle was a high objective of British policy.⁷¹ The removal of barriers in invisibles, a sector in which Britain had a high stake, was important for the United Kingdom. In 1982 Britain was

70. T. Hitiris, n.1, p.47.

71. UK, Foreign and Commonwealth Office, Survey of Current Affairs, Vol.12, no.12, December 1982, p.300.

stressing the need for opening up national markets to insurers from other member States, thereby enforcing the freedom to provide services all across the Community.⁷²

In the EC meeting in Brussels on 29 and 30 March 1982, Britain had laid particular stress on the need to complete the common market in the services sector.⁷³ The British Minister of Trade, in a speech delivered at the European Business Centre in 1985, said that, "our aim to see the city of London, the financial centre of an increasingly integrated Community Market, enjoying as far as possible freedom to supply services through out the Community. Our priorities are to secure liberal Community Markets in non life insurance, unit and investment trusts, accounting services and relaxation of national exchange controls".⁷⁴

The moves to harmonize EC standards and practices since the completion of the customs union in 1968 had however come up against the obstacle of national protectionism. No state wanted to give up long-cherished practices in the wider EC

72. Ibid.

73. The Times, 31 March 1983.

74. UK, Foreign and Commonwealth Office, Survey of Current Affairs, Vol.15, no.3, March 1985, p.72.

interest.⁷⁵ The British government had supported the Community's efforts at developing new approaches to the creating of Community standards and the wider mutual recognition of national standards.⁷⁶ A major thrust to the process of "harmonization" was received when the Commission brought out a White Paper which devised three hundred measures to eliminate the technical, physical and fiscal barriers to intra-Community trade.⁷⁷ This White Paper was also to be known by its author Lord Cockfield, the Commissioner from Britain for Internal Market.

The EC Summit at Milan in June 1985 discussed the reform package put forward by the Commission which was later to be called the Single European Act. The provisions contained in it, which were to effect changes in the Treaty of Rome in order to enforce harmonization in some supra-national way, were opposed by the British Prime Minister. Margaret Thatcher was suspicious of anything that went beyond the opening up of internal frontiers to facilitate movement and trade. Thatcher had gone to the Milan Summit in 1985 with a few British proposals on a number of aspects, primarily on

75. Richard Owen and Michael Dynes, The Times Guide to 1992. Britain in Europe Without Frontiers (London, 1989), p.44.

76. UK, Foreign and Commonwealth Office, Survey of Current Affairs, Vol.15, no.3, March 1985, p.72.

77. Richard Owen and Michael Dynes, n.75, p.45.

the formation of an integrated Common Market by 1990. Accordingly, it was suggested that a single customs document should be implemented by 1988, computerising customs and Value Added Tax procedures.⁷⁸ The Milan Summit instructed the Council of Ministers "to initiate a precise programme of action based on the White Paper... with a view to achieving completely and effectively the conditions for a single market in the Community by 1992 at the latest, in accordance with stages fixed in relationship to previously determined priorities and a binding time table."⁷⁹

At the Luxembourg Summit of December 1985, Margaret Thatcher reversed her earlier opposition to changes in the Treaty of Rome provided that they met British concerns. At this Summit the Single European Act was given the final shape. The Act laid down that, "the Community shall adopt measures with the aim of progressively establishing the internal market over a period expiring on 31 December 1992. The Act had contained clauses on the increased powers to be given to the European Parliament, ambiguous proposals for foreign and defence policy, and plans to improve the environment, etc. On Britain's insistence, taking into account

78. UK, Foreign and Commonwealth Office, Survey of Current Affairs, Vol.15, no.7, July 1985, p.45.

79. Richard Owen and Michael Dynes, n.75, p.46.

its island status it was agreed that "Nothing in these provisions shall affect the right of member states to take such measures as they consider necessary for the purpose of controlling immigration from third countries, and to combat terrorism, crime, the traffic in drugs and illicit trading in works of art and antiques."⁸⁰

At the second reading in the Parliament, of the European Communities (Amendment) Bill, incorporating the changes provided for the Single European Act, Geoffrey Howe said that "the most important aspect of the Act was a commitment and time table for completion of the Community's Common Market. This has been a long standing aim of successive British governments".⁸¹ Earlier the Article 100 of the Treaty of Rome could only be applied to the decisions on the measures to complete the internal market. But, the Single European Act instituted majority voting with regard to decisions on the internal market.

Britain, which had an increasing percentage of its trade being conducted with the European Community, with each passing year, the prospect of a barrier free single market

80. Ibid., p.47.

81. Hansard, Vol.96, no.99, 23 April 1986, cols.316-397.

was considered very bright. The non-tariff barriers were admittedly the toughest to dismantle. One of the big shocks Britain experienced on entering the Community in 1973, was the fact that the European Community was not a free market but one with a range of subtle barriers to trade.⁸² The passing of the Single European Act by all the member States was not an end to the problems of a barrier ridden market. It was noticed that there was a growing gap between the rhetoric of the European leaders and the realities. Though it was comparatively easy to create the internal market in law, it was difficult in getting the member States to comply with the regulations. Pharmaceuticals, Road haulage, Public procurement, and Telecommunications are broadly the areas in which the progress towards a single market has been hampered.⁸³

Britain on its part refused to effect Value Added Tax harmonization. This, according to Lord Cockfield, Britain's Commissioner to the Community for Internal Market, is a vital barrier to free trade. In Britain, between 25 percent and 30 per cent of consumer spending is currently zero-rated, a harmonization of Value Added Tax would mean that

82. The Times, 28 June 1985.

83. The Times, 22 March 1988.

items of food, energy, children's clothes and shoes, water, books, periodicals and newspapers, drugs, passenger travel and new construction would become dearer to the British Customer. The British government has yet to implement this proposal.⁸⁴

The Single European Market is yet to be fully created. The national concerns of the respective governments impede the lifting of all the barriers to a fully fledged internal market.

Britain -EC Trade

Prior to Britain's joining the European Community, the pattern of British trade was geared largely towards non-EC countries. However, the trend was reversed in the subsequent years. While in 1972 a mere 30 per cent of Britain's visible exports were going to the other nine member states, in 1983 almost 44 per cent of Britain's visible exports were directed towards the European Community.⁸⁵

The reasons behind the shift in emphasis of Britain's trade are many. The progressive dismantling of tariff barriers for trade within the Community had gone a long way

84. The Times, 31 March 1988.

85. UK, Foreign and Commonwealth Office, Survey of Current Affairs, Vol.14, no.6, June 1984, p.209.

in increasing the quantum of intra-Community trade. The trade barriers for world commerce may exist in the European Community, yet internal trade is considerably freer.

Moreover, the composition of Britain's overseas trade also underwent a change, which in turn led to the veering away from Britain's traditional markets. According to the conventional pattern of Britain's trade, food, fuel and raw materials were imported, to be converted into finished manufactured products which were exported. While in the sixties manufactures represented only 44 per cent of the goods coming into Britain, while 84 per cent of exports were in manufactures.⁸⁶ In 1987 the export of British manufactures had declined to a 75 per cent, where as 73 per cent of the total imports of 86.5 billion of the same year was spent buying manufactured goods from abroad.⁸⁷

The North Sea Oil with its secure and accessible oil supplies have boosted up Britain's economy in general and European trade in particular. The figures for the periods 1965-73 and 1973-81 indicate that Britain has become better off as a result of the North Sea oil. Statistics of the period show that since 1980 the trade balance has been

86. The Times, 4 February 1987.

87. Ibid.

positive with both the European Community and the rest of the world.⁸⁸

Table No. 3

BRITAIN'S TRADE WITH EUROPE
(Percentage of goods trade)⁸⁹

	IMPORTS	EXPORTS	TOTAL
UK trade with the EEC			
Nine			
1967	26.5	26.6	26.5
1972	31.6	30.1	30.9
1977	38.8	36.3	38.1
1981	42.1	40.9	41.9
1985	45.9	46.2	46.1
UK trade with the EEC			
Twelve			
1967	28.7	30.0	28.9
1972	34.1	33.0	33.5
1977	40.9	39.4	40.2
1981	44.6	43.6	44.1
1985	48.8	48.8	48.8
1986	51.7	48.0	50.0

In 1985, despite Britain's comparative advantage over the other European Economic Community members in financial

88. Ali M. El-Agraa, "Is Membership of the European Communities been a disaster for Britain", Applied Economics (London), Vol.16, no.2, 1984, p.304.

