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BRITAIN IN EUROPE - THE FIRST FOUR YEARS AND  
THE FUTURE

It is now very nearly four years since Sir Christopher Soames and I set off on the adventure of being Britain's first two European Commissioners. It was a journey full of omens for the future. There was fog in the Channel and the Continent was cut off. Instead of landing triumphantly at Brussels in a 'plane of the Queen's Flight, we were diverted to the small provincial airport of Rotterdam. There we found they closed the airport down for lunch, and the air terminal doors were locked in our faces. Christopher Soames and I can claim, I think, to have reasonably robust and resilient spirits, but I confess we sagged as we looked at that locked door.

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I remember thinking at the time what an effective photograph it would have made for an anti-Market newspaper - two of Britain's leading enthusiasts for British entry facing some of the frustrations and diversions of actually getting into the Community, no doubt with the caption "So this is Europe!"

It was a foretaste of some things to come. 1973 was the year in which the Community, in common with the non-Communist world, was hit by the twin storms of inflation and slump. It culminated in the quadrupling of oil prices at the end of the year, and a Summit meeting which I attended in Copenhagen of inspissated Scandinavian gloom.

The result was that some of the arguments in the popular debate about British entry were sunk without trace. While I was Minister for Europe, the Government painstakingly and frankly worked out

that part of the price of conforming to the C.A.P. would be a food price rise of 12½% over five years. A much bigger rise took place within five months in 1973 for global reasons that had nothing to do with British entry - though the Common Market was of course made the scapegoat.

The truth is that the Community we thought we were joining - a Community of steady growth, full employment and gradually converging economies - changed its character in 1973 under the pressure of world-wide economic forces.

I hasten to add that what did not change was the case for British entry - indeed, as I shall hope to show, it had been strengthened. But what the economic convulsion of 1973 proved was the folly - one of democracy's weaknesses - of seeking to determine historic long-term issues on the basis of the short-term political polemic.

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1974, and half of 1975, produced a new element of uncertainty into Britain's journey into Europe. 1974 was the year of renegotiation and 1975 the year of the Referendum. In the renegotiation, the rest of the Community showed a great deal of patience and a desire to find a formula, including a corrective mechanism for the budget, which would enable the British Government to recommend the British people to stay in the Community. Britain, on the other hand, should not underestimate the degree to which she has used up the immense reserves of respect and goodwill which she enjoyed when she joined in 1973.

Looking back now over the last four years, I think that Christopher Soames and I, and the many others from Britain who in one way or another committed themselves in 1973 to helping Britain to land in this strange territory of Community Europe, can claim that we have explored the new

ground, blazed trails, and built bridges without losing too many scalps in the process. The natives have in fact proved to be friendly, and embarrassingly still manage to retain a rather higher opinion of us these days than we seem to be able to sustain amongst ourselves.

Many fears about our entry into this new territory have proved unfounded. No hordes of Sicilian peasants have, as was sometimes feared in the more conservative press in this country, turned up in the streets of Tunbridge Wells. The fear that we were all going to end up washing down a uniform Euro-bread with a harmonised Euro-beer seems to have been dispelled. And in Development Areas (and indeed all over Europe), the hoardings are going up on new industrial developments, proudly announcing that they are taking place with the help of the new European Regional Development Fund. No punitive ransom has had to be surrendered to the Community Budget. Indeed, with that unexpectedness

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which characterises Community affairs, the Common Agricultural Policy, which was understandably regarded in Britain as being organised for the benefit of French farmers, has turned into a benefit for British housewives to the tune at present of around £1.3 million a day, without the help of any corrective mechanism. It is a situation that cannot last, but I must confess there is a certain rough justice in this unexpected turn of events. Nor can I see why it should be regarded as acceptable and inevitable when the agricultural budget finances uneatable and unsellable surpluses, but against the natural order of things when it keeps down prices for British housewives and keeps up the export markets for Danish and other farmers.

The arrival of Roy Jenkins as President of the Commission and of the United Kingdom as the Presidential Government of the Community in fact represents the end of one chapter and the beginning of another. Rather

belatedly, in my view, it represents the point at which the United Kingdom becomes irrevocably a whole-hearted member of the European Community.

I detect a certain sense of disappointment in the rest of the Community that the remarkable political success of the Referendum was not exploited more fully by the Government at the time. Nevertheless, during the next six months large numbers of Ministers and literally scores of civil servants will have the day to day responsibility of steering the Community. The prize I hope for is that this will produce the psychological change of converting an off-shore political establishment into a whole-hearted participant in the search for Community solutions. From now on I hope that within the United Kingdom it will be possible to deal with the many complex issues of the development of Community policy, not in the artificial black and white terms of whether

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it is good or bad for Britain to be in the Community, but how best Britain can play her part in the development of successful Community policy.