89. UK, HMSO, Central Statistical Office, United Kingdom Overseas Trade Statistics, (London, 1987).

service, there was a deficit of £ 2.1 billion in invisibles; after a small surplus in the period from 1981-84. The deficit in the visible trade of the same year (1985) was £ 3.2 billion, after a £4.3 billion deficit in 1984. In 1986, the deficit had soared to £9.6 billion, a figure which was boosted by the fall in oil prices.⁹⁰

In 1990, Britain had trade deficits with the European Community, other Western European countries, with North America and also with other developed countries.⁹¹ With the oil exporting countries however, the British trade registered a surplus. The trade figures of 1990 show that the trade with the European Community has risen to a substantial 53 per cent in both Britain's exports and imports. The other West European countries took 9 per cent of exports and supplied 12 per cent of imports, while North America accounted for a mere 15 per cent of exports and 13 per cent imports.⁹²

Since 1980, an increasing proportion of Britain's trade was claimed by the European Community, thus becoming relatively more important for both exports and imports. The

90. Ibid.

91. Ibid.

92. UK, Foreign and Commonwealth Office, Survey of Current Affairs, Vol.21, no.10, October 1991, p.371.

deficit with the European Community fell by 36 per cent. The deficit with North America increased four fold to over £1,400 million. Whereas, with that of the oil - exporting countries, the deficit was 23 per cent.⁹³

The character of British trade has undergone tremendous change since its membership into the European Community. The United Kingdom is irretrievably tied to this regional cooperation. If the pattern of trade of the years after her membership is any indication, it has been predicted that by the end of this century 75 per cent of Britain's trade could be with the Community.⁹⁴ Predictions aside, it cannot be denied that Britain has major stakes in the European Community which are primarily economic in nature.

BRITAIN AND THE EUROPEAN MONETARY SYSTEM

The Treaty of Rome of 1957 had laid down detailed provisions and time tables for the creation of a customs union and of the removal of barriers to factor movements among the member countries. It had also provided for the establishment of the Common Agricultural Policy. However, it contained no provision for the coordination of the macro-

93. UK, HMSO, Central Statistical office, United Kingdom Balance of Payments 1991, (London, 1991).

94. The Times, 4 February 1987.

economic policies, nor for the adoption of common measures in response to the balance of payments problems.⁹⁵

In the fifties, the six nations of the European Community were yet to establish currency convertibility. The following decade was marked by rapid growth and low inflation rates in the European Community. The impressive degree of economic performance at the domestic level led the European Community to turn its attention to the problems relating to the structural features of the international monetary system.⁹⁶ Reform of the international monetary system was sought not only for economic reasons, France maintained that the United Kingdom and the United States were able to dictate to the Western alliance particularly because of their relative economic position, their currencies being given the status of reserve. As early as 1966, Giscard d'Estaing the French Minister of Finance and Economic Affairs, stated that a monetary union among the six Common Market countries would facilitate the functioning of the Common Market.⁹⁷

95. George Zis, "The European Monetary System 1979-84: An Assessment", Journal of Common Market Studies, Vol.23, no.1, September 1984, p.48.

96. Ibid., p.49.

97. Ibid.

The international monetary crisis of the mid-sixties and after, during which the foreign exchange market upheavals occurred, the absence of any credible framework of policy coordination among the six made their economies vulnerable. In order to combat such ills, the heads of government of the six announced, in 1969, their decision that "a plan in stages would be worked out during 1970 with a view to the creation of an economic and monetary union".⁹⁸

The European Band

In March 1972, the European Community governments agreed to reduce the European Band between the highest and the lowest of their currencies to 2.25 per cent as from July 1972. By this agreement it meant that the fluctuations between any two of the EC currencies would not exceed 4.5%, which was the extent to which any single currency could fluctuate against the dollar.⁹⁹ The narrowing of the European Band was rapidly achieved. In addition to the Six, the United Kingdom, Ireland and Denmark also joined the scheme in anticipation of their entry into the European Community. United Kingdom, however, abandoned the scheme in June 1972,

98. EC Commission, Bulletin of the European Communities, 7/1970, Annexe Supplement.

99. George Zis, n.95, p.53.

a few weeks after it had joined it. The British Finance Minister while introducing the 1972 budget remarked in the House of Commons that, "it is neither necessary nor desirable to distort domestic economies to an unacceptable extent, in order to maintain unrealistic exchange rates."¹⁰⁰ The United Kingdom's example was soon followed by Ireland and Denmark.

The stable exchange rate system in the Community, or the 'Snake' as it was called, was wrought with difficulties from the beginning. By mid-1977, the Snake consisted of only Germany, Denmark and the Benelux countries. The period from 1971-78 was characterised as a period of stagnation. The divergent national monetary policies pursued by the member States seemed to have been a principal cause for the failure of the system.

European Monetary System

In 1979, following the failure of the 'snake', the European Monetary System, (EMS) was established. Its salient features were an Exchange Rate Mechanism, a monetary unit known as European Currency Unit (ECU), enlarged Community credit facilities and the creation of a European Monetary Fund. The European Currency Unit, a weighted average of the

100. Ibid.

Community currencies, is at the centre of the European Monetary System. The ECU rates are used to establish a grid of bilateral exchange rates.¹⁰¹ All member States participating in the exchange rate mechanism deposit 20 per cent of their gold and 20 per cent of their dollar reserves with the European Monetary Fund in return for the ECUs used to settle debts arising between the central banks of the member States.

The European Council declared that the objective of the European Monetary System (EMS) was 'closer monetary cooperation leading to a zone of monetary stability in Europe, as a fundamental component of a more comprehensive strategy aimed at lasting growth with stability, progressive return to full employment, the harmonisation of living standards and the lessening of regional disparities in the Community.'¹⁰² The origins and objectives of the EMS, therefore, had not only economic reasons, but also political reasons. It could not have been launched, but for the political commitment of the French and the Germans to revive the progress towards the politico-economic integration of the European Community, which suffered a set back in the phase of the turbulence in the international monetary system in

101. *Ibid.*, p.57.

102. T. Hitiris, n.1, p.139.

the period between 1971-78.¹⁰³

The EMS fixed its central rates independent of the US dollar. The permissible margins of fluctuations for the participating currencies were set at 2.25 per cent around the central rates, except for Italy's lira which was allowed 6 per cent margin. The United Kingdom preferred to stay out of the Exchange Rate Mechanism (ERM) of the system. Ireland joined it at the 2.25 per cent margin.¹⁰⁴

UK and ERM membership

The United Kingdom had declined to join the European Monetary Mechanism. From 1979 to 1990, when it finally joined the ERM, the debate had been ensuing in Britain on the costs and benefits of being part of the European Monetary Mechanism.

Britain declined membership on the ground that "time was not ripe". The ostensible reasons put forward by Britain for not joining the ERM were many. Lord Cockfield, speaking in the House of Lords on 14 November 1983, said: "Our view remains that greater convergence of policies needs to come first and it is very much a second best to argue that fail-

103. Ibid.

104. Ibid.

ures of convergence can be compensated by currency realignments."¹⁰⁵

Britain had also pleaded that the pound being a petrocurrency, oil price movements have opposite effect on oil exporters, such as Britain, and oil importers, such as the major ERM countries.¹⁰⁶ The UK governments since 1979 have declared that their prime objective was the permanent reduction in the rate of inflation. Therefore, Britain argued that pegging the Pound to the ERM was not advisable. However, while the average rate of inflation of the ERM members was falling, the average inflation rate in Britain was the highest among the industrialised nations in the early 80s.¹⁰⁷

The United Kingdom also argued that it was crucially different from other EMS members because it had a capital market which was completely liberalised. The ERM countries on the other hand still protected its capital markets by explicit (like in the case of France and Italy) or implicit

105. Hansard (House of Lords), Vol.444, no.32, 14 November 1983, cols.1138-43.

106. Christopher Johnson, "Britain and the European Monetary System", World Today (London), Vol.42, no.10, October 1986, p.174.

107. T. Hitiris, n.1, p.152.

(Germany) controls on international capital flows.¹⁰⁸

Primarily, for Britain the question of the loss of sovereignty in the conduct of monetary policy was unacceptable. The need to maintain exchange rate stability in the ERM would undoubtedly entail constraints on the national monetary policy decisions.¹⁰⁹ The counter argument to this stand is that economic sovereignty in a country such as Britain is an illusion. Since the abolition of exchange control in 1979, it has been impossible to isolate Britain from events in world financial markets.¹¹⁰ With the exchange rate stability as a key aim of UK policy even outside the ERM, disparity within the ERM countries and the UK was not as gross as envisaged by Britain.¹¹¹

The Treasury and the Civil Service Committee of Britain submitted its report in 1985 on the "Future of Britain in the EMS".¹¹² The domestic implications to United Kingdom's

108. Ibid.

109. Paul Temperton, UK Monetary Policy. The Challenge for the 1990s (London, 1991), p.130.

110. Christopher Johnson, n.106, p.174.

111. Andrew Scott, "Britain and the EMS: An Appraisal of the Report of the Treasury and Civil Service Committee", Journal of Common Market Studies, Vol.24, no.3, March 1986, p.190.

112. UK, Foreign and Commonwealth Office, Survey of Current Affairs, Vol.13, no.12, December 1983, p.408.

membership in the ERM are cited in the report. Apart from the issue of the loss of considerable sovereignty with regard to monetary policy, the Report cites two other reasons. Firstly, that the possibility of misalignment in the Sterling/DeutSchmark real exchange rate would bring about consequent adverse trade effects on the Untied Kingdom. Secondly, any major shifts of funds away from the dollar would have its impact on a EMS with the Sterling pegged to it. The bi-polarity problem was also taken note of by the report, in recommending the maintenance of the status quo, rather than joining the ERM. The bi-polarity problem relates to the situation in which the EMS contains two major international currencies - the Sterling and the Deutschmark, which display a tendency to move in different directions in response to similar events.

Thus, even in 1986 Britain was convinced that a membership of the ERM was not advisable.

However, as a member of the European Monetary System, like the other members Britain, had deposited 20 per cent of its gold and dollar reserve in the European Monetary Co-operation Fund. The increasing private use of the Community's European Currency Unit (ECU), was also welcomed by Britain.

TOWARDS INTEGRATION

For the continental partners of Britain, the sentences in the preamble of the Treaty of Rome, which spoke of "ever closer union" among the peoples of Europe meant a commitment, something to be seriously pursued.¹¹³

After the tumultuous years of early 80s which were marked by British demands for adequate compensation for its budgetary contributions, in 1985, the European Community turned its attention to the progress towards integration—both economic and political. The Single European Act of 1986 was designed to speed up EEC decision making in order to pursue the goal of a barrier free internal market within the EEC by 1992. The Single European Act was signed by all the twelve in the Community in 1987.

The event most relevant to the Monetary question discussed in this section, was the decision of the Hanover Summit of the European Community, in 1988, to invite Jacques Delors, the President of the European Commission, to study the feasibility of a full Economic and Monetary Union of the European Community. The Delors Committee, thus formed, was consisted of twelve central bank governors, two members of

113. Lord Thomas of Swynerton, "Britain's European Choices", The World Today (London), Vol.46, nos.8-9, August/September, 1990, p.144.

the European Commission and three independent experts. The Committee submitted its report in April 1989 and was discussed at the Madrid EC Heads of Government Summit in June 1989.¹¹⁴ The Delors Committee essentially did two things: Firstly, it outlined what the ultimate stage of economic and monetary union within the European Community would look like. Secondly, it sketched three stages through which Community member states could approach this union.¹¹⁵

This Report which was to form the blueprint of the Community's march towards economic and political union was widely debated in Britain. The debate showed that Britain had a number of misgivings about progress towards integration. These issues are, however, discussed in the following chapter.

Britain's joining the European Community was primarily for economic reasons. Yet the nature of the Community that Britain had sought membership in, has radically changed. From a mere economic regional group, the European Community is in the process of aiming at an eventual political union.

114. Niels Thygesen, "The Delors Report and European Economic and Monetary Union", International Affairs (London), Vol.65, no.4, Autumn 1989, p.631.

115. Ibid.

An overall assessment of costs or benefits of membership for Britain in economic terms cannot yield concrete results, for the situation has not yet fully unfolded. The period under study did bring some good tidings for Britain. The re-negotiation terms of membership extracted from the Community by Harold Wilson were finally realised in 1984 by Prime Minister Margaret Thatcher, with regard to the budget compensations. The triumph of Thatcher in that regard was that the Fontainebleau Agreement was a permanent one, and it laid to rest the tumultuous years of hard bargaining by Britain at various Summit meetings.

The Agricultural Reforms effected in 1988 was another achievement of the European Community which was primarily the result of Britain's efforts combined with that of the European Commission.

The period under study also saw the edifice for a Single European Market being founded. The very rationale behind Britain's membership in the European Community was validated. Though barriers to a completely free internal market still exist, the step is in the right direction as far as Britain's long term interests are concerned.

The trade figures of the period between 1982 and 1992 show a clear preference of Britain for the European Markets, and vice versa. The trade between the Community and the

United Kingdom is predicted to flourish even better in the coming years. This goes to show that the Community is undeniably acquiring increasing attention from Britain, and will continue to do so in the future.

In the Monetary and Fiscal field, Britain still remains the odd one out. When the Community nurses vision of greater Union in both economic and monetary terms, Britain refuses to comply. Decision making with regard to domestic economy is held sacred in Britain. Any moves of having to forego this vital power of National Parliament is objected to by the United Kingdom.

CHAPTER IV

SINGLE EUROPEAN ACT AND THE MAASTRICHT TREATY

The European Community has been one of the most dynamic regional cooperations experimented in the world post-war period. The Treaty of Rome of 1957 establishing the European Community was the result of a vision of Europe. The Founding Fathers of the Treaty nursed the vision of a European Community which strove for the "ever closer union of its people". In order to actualise this vision of a closely integrated Europe, certain aspects of the Treaty needed revision. This chapter is an attempt to discuss the two major moves made recently towards European Integration namely the Single European Act of 1987 and the Maastricht Treaty of 1991. The position adopted by Britain towards these two ventures is also sought to be analysed.

In the seventies and the early years of the eighties, the energies of the European Community were directed towards pressing matters like its economy which was ravaged by recession, rise in unemployment, the instability of the capital market and the British demand for a review of its unfair budgetary contribution.

The European Council meeting at Stuttgart, in 1983, passed the "Solemn Declaration of European Union". A follow up action could not be taken by the European Council in this

regard, because of both internal preoccupations and also a lack of will on the part of the member States. The European Parliament seized the initiative for effecting reforms in the functioning of the European Community. Under the leadership of Signor Altiero Spinelli, of Italy, who generated support for the endeavour in the various party groups of the European Parliament, the European Union Treaty (EUT) was adopted by the European Parliament on 14 February 1984. The pressure on the European Council to take a constructive role in the transformation of the Community into a European Union grew in 1984. The result was the instituting of the Adonnino Committee, and the Ad-Hoc Committee for Institutional Affairs (also called the Dooge Committee) at the Fontainebleau Summit in June 1984.¹ The Committee chaired by Senator Dooge of Ireland, was assigned the responsibility to investigate institutional reform and related matters.

The Dooge Committee's report to the Brussels European Council of 29-30 March 1985 concurred broadly with the European Union Treaty in the identification of the areas requiring action.² Though the Report differed in the exact detail with the EUT, both suggested the following

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1. Juliet Lodge, "The Single European Act: Towards a New Euro-Dynamism?", Journal of Common Market Studies (Oxford), vol.24, no.3, March 1986, pp.205-6.
 2. Ibid, p.206.

constitutional reforms:

- (1) A strategic and directive role for the European Council;
- (2) Majority voting in the European Council;
- (3) A strengthened role for the Commission;
- (4) Elevation of the European Parliament's legislative role; and
- (5) An essential role for the European Court of Justice in advancing progress towards European Union.³

The European Union Treaty and the Dooge Committee differed in the decision making procedures recommended by them. While the Dooge Committee had resorted to the provision for restricted exercise of majority voting, the European Parliament, on the other hand, wanted the gradual elimination of the veto power, a strengthened Commission and the insertion of the European Parliament into a legislative process based on a system of two readings.⁴

In the Report of the Dooge Committee, a number of provisions had to be entered at the insistence of the national governments to safeguard their interests. The British, the Danes and the Greeks insisted that when a state considered its important national interests at stake, a

3. David Judge, "The British Government, European Union and EC Institutional Reform", The Political Quarterly (London), vol.57, no.3, September 1986, p.322.

4. Juliet Lodge, n.1, p.206.

discussion should continue until unanimous agreement was reached. Mr. Malcolm Rifkind, the British representative at the Dooge Committee, registered Britain's reservation on the Report's proposal for changing the appointment procedures of the Commission. The British view was that the national governments alone had the responsibility for appointing the Commission.⁵ The Dooge Committee was unable to recommend an extension of the powers of the European Parliament, primarily due to the opposition mounted by Denmark and Britain. The grounds of British opposition to this measure was that it would infringe the sovereignty of the British Parliament.⁶

At the Milan Summit of the Heads of Government of the European Community, in June 1985, in an unprecedented move, Britain's view that an Inter-governmental conference to discuss any change in the Treaty of Rome was unnecessary was out-manoeuvred by a majority vote. It was decided that an Inter-governmental Conference should be convened to determine "by common accord" treaty amendments.⁷ The Milan Summit was marred by the characterization of the British negotiators as "bad Europeans". Margaret Thatcher, the Prime Minister, was against the convening of an Inter-

5. David Judge, n.3, p.325.

6. Ibid.

7. Juliet Lodge, n.1, p.208.

governmental Conference aimed at expediting the progress towards internal market of 1992, or bringing about changes in the majority voting pattern. She was in favour of a kind of a gentleman's agreement to accept these provisions rather than bring out amendments in the Treaty of Rome.⁸

Following the decision of the European Council, at Milan in June 1985, the Inter-Governmental Conference meetings were held between 9 September 1985 and 27 January 1986. The Luxembourg Summit of the European Council, which met in December 1985, discussed the institutional reforms that were to be adopted. The Single European Act was drafted as a result. It was signed in Luxembourg on 17 February 1986. "The Single Act: A New Frontier for Europe", as the Single European Act was formally called, was the most significant amendment made to the Community Treaty of 1957.⁹

MAIN PROVISIONS OF THE SINGLE EUROPEAN ACT

The Single European Act defined the internal market as "an area without internal frontier in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of this Treaty." The aim

8. The Times (London), 1 July 1985.

9. EC Commission, European Community 1922 and Beyond (Luxembourg, 1991), p.31.

of the Community was fixed as the implementation of measures with the aim of progressively establishing the internal market over a period expiring on 31 December 1992.¹⁰