I turn therefore from the more myopic view of Britain's position within the Community to the larger questions of the future of the Community itself. I ought to admit straight away that being a Member of the European Commission, far from being a help in making this assessment, tends to be a hindrance. One of the disadvantages of the European Commission is that it is situated right in the heart of the Community forest. Day by day we have endless and time-consuming arguments about the management of some corner of the forest, and it is the peculiar handicap of European Commissioners that without constant effort they are unable to see the wood for the trees. Now that I am about to be liberated, I will do my best to strike a fair balance sheet.

I start with the positive side of the Community over the last four years, since it is far too often overlooked. We take too easily for granted, for example, the fundamental fact of Franco-German reconciliation, which represents the very foundations of the European Community and which has made inconceivable the kind of Franco-German conflicts which have afflicted the Continent three times in the last hundred years and have twice provoked world wars. We overlook the fact that, if there had been no European Community over the last four years, then the recession through which we have been passing would have degenerated into the kind of competitive protectionism and trade war which we knew so tragically in the Thirties. The considerable success which the European Community has had in its foreign relations, especially with the United States and Japan, has helped to prevent this.

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If Britain had chosen to go it alone in the Referendum, is it conceivable that our Western European partners and her transatlantic allies would have given us the support we have received to win our economic battles? Is it not more likely that without the Community Britain would have slid over the precipice into bankruptcy last summer?

Again, the European Community can fairly claim to have led the Western world in new techniques of partnership with the developing countries of the Third World. The Lomé Convention, with its concept of partnership and with its new techniques of guaranteeing the export earnings of the developing countries, has blazed a trail which the world as a whole in the UNCTAD negotiations is seeking to follow.

As I have found to my cost, it is always easier to make progress in external policy, where there is an overriding common interest amongst the member

nations of the Community, than it is in internal policy, where national interests come in direct conflict with each other. Nevertheless, the establishment of the Community's Regional Development Fund was a milestone in the efforts to establish the principle of the transfer of resources from the richer to the poorer areas across the internal frontiers of the Community. This may be put in simpler, but more radical human terms as the moment at which the tax-payer in Hamburg is persuaded to put his hand in his pocket and pay some of his taxes to support not merely his fellow Bavarian - which is no doubt difficult enough politically - but his fellow European citizen in the South of Italy or the West of Ireland. This is the beginning of the creation of a European consciousness, not only at the level of governments, but at the level of the ordinary citizen.

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The Community has a formidable array of Funds - agricultural, social, coal and steel funds. The significance of the birth of the Regional Fund is that it is leading to the development, slowly and gradually, of the concept that all these funds should be used together as part of a coherent strategy to promote the convergence of national economies and to close the gap between the richer and the poorer regions of Europe.

Finally, there has been the immensely significant decision to hold Direct Elections to the European Parliament by the middle of 1978. Changing the electoral system does not, of course, change the power of the Parliament amongst the Community institutions. But can anyone believe that a directly elected European Parliament will be content with its present mainly consultative powers, or indeed with its present nomadic existence between Luxembourg and Strasbourg and Brussels ?

So much for the positive side of the balance sheet. The most immediate items on the negative side have been the failure adequately to reform the agricultural policy and too limited progress on energy policy, where the fateful implications of the nuclear option have not been properly considered. It is remarkable and regrettable that there is still no Community position on the export of nuclear technology.

But the more fundamental feature on the debit side can be stated very simply, in one sentence, and indeed in a few words - 'divergence instead of convergence'. This is an economic Community. Its aim is economic integration leading to political unity. Until 1973, the prospects for this, although there were problems, were good. Since 1973 inflation and recession have blown national economies on divergent courses. To get the Community back on a convergent course requires above all an immense act

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of political will by the Member Governments, as well as strong and wise leadership from the new Commission.

What is at stake is very great indeed. Lord Davies, whose memory we honour tonight, devoted his energy and his wealth in the Thirties to the need for a viable world order which would prevent a second world war. Today the David Davies Institute devotes itself to the problems of creating a world economic order that will prevent the kind of trade war which would certainly be disastrous for living standards everywhere and might well degenerate into something much more violent.

When, in the first year of Britain's entry into the Community, producers quadrupled the price of oil, they gave notice that we were entering into a new period in which a new balance of economic power had to be established between the countries

who produced the world's raw materials, who were by and large the poorest countries in the world, and the countries who used these raw materials, who were by and large the richest countries in the world. An immediate consequence of these events in the industrial world has been to end the post war era of affluence and full employment. Unemployment has ceased to be a passing cyclical problem and has become chronic and structural. Adapting to the new situation needs massive new investment and that means reduced consumption. To get the political consent for these changes imposes big strains on European democracy. It also places new obstacles in the path of progress towards European unity.