The most momentous decision taken was with regard to the process of decision making. The Articles 28, 57(2), 59, 70(1) and 84 of the Original Treaty, which required unanimity in decision making were replaced. The Article 99 was altered a bit to permit the Council in retaining the unanimity requirement in certain specific areas.¹¹

The Act's preamble referred specifically to monetary union as an EC goal to be "progressively realized". However, no specific deadline was set for the programme. Disparities between poorer and richer regions of the Community were to be reduced by the Cohesion Fund. In order to promote harmonious development in the European Community and overcome the backwardness of the least favoured regions the structural or regional and social funds were to be more efficiently utilized. On Britain's insistence, this embraced declining industrial regions in the north as well as the rural areas in the south.¹²

10. Richard Owen and Michael Dynes, The Times Guide to 1992: Britain in a Europe Without Frontiers (London, 1989), p.47.

11. Juliet Lodge, n.1, p.209.

12. Richard Owen and Michael Dynes, n.10, p.48.

In order to reduce the 'democracy gap' in the functioning of the EC institutions, the European Parliament has repeatedly claimed the right to initiate legislations and demanded a greater share in decision making. The European Union Treaty had provisions to this end, but that was not ratified in full by the member States. The Single European Act improved the legislative process of the Community, to a considerable extent.¹³ It was provided in the Single Act that the Council shall act in future only after the Commission and after receiving a majority in the European Parliament. Earlier, the Parliament was merely 'consulted'. The one area in which the Parliament's powers were unambiguously enhanced was in its formal involvement in the considerations of applications by the European States to join the Community and by non-members for trading arrangements.¹⁴ However, the measures had its inadequacies. On most issues, if the Parliament rejected a bill on its second reading, the Council could still have the last word by passing the measure unanimously.

The Single European Act contained provisions for greater pooling of technological research. ~~The~~ Act granted the Community the powers, for the first time to take action

13. European Community 1992 and Beyond", n.9, p.7.

14. David Judge, n.3, p.328.

to improve the environment, and contribute towards the protection of human health.

A separate title in the Act provided for 'European Co-operation in the Sphere of Foreign Policy'. Following the provision in the Act, a new foreign policy secretariat was set up in Brussels, with purely administrative functions. European foreign policy was sought to be implemented by consulting one another "so as to ensure that their combined influence is exercised as effectively as possible through co-ordination...." Without conflicting with the competence of either North Atlantic Treaty Organization (NATO) or the Western European Union (WEU), the new Article called for a co-ordination of their positions more closely on the political and economic aspects of security.¹⁵

BRITAIN AND THE SINGLE EUROPEAN ACT

Britain had a number of reservations about the Single European Act. To begin with, Margaret Thatcher was against any amendment being made in the Treaty of Rome. She was in favour of a more efficient working of the existing clauses of the Treaty, which was to eventually lead to an efficient Single Market. The decision of the European Council, at Milan in 1985, to convene Inter-governmental conferences to

15. Richard Owen and Michael Dynes, n.10, pp.48-49.

discuss the Treaty changes was taken much against the wishes of the British Prime Minister. The "Luxembourg reforms", which led to the Single European Act, were the final products of the deliberations. Geoffrey Howe, Britain's Foreign and Commonwealth Secretary, had called the Single European Act a step from "Euro-pessimism to Euro-activism", yet due to Britain's objections and reservations, several original proposals, as put forward at the Luxembourg Summit, had to be watered down. As a result, Jacques Delors, the President of the European Commission, had called the Council's conclusions at Luxembourg a "major disappointment".¹⁶

The reasons for the British attitude, which was different from that of the other member States can be found in the fundamental differences in the perceptions of Britain and her partners in the Community, vis-a-vis the rationale behind European Community's existence. In conceiving the European Community as primarily an economic community, British governments have been predisposed against a vision of the European Community as a political entity.¹⁷ Britain is also an unyielding defender of its Parliamentary sovereignty. The Select Committee, appointed by the House

16. David Judge, n.3, p.328.

17. Ibid, p.324.

of Lords to scrutinise the proposals, concluded bluntly. "In the long term, the position of the British Parliament will become weaker."¹⁸ The tenacious hold on to the national veto by Britain was the result of this perception. Granting more legislative right to the European Parliament was also looked with askance by Britain. Britain wanted to retain its ability of political manoeuvre in the European Council. "The fact that the United Kingdom does not have a written constitution... is indicative of an important feature of the British temperament and outlook.... There is an innate preference for allowing institutions to develop...."¹⁹

Margaret Thatcher was hailed as the victor of the Luxembourg Summit by The Guardian for her insistence that "European integration should remain subordinate to national interests."²⁰ Britain managed to retain unanimous decision making, for all decisions relating to taxation, the free movement of persons and matters relating to health controls and for the rights and interest of employees.

18. The Times, 28 June 1986

19. D.David, R.MacAllister and R.Lane, "The Draft Treaty Establishing the European Union" in R.Beiber, J.P.Jacque and J.Weiler eds., An Ever Closer Union: A Critical Analysis of the Draft Treaty Establishing European Union (Luxembourg, 1985), p.300.

20. The Guardian (London), 5 December 1985.

Britain, however, had to concede to a number of proposals which it was not in favour of, but which were all the same included in the Single Act. Britain was particularly anxious that it would not be drawn into close monetary union or into an EC system of Central Banks. Germany was also against any moves of this nature. The bolder Dutch text on increased monetary capacity, which made a mention of the European Currency Unit was watered down.²¹ However, the goal of an eventual European Monetary Union was incorporated into the preamble of the Act. Much against the British views, it was decided, at the Foreign Minister's Council meeting in December 1985, that the ultimate aim of member States was to move towards European Union.²² This was included in the preamble of the Single European Act.

Britain had always advocated a pragmatic response to situations and events. The future of Europe as envisaged in the Single European Act, its Preamble in particular, dealt, according to Margaret Thatcher, in rhetoric. Making a statement in the House of Commons on 5 December 1985, the British Prime Minister said "Other countries have an enormous gap between their rhetoric about what they want to do and what they do in practice. The whole time, part of our task has been to diminish their expectation and to bring

21. Juliet Lodge, n.1, p.212.

22. David Judge, n.3, p.327.

them down from the clouds to practical matters."²³ This succinctly sums up Britain's attitude towards the European Community.

TOWARDS MAASTRICHT TREATY

The next step towards European integration was taken at the Hanover Summit of June 1988. The European Heads of Government instructed that a Committee had to be set up, to make proposals on concrete steps leading towards economic and monetary union. European Monetary Union is generally understood to be a European Community in which there are no margins of fluctuations between individual member's national currencies, and the exchange rate parities are irrevocably locked. The adoption of a single currency would be a natural further development of monetary union. The possibility of independent national monetary policies is ruled out and the interest rates in individual countries would also converge.²⁴

The European Economic Union on the other hand is an unrestricted common market. The achieving of free movement of people, goods, capital and services is the hallmark of an

23. Hansard, vol.88, 5 December 1985, col.434.

24. Paul Temperton, UK Monetary Policy The Challenge for the 1990s (London, 1991), p.100.

Economic Union. The 1992 package as envisaged in the Single European Act is a step in this direction.²⁵

The Delor Committee constituted after the Hanover Summit of 1985, which was chaired by Jacques Delors, the President of the European Commission, studied the feasibility of an Economic and Monetary Union, and submitted its report in April 1989. The Report envisaged a three stage development towards Economic Monetary Union.

Stage One

The main aim of Stage one is to achieve greater coordination of economic and monetary policy within the existing institutional framework. It envisaged that all Community countries will join the Exchange Rate Mechanism of the European Monetary System during Stage One. There was to be closer cooperation between central banks. It also suggested preparation and ratification of the Treaty amendments required, to be able to move on to the final stages of the Monetary Union.²⁶

Stage Two

During Stage Two, the transition would begin from the coordination of independent national monetary policies to the formulation and implementation of a common monetary policy. It was at this stage that the basic structure of

25. Ibid.

26. The European Community 1992 and Beyond, n.9, p.21.

economic and monetary union would be set up and the stage would provide a training period for collective decision-making.

During this stage, the European System of Central Banks' (ESCB) would be set up and would absorb the institutional monetary arrangement existing in stage one. The ESCB would pool a certain amount of each country's exchange reserves which would be used to conduct foreign exchange market intervention. The other function as envisaged for the ESCB in this stage was the power to harmonize regulation in the monetary and banking field such as reserve requirements and payment arrangements.²⁷ The final responsibility for economic and monetary policy decisions would still remain with the Member states at this stage.

Stage Three

In the final stage, there would be the final transfer of monetary and economic powers to the Community. The national currencies are to be replaced by a uniform Community currency, namely the European Currency Unit.²⁸ The decisions of the Community institutions with regard to political, economic as well as budgetary field will become

27. Paul Temperton, n.24, pp.101-2.

28. The European Community 1992 and Beyond, n.9, p.21.

binding on the national governments.²⁹

The Delors Report was discussed at the Madrid Summit of the European Council from 14 to 16 June 1989. It was decided that the first stage of the economic and monetary union should commence on 1 July 1990. Britain was in favour of the Stage One of the Delors plan. However, the Stages Two and Three were objectionable to Britain. As Robin Leigh-Pemberton, the Governor of the Bank of England had pointed out, "the issues raised by Sterling membership of the ERM are of a different order of magnitude from those involved in Economic and Monetary Union."³⁰ He pointed out that the ERM membership would not require any significant changes, moreover the effects of entry into the Exchange Rate Mechanism is within the realm of experience. Also that, there would not be a greater transfer of sovereignty as an Economic and Monetary Union would warrant.

The old reservations of the United Kingdom at amending the Treaty surfaced during the discussions on the Stage Two and Stage three of the Delors Report. Coming soon after the Single European Act, which effected the first ever major changes to the Treaty of Rome, the United Kingdom was unwilling to give assent for yet another series of

29. Paul Temperton, n.24, p.102.

30. Leigh Pemberton, R., "Monetary Arrangements in Europe in Europe", Bank of England Quarterly Bulletin (London), August 1989.

amendments. The Delors Report had contained the argument that the decision to enter upon the first stage should be a decision to embark on the entire process" - this was taken exception to by the United Kingdom.³¹ The Delors Report also linked both economic and monetary union and the implicit assumption was that monetary union is necessary for the completion of the internal market in Europe. The United Kingdom government's position was clear that progress on economic union needed to go much further, first of all, before monetary union becomes feasible. Nigel Lawson stated that attempts to achieve monetary union were actually a diversion from the important task of completing the Single European Market. The economic union according to him had to be achieved and sustained for some time, before monetary union was to operate.³²

In order to prevent the loss of national sovereignty in stages two and three of the Delors Report, the United Kingdom suggested alternative plans to the Monetary Union. Nigel Lawson submitted to a meeting of European Community finance ministers in Antibes, France, in September 1989, two principal alternatives to Stages Two and Three of the Delors

31. Paul Temperton, n.24, p.103.

32. Nigel Lawson, "What Sort of a European Financial Area?" Speech at the Royal Institute for International Affairs, 25 January 1989.

plan. The first was to allow the EC currencies to compete with each other, the soundest EC currency eventually establishing itself as the dominant currency in Europe. The second plan was to link currencies to some form of a gold or commodity standard. Both the proposals would overcome the "loss of national sovereignty" argument. The British alternative would have meant an indefinite extension of Stage One of the Delors Plan. Therefore, the competing currencies alternatives to Stage Two and Three received a lukewarm reception from other Community countries. The Bunderbank President Pohl however supported the plan.³³

At Strasbourg, President Francois Mitterand of France, in his capacity as President of the European Council, had declared that the necessary majority existed for convening an Inter-governmental Conference under Article 236 of the EEC Treaty to draft amendment to the Treaties needed for the final stages of economic and monetary union. The Dublin European Council, 25-26 June 1990, decided to convene the Inter-governmental conference, on Economic and Monetary Union on 13 December and the Intergovernmental Conference on Political Union on 14 December 1990.³⁴

The Madrid Summit of the European Council in June 1989 had persuaded Margaret Thatcher to change her blanket

33. Paul Temperton, n.24, p.109.

34. The European Community 1992 and Beyond, n.9, p.28.

opposition to the Economic and Monetary Union into that of accepting a ERM membership, "when the time was ripe".³⁵ The first stage of the Economic and Monetary Union was also decided at the Madrid Summit, to begin by 1 July 1990. Subsequently, Britain joined the central exchange rate mechanism of the EMS in October 1990. The reasons were partly because its objectives of lowering domestic inflation were thereby served and partly because it wanted to be fully involved in the negotiations of the Economic and Monetary Union.³⁶

The newly appointed Chancellor of the Exchequer, John Major, gave shape to a new British alternative plan to the Delors Report's Stage Two and Three. This plan was much more sophisticated than the one suggested earlier by the United Kingdom, which failed to elicit favourable response from any of Britain's European Community partners. According to the new plan, the European Currency Unit was to be deemed a common currency, but not the single currency. The European Monetary Union was to come about by evolution, rather than by decree.³⁷ This latest British attempt for

35. The Times , 13 December 1990.

36. Louis W.Pauly, "The Politics of European Monetary Union: National Strategies Internal Implications", International Journal (Toronto), vol.47, Winter 1991-92, p.100.

37. The Times, 13 December 1990.

blocking the European Monetary Union attracted no support from other member States. According to this plan, national currencies were to be circulated along with a hard ECU, which in the very long run, "if peoples and governments so choose" could develop into a single currency. The other member States had, however, already decided that "monetary union implies nothing less than a single currency, a single independent central bank and a single EC wide monetary policy".³⁸

Britain considered the Delors Report and its three stage progress to the Economic and Monetary Union not merely an assault on the national sovereignty of the United Kingdom, but also as a grand design of "getting European federalism in by the backdoor".³⁹ As Margaret Thatcher saw it, the powers of controlling the fiscal policy of the member states were to be gradually sacrificed to the Community institutions. This was the basis of Britain's fierce opposition to the eventual adoption of a Single Currency and the system of European Central System of Banks. Therefore, the new British blueprint for monetary union excluded proposals for a European Central Bank System, or a Single European Currency.

38. See T.Hitiris, European Community Economics (Hertfordshire, 1991), 2 edn, p.156.

39. The Times, 24 November 1989.

The divergence of the economy of the member states was another factor, about which, Britain cautioned her Community partners. Margaret Thatcher said:

We look at the wide differences between countries in the Community: at the differences in their living standards, at the vastly different inflation rates, from 2.5 per cent in one case to 22 per cent in another, at the differences in their public finances, ranging from our budget surplus to a huge budget deficit in Italy, we look at the continuing high subsidies in industries in many European countries, which is difficult to have a genuine single market with such economic disparities, is it really sensible to tie ourselves down now to specific commitments in the distant future, without possibly knowing the consequences would be for each of the countries, or as to what can be achieved... surely it is more sensible to see that every country fulfills its existing obligations before moving on to set new targets.⁴⁰

DIFFERENCES IN THE CONSERVATIVE PARTY REGARDING EUROPE

The British Prime Minister Margaret Thatcher had always tried to safeguard Britain's interest in the larger framework of the European Community. From 1979, when she was voted to power, Mrs. Thatcher had been vociferously demanding a redressal for the disadvantages that Britain had been put to within the European Community. As a result, Margaret Thatcher had earned the name of "Bad European" for both herself and Britain due to her country's laggardly attitude towards greater integration of the European Community. In

40. Ibid, 30 November 1990.

1988, in her speech at Collège d'Europe in Bruges in Belgium, Thatcher had set out, what, according to her, ought to be the guiding principles for the future of Europe. She said: "To try and suppress nationhood and concentrate on power at the Centre of a European conglomerate would be highly damaging.... It would be a folly to try to fit member countries into some sort of identikit European personality...."⁴¹ This onslaught on the European unification was criticized by nearly all the continental press. However much maligned the British Prime Minister was at the European circles for her attitude, she received whole hearted support from the Conservative Party at home in Britain. The British Press was also, in general, supportive of Margaret Thatcher in her view that European integration should remain subordinate to national interest.

The uncompromising attitude of Margaret Thatcher, during the Inter-governmental conferences, discussing the Economic and Monetary Union failed to elicit full backing from the Conservative Party. Geoffrey Howe, the Deputy Prime Minister and former Foreign and Commonwealth Secretary, resigned on 2 November 1990 in protest at Margaret Thatcher's attitude to the European Community. This move exposed the bitter divisions that existed in the

41. Ibid, 23 September 1988.

Tory Party regarding Europe.⁴²

The Conservatives in the Westminster were identifiable by several groups - like Bruges Group and European Reform Group - on the basis of their attitude towards Europe. The prominent Eurosceptics included Nicholas Ridley, Peter Lilley and Norman Tebbit.⁴³ The Bruges Group, was formed after Thatcher's famous speech delivered at Bruges in 1988. This group is highly hostile to the European Community and its institutions and its faceless bureaucrats. The European Reform Group is a collection of some seventy Conservative MPs whose prime concern is to preserve the sovereignty of Westminster against foreign encroachments, they are not as hostile to Brussels and all its works as the Bruges Group is. The pro-EC Conservatives are far less organized than either of the above groups. A larger group of the Conservatives are uncommitted in their support, maintaining that party unity is important than all.⁴⁴

The two principal Ministers of Margaret Thatcher's Cabinet, namely Douglas Hurd, the Foreign and Commonwealth Secretary and John Major, the Chancellor of the Exchequer were more closely concerned with the European Policy. They

42. Ibid, 2 November 1990.

43. Ibid, 30 November 1990.

44. David Buchan, "Hanging Tough", European Affairs (Amsterdam), no.4, August/September 1991, p.70.

were pragmatic in their attitude towards Europe. Though they are not federalists, they favoured the stage by stage advance to closer economic union.⁴⁵ They realised that with or without Britain, the Community partners would go ahead with the eventual merger of their monetary policies. As a consequence, a two speed Europe will be created, and if Britain were to belong to the second tier, would obviously have much less influence in the development of the economic union.⁴⁶ The British decision to join the Exchange Rate Mechanism was largely due to their convincing Margaret Thatcher of the advisability of the move.

Sovereignty of British Parliament was dear to the Conservative Party. The resentment against the prospect of a supranational European System of Central Banks controlling the British fiscal policy in the future, was equally strong. However, the tone and technique of resistance to these proposals offered by Margaret Thatcher, especially at the Inter-governmental Conference in Rome in October 1990 was strongly opposed by the Conservatives. At Rome, in 1990, the British Prime Minister was isolated when others decided to go ahead with the plans of the second stage of economic and monetary union, despite Britain's objections. Margaret

45. The Times, 2 November 1990.

46. T.Hitris, n.38, p.156.

Thatcher pledged to veto any attempt to impose a single currency.⁴⁷ Events finally lead to the resignation of Mrs. Thatcher on 22 November 1990.

In the leadership contest that followed, the contenders' view on Europe proved to be one of the major planks of debate. John Major emerged successful in the contest. John Major, as the Prime Minister signalled a new era of British Cooperation in Europe. At the Rome Summit, which was the first European Council meeting that was attended by Major the British Prime Minister declared that, "We are wholeheartedly engaged with you all in the great enterprise of building, shaping and developing Europe".⁴⁸ In essence, however, there was no major shifts from the Thatcherite views against both a single currency and moves towards a federal Europe. The cardinal change was, however, in style and tone.

Jacques Delors had remarked that, "Economic and monetary integration will not be possible without corresponding democratic and political integration...."⁴⁹ The Inter-governmental conferences of 1990-1991 also

47. Purusottam Bhattacharya, "Britain and European Community", World Focus (New Delhi), vol.13, nos.9-10, September/October 1992, p.24.

48. The Times, 15 December 1990.

49. EC Commission, From Single Market to European Union (Luxembourg, 1992), p.14.

discussed the issue of eventual political union of the European Community. More than the German unification, the upheaval in Eastern Europe led to a growing feeling in Paris, Bonn and Brussels, though not in London, that the European Community needed a more coherent foreign-policy to watch its growing responsibilities.⁵⁰

The Inter-governmental Conferences of 1990-1991 culminated at the Maastricht Summit of December 1991. The Treaty on European Union was finalised. By the Treaty, it was decided that the Economic and Monetary Union was to be achieved in three stages. The first stage was to culminate in 1993. The second stage will run from 1994 to 1997. Although provisions were already included in the text to prolong Stage Two for a further two years, if necessary, until 1994. During Stages One and Two, countries are to bring their economic performance more closely into line with one another, with a progressive levelling upwards towards the best performing states. If a majority of States are ready by then, Stage Three can start on 1 January 1997. The decision on whether seven or more members pass the test will be taken by, the European Council at the end of 1996. If the Council so decided, it will set a date for Stage Three and set up the European Central Bank. At the start of the

50. The Economist (London), 30 November-6 December 1991, p.48.

third stage, the Council was to set procedures for introducing the ECU as the single currency for those Member States entering Stage Three.⁵¹ If the majority of the Twelve does not meet the conditions for entering Stage Three by this time, the deadline will be put back to 1 January 1999. The final stage will begin automatically on this date for those countries who meet the criteria even if they do not form the majority of Member States.⁵²

The British Prime Minister, John Major was negotiating under a number of constraints. Apart from the call for a popular referendum on the question of Britain accepting the single currency by Margaret Thatcher, the former Prime Minister had made no secret of the fact that she would lead a revolt within the Conservative Party if Britain accepted the Economic and Monetary Union. On the other hand John Major could not afford to isolate Britain at the European platform. The compromise sought by him was the so called "opt out clauses" for the benefit of the United Kingdom.⁵³ It was left to a future British Parliament to decide, to weigh up the risks and decide. This was stipulated in the

51. EC Commission, From Single Market to European Union, n.49, p.15.

52. Ibid.

53. Emile Noel, "Reflections on the Maastricht Treaty", Government and Opposition (London), vol.27, no.2, Spring 1992, p.150.

legally binding protocol which was attached to the treaty. The strict convergence conditions mentioned in the Treaty before which a country cannot move to Stage Three, was secured due to Britain's insistence. "We have retained absolute control over monetary policy in Stage Two." So claimed John Major after the Maastricht Summit.⁵⁴

SOCIAL POLICY

The Treaty of Rome contained provisions regarding workers' rights. Its Preamble and Article 48-51, 100, 117-119, 128 and 130 make references to this aspect. In pursuance of the commitment in the Single European Act to improve working conditions in the Community, the European Commission drew up the "Fundamental Social Rights of Workers" - a Charter containing clauses on myriad aspects like employment and remuneration, improvement of living and working conditions, health protection and safety at workplace, equal treatment for men and women, freedom of movement for workers, etc.⁵⁵ This Charter was signed by all the Community member States, barring Britain. The Conservative government was virulently opposed to the enactment of the Charter. The interventionist laws of the

54. John Major, "The Maastricht Outcome: Text of Mr. John Major's Press Statement", British Information Services, (New Delhi), December 1991.

55. The European Community 1992 and Beyond, n.9.

EC ran counter to the British Conservative philosophy in this regard. Moreover, Margaret Thatcher viewed it as a bid by the member countries, with higher costs of production, to put extra burdens on the rest, which would, in turn, effectively raze competition within the Community and adversely affect poor countries like Portugal.

During the deliberations on the Treaty on European Union, Britain's was the sole dissenting voice on the issue of social policy. The social policies included proposals which would allow the Trade Unions and employers to create EC-wide legally binding agreements, a Community wide legislations on social security, minimum wages, working conditions, better maternity rights for female working population, etc. These were all opposed by Britain, and, indeed, there was a virtual deadlock during the negotiations due to strong British objections in this regard.⁵⁶ John Major refused to accede for an "opt-out" in this case, instead suggested an "opt in" by the other eleven countries. Britain's position on EC's social policy is interesting. According to the British Prime Minister, eighteen out of thirty-two measures in the social action programme adopted by the European Community, Britain had implemented all of them! He clarified that the other

56. The Economist, 9-15 November 1991.

eleven members have adopted their own separate arrangements for extra measures which will affect only their countries and for which they only will pay.⁵⁷ This manifests a unique institutional fix for the European Community. The protocol attached to the treaty says that if the EC Commission planned a social law, it would ask the British if they wanted to be involved. If the response was positive, the Commission would propose a normal EC law. If Britain showed a disinclination to join, it would propose a law to the eleven.

POLITICAL UNION

The pragmatic British stance as regards European Political Union, a vision of Europe with a largely federal structure, manifests the cardinal difference in the perception of the Continental partners and the Island nation about the future of Europe. To the fiercely patriotic Britons, the term "Political Union", apart from seeming to be an impossible dream, has connotations of loosing their sovereignty.⁵⁸ To compound matters, the meaning of the term was left ambiguous by the French and the Germans.

57. See the Text of John Major's Press Statement, n.54.

58. The Economist, 23-29 November 1991.

Due to the virtual schism that would take place in the Conservative Party, if he accepted any provisions in the Treaty which contained a reference to federalism, John Major demanded and succeeded in deleting the word "federal goal" from the Dutch draft treaty. The clause in the Treaty of Rome which aimed at "an ever closer union among the peoples of Europe, where decisions are taken as closely as possible to the citizens, was retained. The proposal for eventually merging with the Community, the two "pillars" - viz., foreign policy and internal security - which would entail a larger role for the European Parliament and the Commission was not included because of strong objections from Britain. The Dutch draft treaty underwent a virtual overhauling when Britain insisted that the clause that "the strengthening the federal character of the Union" be deleted.⁵⁹

The Dutch proposal to increase the powers of the European Parliament as part of the federal exercise of the European Community was not appreciated by the British. The Germans on the other hand indulged in arm twisting. At their insistence, the agreement for greater political cooperation in return for German cooperation in monetary and economic union was initiated.⁶⁰

59. Ibid, 14-20 December 1991.

60. The Times, 10 December 1991.

The Treaty contained further extension of the powers of the European Parliament. The "democratic deficit" was first tackled by the Single European Act. Under the new Treaty, the Parliament was given the right to veto legislations linked to the creation and development of the single market. This right was also extended to certain legislation in the environment, Research and Development and infrastructure areas. Parliament was to be consulted on the choice of person nominated as the Commission president. The president and the other members of the Commission, once nominated by Members States, will be subject as a body to a vote of approval by Parliament.⁶¹

Due to British opposition to a widening of the legislative role of the European Parliament, only cosmetic changes of this nature could be effected.

PRINCIPLE OF SUBSIDIARITY

The primacy of the Community was undermined successfully by a joint effort by both Britain and Germany when they suggested that the Community should take action only if and in so far as its objective cannot be better fulfilled at the national level. "Any action by the Community shall not go beyond what is necessary to achieve

61. EC Commission, EC From Single Market to European Union, n.49, p.20.

the objectives of this Treaty", says the new Article 36 of the Treaty.⁶² Decisions in these areas were to be taken unanimously.

The Council, however, gave up unanimity requirements in a few areas like Single Market legislation, education and health, consumer protection, overseas development aid and cross border infrastructure projects.

FOREIGN AND SECURITY POLICY

The Twelve agreed at Maastricht that there should be a common foreign and security policy in order to safeguard the fundamental interests of the Community and reinforce its world role. Owing to Britain's insistence, the right to take main decision unanimously was enshrined in the Treaty. All the same, there was to be limited majority voting on the implementation of specific policies or actions. These policies in themselves have to be identified unanimously. On British insistence, the provision for a country to act on their own in cases of imperative need was added on.⁶³

Under the terms of the Treaty on European Union, the Twelve also agreed to proceed towards the framing of a common defence policy and to include Western European Union

62. Ibid, p.21.

63. The Economist, 14-20 December 1991.

(WEU) as an integral part of the Community's future defence structure. The decisions taken within the framework of the WEU was to be compatible with the NATO obligations of those EC countries belonging to the Atlantic Alliance.⁶⁴ The French efforts to elevate the WEU status, much above that of the NATO was successfully thwarted by Britain. The WEU was seen by Britain merely as a half way house between the Community and the NATO. Contradictions, however, exist. WEU even now has only a nine-member strength, whereas NATO has Turkey also in its ranks. The step towards common foreign policy, taken at Maastricht cannot be considered to be set in stone, but rather a step in the evolution of the European Community to its emerging world responsibilities.

An appraisal of John Major's performance at the Maastricht Summit yields mixed results. The compulsions under which the British Prime Minister negotiated were obvious. The belligerent stream of Conservative Members of Parliament led by Margaret Thatcher had threatened a virtual revolt if John Major accepted the single currency and Stages Two and Three of the Delors plan for Economic and Monetary Union. Major acquiesced into them by deferring a decision to future British government and Parliament. The former Prime Minister had also warned of a 'federalist plot'

64. From Single Market to European Union, n.49, p.20.

in the Treaty of European Union, which would lead to a sacrifice of national decision making procedure. John Major had succeeded in deleting any overt reference to the word 'federal' in the Treaty. There were the Europhiles of which John Major himself is one, who wanted Britain to accept greater integration and an eventual single currency in the distant future. The British Prime Minister seemingly mollified them also, by keeping the option open. The main Opposition, the Labour Party, was however in favour of an all out integration with the European Community. Thus, John Major had bought time for Britain at the Maastricht Summit.

The sovereignty issue which is an all important concern for Britain ever since it joined the European Community, was safeguarded by the principle of subsidiarity. Britain has the facility to invoke the principle, at junctures which it may feel the intervention of the European Community is avoidable. The Conservative stance against the Social Chapter of the EC was influenced by its own attitude towards trade unions at home. Other considerations, like the claim that Britain had passed much of the proposals of the EC social programme, unlike the other EC members, were put forward by John Major to scuttle the moves of the Treaty to impose a Pan-EC charter on better working conditions and equitable wages for the working class. The Labour Party, however, is demanding a British acceptance of the Social

Charter of the Treaty before the Treaty is tabled in the British Parliament.

Britain's freedom in determining its own foreign policies, even at the face of greater foreign policy coordination called for in the Treaty, was protected. The moves to sideline NATO in fashioning a future common defense identity for the Community by her Continental partners, were thwarted by Britain. History had taught Britain of the importance of retaining special ties with America, even in the face of fantastic visions of "an ever closer Union" of Europe and also of the peace dividends of the post Cold War era. The security situation in Europe is still in a phase of flux, compounded by the German reunification and the upheavals in Eastern Europe. The scenario of instability continues.

Britain's attitude towards institutional reforms in the EC to augment the progress towards European integration, if it can be summed up in one word, is negative.⁶⁵ Britain perceives the European Community primarily as an economic grouping. The Guallist postures of Margaret Thatcher had made it obvious that Britain sees the European Community as an endeavour of sovereign states, in which the national character and aspirations of a nation are sought to be

65. Emphasis intended.

retained. This elemental belief that European Community is an Economic Community, and the tenacious defense of Britain's economic interests has been the hallmark of Margaret Thatcher's contribution to the European Council decisions.

The intrinsic disinclination of Britain to amend the Treaty of Rome has been another typical stance of the country at the European circles. The Parliamentary traditions of Britain are responsible for such a policy. Britain favoured evolutionary informal change to legal constitutional amendment. This explains Britain's initial refusal towards Treaty amendments both during 1985 and 1988, when the discussions for Single European Act, and the Treaty of European Union were respectively begun.

Immense national pride (in 1991, the most patriotic nation amongst the EC countries was Britain, with 68 per cent of its people willing to fight for their country, compared to an average of 45 per cent across Europe; 52 per cent of Britons are "proud" of their nationality)⁶⁶ and an aggressive yearning to protect the sovereignty of the National Parliament also explains Britain's disinclination towards a European integration which would lead to a pooling of nations' sovereignty. Indeed, Britain under the

66. Times of India (New Delhi), 23 November 1991.

leadership of Margaret Thatcher for over a decade, saw the crystallising of the passion for Britain's national sovereignty.

Between 1982 and 1992 the profile of the European Community has undergone tremendous changes. In 1992 it stands poised for a radically different role for itself. The foundations of the change had been laid in the December 1991 Summit at Maastricht. Britain is not yet ready to put its name to it. It is yet to ratify the Maastricht treaty, though the House of Commons has approved it in May 1993. The House of Lords is yet to vote on it. Margaret Thatcher is continuing with her demand for a referendum on the issue in Britain. Meanwhile the debate continues in Britain. The debilitating mood in the British domestic politics in this regard, succinctly sums up the attitude of Britain towards greater integration of the European Community.

CHAPTER V
CONCLUSIONS

In 1962, prior to the first application for membership to the European Community the British Prime Minister Harold Macmillan had declared that "...with the growing strength of the Russians on the one side, and the Americans on the other and in view of some alarming tendencies in American policy, Europe should grow closer together to defend its widest interests - in defence, in foreign policy and economic development." Thus the basis of Britain's membership of the European Community was a combination of reasons, the political situation of the Cold War years, the descent of Britain from the pedestal of a world power to that of mid-size power and the consequent need for allies, and the lure of being part of the prosperity being generated in the European Economic Community. The membership which was secured in 1973 has laid the basis of a relationship which can be characterized as friendly, yet not effusively so, and also of being very matter of fact. Britain would not go out of her way to concur with the European Community on a given issue, and the Community in turn did not yield beyond a certain degree to support Britain in moments of crises. The Anglo-American relationship on the other hand is admittedly on a higher plain. It was not without its ups and downs,

but it was noticed that during the period under review, the United States proved to hold a higher priority in Britain's foreign policy stance rather than her immediate neighbours across the Channel.

During the period between 1982 and 1992, the Falklands War of 1982 was the first major crisis of international ramifications in which Britain got deeply engaged in. It must be admitted that the European Community backed Britain with a semblance of unity by imposing sanctions on Argentina at the beginning of the war. But, towards the end of the war, the Community support for Britain was marred by internal squabbles and petty considerations. The United States, in contrast gave substantial assistance to Britain at that critical juncture. The essentially Atlanticist attitude of the British Prime Minister, failed to enlist extensive military support from the European Community member States.

On the question of taking punitive action against Libya, which was accused by the United States and Britain as sponsoring international terrorism, the European Community again failed to co-operate extensively. A few token measures were taken by the European Community, both in case of Libya and Syria. Being subjected to organized international terrorist violence was primarily a British problem. The rest of the EC failed to fully sympathize with

the British concerns in this regard. The internal border controls demanded by Britain against illegal immigrants, drugs, animals and plants were retained by the European Community, taking into consideration the island status of the nation.

South Africa, the erstwhile member of the British Commonwealth was a region of considerable importance to Britain. Economically and also emotionally, Britain still had a persistent interest in South Africa. When the issue of imposing punitive economic sanctions against the White racist government of South Africa, came up in the European circles, Britain opposed all such moves. Britain supported the policy of "constructive engagement" in the region. Economic growth, as different from economic strangulation, according to Britain, was to improve the position of the Black majority population of South Africa. Exerting diplomatic pressure was another policy favoured by the United Kingdom. Britain, by its strong stand against punitive economic sanctions, rendered impotent any collective position that the EC might have taken in this situation. Though, the United Kingdom was censured at both the European Community level and also the Commonwealth platform for its South Africa policy, the UK stood by its stand. The historical and economic interests of Britain took precedence over an all Community action.

The Gulf crisis of 1990-91 was yet another pointer to the fact that European Political Cooperation is still a long way in taking shape. Britain's attitude during the Gulf war clearly illustrates the fact that the 'Special-Relationship' between the United States and Britain was still intact. The European Community failed to respond as a cohesive whole. Britain considers its world obligations very important, even at this period in its history, when the world has branded it for a spent force. But foreign policy is one of the high policies of Britain for centuries now. The deftness with which Britain excels in this field is yet to be surpassed. This is made amply clear during the handling of the Yugoslavian crisis by the European Community. Britain realized the potential danger of any military intervention under the aegis of the EC in the Balkan region. Erstwhile Yugoslavia is an amorphous collection of ethnic groups. A military intervention of any kind on the part of the Western powers had to be avoided at any cost. Britain's active support for the convening of the peace conference sponsored by the EC was in pursuance of the view that getting the warring groups on to the negotiating table was the only solution for the problem. The immature demand of Germany and France for a military intervention was very deftly set aside by Britain. Later, Britain gave its support for a United Nations intervention in Yugoslavia.

Thus in the sphere of foreign policy the European Economic Community still has to come a long way. Britain, with the legacy of its Great Empire and its attendant world connections is certainly a cut above the rest in this sphere. From experience gained in these crises situations Britain clearly realizes that unity in foreign policy formation is yet a distant dream in the European Community.

The end of the Cold War does not remove the spectre of differences of opinion in Europe, or the possible emergence of aggressive policy stance by any one nation. The future scenario is yet to emerge. Therefore, the British insistence on retaining the North Atlantic Treaty Organization (NATO), as the primary security guarantor in Europe at the Maastricht Summit can be better understood. In consequence, Britain virulently opposed the French proposal at the Maastricht Summit for an independent common defence identity for the Community, sidelining the NATO. Britain also succeeded in retaining the power of majority voting with regard to foreign policy decisions, as proposed in the Maastricht Treaty.

The resilience of the European Community is primarily because of the economic benefits that its member states seek to accrue from the Community. Britain was no exception in this matter. The eighties were marked by the acrimonious Summits of the Heads of Governments of the European

Community, with Prime Minister Margaret Thatcher demanding a re-structuring of the Community policies in order to ensure a more equitable distribution of burdens and benefits among the member States. The Common Agricultural Policy (CAP), which was fashioned prior to Britain's joining the Community, was largely designed to suit the needs of the relatively large farm sectors of the Continent. Britain, in contrast, had a narrow farm sector. The CAP, therefore, was incompatible with the British agricultural needs. The enormous amount of the Community budget which was set aside for the Agricultural Policy, was spent on the Continent rather than in Britain. Moreover, the trade pattern of Britain which was primarily directed to non-EC countries (which were subject to Common External Tariff), even years after joining the Community, added to Britain's problems with the Community. The balance of costs and benefits was unfavourably tilted to the former, in Britain's case. Through the persistent demands of Margaret Thatcher for a redressal of Britain's huge net contribution to the Community budget, in 1984, the United Kingdom was finally given a permanent refund of 66 per cent of the net contribution. Britain and its Prime Minister had come under cloud during the refunds negotiations. However, Britain felt justified in demanding a rectification of a fundamental anomaly in the budgetary allocations which put the island

nation at permanent disadvantage.

Britain had a very clear understanding of the direction that policies ought to take in the EC. The Common Agricultural Policy, which was the most favoured policy in the Community, had serious defects which Britain felt had to be remedied. The near bankruptcy faced by the European Community in the years after 1984 added to the immediacy of reforms. The scenario was, of a more than adequately financed sector of the Community, yielding enormous surpluses which could not be disposed off easily, incurring further expenses, especially at a juncture when the Community could ill afford such luxuries. Britain felt that the demand of the Commission for allocation of more budgetary funds would again set in motion the vicious circle of increased expenditure, and low benefits for Britain. British Prime Minister indulged in a little arm twisting by placing a condition before the European Community Heads of Government. Britain agreed for increasing its contribution to the EC budget (after the refunds were deducted) only on condition that a ceiling is placed on output, especially that of cereals and milk. Thus, in the February 1988 Summit of the European Council at Brussels, stabilizer proposals were agreed to be implemented. Britain's demands were largely met. The Common Agricultural Policy will continue to be a much pampered policy of the European Community,

though for the time being Britain succeeded in extracting a promise for compromise from her Community partners, who have a strong and powerful agricultural lobby to satisfy.

The British pattern of trade with the European Community in the twenty years of membership show that, whatever the diffidence of the political leadership regarding greater integration with the European Community, the British businessmen prefer to trade with a relatively barrier free EC market than the other world markets. The trade pattern indicated a definite improvement. In 1967 when Britain was not yet a member of the Community, the total percentage of both imports and exports with the EC stood at a mere 28.9 per cent. In 1987 the figure rose to 50 per cent. The latest trade statistics brought out by the Central Statistics Office, London, in 1990 shows that the volume of Britain - EC trade has risen to a substantial 53 per cent. Therefore, the British desire for completing the Single Common Market at the earliest can be understood better in this context. Economic benefits to be accrued from the European Community were and continue to be, the cardinal reason of Britain's membership in the Community. Britain yielded to an erosion of the power of veto of the national governments, with regard to the completion of the Single European Market by 1992 (as enshrined in the Single European Act of 1987), only because it was restricted to the

decision making with regard to the completion of the Common Market. The lifting of non-tariff barriers remain one of the essential factors demanded by Britain, in order to complete the Single Market swiftly. As late as in 1990, Britain was the victim of the imposition of non-tariff restrictions on British beef and sheep by France. Britain exports the lion's share of its beef products to the European Community, predominantly to France. But, France and Germany had banned the British beef on the basis of a case of reported "mad cow" disease in British cows. Even in the face of evidence to the contrary, France continued with its ban, leading to considerable loss to the British meat industry. The above instance is merely one of the several grounds on which the non-tariff barrier can be operated by the member countries in order to protect their own industries. This was sought to be removed by the United Kingdom.

During the period under review, the essential nature of the Community as primarily an economic bloc underwent a change. Right from 1983, when the Stuttgart Summit of the European Council signed the Declaration of the European Union, the process of integrating the member States into a political union, had been set in motion. The European Commission under its President Jacques Delors, with the firm support of the Federal Republic of Germany and France, set

out the goal of bringing into fruition "an ever closer union of its people" (the objective as envisaged in the Original Treaty of Rome). The first step in pursuance of this ideal was the effecting of the Single Market of 1992. The passing of the Single European Act in 1987 was to augment the completion of the Common Market. Britain had fundamental objections to these moves. To begin with the Treaty of Rome was an adequate document for the British Prime Minister. The prospect of having to yield further powers of national decision making was unacceptable for Britain. For, the British parliament was the symbol of the control of British people on the decisions which are to affect their everyday life. Therefore, Britain had fundamental objections in ceding this power to the "faceless bureaucrats" in Brussels. Moreover, in the British political tradition, institutions are allowed to evolve during the course of time, rather than follow treaty clauses to found or enlarge political institutions, be it the European Parliament or the European Court of First Instance. Historical and geographical reasons contributed to Britain's misgivings about forging states with very different aspirations, national goals, different historical development etc. into an European Union. The "federalist trap" was to be avoided by Britain at any cost.

Britain was disinclined to peg the Sterling in the

Exchange Rate Mechanism of the European Monetary System. "Being in charge of one's own economic policy, is at the heart of British democracy and Parliament". The related issue of Economic and Monetary Union of the European Community, which was to eventually lead a Political Union was envisaged in the Treaty of European Union signed at the Maastricht Summit of the European Council of 1991. The discussions that preceded the signing of the Treaty, churned the British minds a great deal. Prime Minister Margaret Thatcher disagreed to append British signature to any Treaty that would supersede the powers of the British Parliament and its people. Britain was so vociferous in its views on this issue that Mrs. Thatcher, during the Inter-Governmental Conferences held in 1990, especially the one at Rome declared that Britain would scuttle any move in this direction by exercising the power of veto. The British political parties were divided on this issue, regardless of the official parity positions on the question. The aggressive stance of Margaret Thatcher in the European circles was opposed by a sizeable number of the Conservative members of Parliament. It may be recalled that Thatcher's European policy was one of the factors that cost her the job. John Major who took office following Mrs. Thatcher's ouster represented Britain at the Maastricht Summit of the European Council which led to the signing of the Treaty of

European Union. Owing to Britain's insistence a number of clauses of the original draft Treaty as prepared by the Dutch had to be altered. The word 'federal' was deleted from the Treaty, due to Britain's reservations. The decision of joining the Stages Two and Three of the progress towards Economic and Monetary Union was left to the future British government and Parliament to decide. As it stands Britain's national sovereignty was safeguarded. It is also done through reiterating the Principle of Subsidiarity, which gives a lot of leeway for interpretations. The single currency and the European System of Central Banks which would control the economies of the member States in future, are not to be implemented in the United Kingdom. The debate is yet to reach a conclusion. The demand of the former Prime Minister Margaret Thatcher for calling a referendum for the issue, notwithstanding, the Treaty was tabled at the British Parliament. The House of Lords is yet to pass the Treaty.

The extensive debate that is taking place in Britain on this issue, illustrates the fundamental difference between Britain and its Community partners in the perception about the future of Europe. The establishment of the European Economic Community had resulted from the conviction of the members that purely national action in a variety of economic domains was no longer satisfactory and that a number of non-

economic goals could best be achieved by setting up a collective regime. Britain which had joined sixteen years after the establishment of the EEC saw it primarily as an economic regime. At that time the political aspects of the Treaty of Rome was widely ignored in Britain. The Community partners of Britain, however, thought differently and enacted proposals for greater supranational integration. In spite of Britain's misgivings on the issue, the path to a European Union has been laid. Obviously, for Britain the journey seems to be difficult and protracted. However, at present, for Europe in general and for Britain in particular it is still a "Journey to an Unknown Destination".

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