The case for European economic unity is stronger, not weaker in this situation - but harder to achieve. Internally it would be fatal for all of us, if we started trying to export our unemployment to each other instead of trying to agree a common strategy.

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Externally, without unity Europe remains at an immense disadvantage alongside Japan or the United States, which never has to suffer the damage to its negotiating position of California speaking at the table with an opposite voice from New York.

The threat of a breakdown in the world economy, although very real, is a great deal less dramatic than the facts of internal ruin and external aggression which compelled the creation of European unity in the immediate post-war years. The Western European nation state, having recovered from the shock of the second world war, has consolidated itself. Its reactions to these cataclysmic world economic changes tends to be a short term political reaction, where the governments' eyes inevitably are on the next general election. Yet the fact is that the economic realities are the same for all Western European Governments, whatever their ideological complexion. No Government in the



Community has much room to manoeuvre between the Scylla and Charybdis, or inflation and recession. Every government - whether of Left or Right - is faced with the knowledge that it ought to take unpopular political decisions, which may endanger its survival at the next election. Oppositions of Right and Left, if they are honest to themselves, if not to their electorates, know that, if they are thrust into power, they will face exactly the same realities and the same limited room for manoeuvre.

If these inward-looking national attitudes persist in Community Europe, the leadership of the search for a new economic balance of power on the part of the developed world will be left to the United States and Japan, with Western Europe exercising what influence it can from the sidelines. Our children would live in a world where the essential decisions affecting their future would be taken by others in their own interests. But it

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would also mean that the West as a whole would be weakened and the world would lose the constructive contribution and influence which Western Europe can bring to bear in this historic conflict.

Within the European Community are the great former colonial powers of Europe. Their relations with the Third World in Africa, Asia and the Caribbean have that peculiar degree of intimacy which is one of the remarkable by-products of the colonial conflicts of the past. Eight times out of ten at the United Nations this year Community Europe has agreed to cast a common vote, and there have been times when the relations between the developing and the developed world have come to positions of particular difficulty, and it has been the countries of the European Community that have helped to keep things moving. These times have been too few, but the immense potentiality of the European Community, if it can find the economic and

political means to speak with a single voice, to play a crucial role in creating a new economic order, has certainly been demonstrated.

How can the momentum to economic convergence and political unity be restored? The directly elected European Parliament will help to produce a new climate, but it will take time. Will the continued economic divergence and its associated monetary problems produce a crisis situation which will compel Member Governments to move out of their conservative national moulds and seek a wider Community solution? The Community has come near to that position once or twice over the last four years and it may happen again.

There is an additional dimension to this problem provided by the demand of Greece to join the European Community, and of the likelihood that Greece will be followed by a number of other Mediterranean countries.

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The political arguments for seeking that kind of enlargement are very strong. Greece and Portugal have recently emerged from despotic rule and democracy is struggling to be reborn in Spain. The political backing of the European Community will without doubt be an immense support to the democratic forces in these countries and a great safeguard against any reversion to authoritarian rule. Nevertheless, they add to the economic problems I have been describing.

I believe that the European Community must respond to the political appeal of these Mediterranean countries, but must nevertheless face the consequences for the development of the Community institutions which will be represented by their membership.

My judgement is that in an important sense the European Community is now indestructible. Its roots have gone deep enough and enough common interests have been created to ensure its survival.

The real question therefore is not whether the Community will survive, but what kind of Community it will be. The real choice seems to me to be one of the possibility of an enlarged Community developing - or perhaps more exactly degenerating - into a largely inter-governmental organisation operating a Customs Union and some other common policies. It would be a sort of glorified O.E.C.D. The alternative is to continue the efforts to develop an integrated Economic and Monetary Union, which will enable the Community to exercise real political weight in world affairs.

If this is to happen in a Community of ten, or eleven or twelve, it will be vital not to stand in the way of those countries which are able to integrate their economic and monetary arrangements at a faster rate than others. Indeed, if the massive problems of economic development which the Mediterranean countries will bring with them into the Community are to be tackled on an adequate scale by the

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transfer of Community resources, it will be necessary to encourage the countries capable of a faster rate of integration to do so as a means of generating the wealth to help others. But the economic and political consequences of such a development would need to be given a great deal more thought than they have so far received: integration is a political as well as an economic process and it will be vital to ensure that the political unity of the Community is maintained in respect of its institutions. The question for Britain in this situation will be whether by that time in the Eighties we will have shown our capacity to use the bonus of North Sea oil sufficiently wisely to be part of the economic power-house of the Community.

It is customary in Britain these days to pour a good deal of pragmatic scorn on the grand designs of the past for an Economic and Monetary Union. One metaphoric version of old fashioned British common

sense that keeps cropping up is the proposition that blue-prints are all very well, but you can never build a house starting with the roof. It is at least equally true that, if in building a house painstakingly brick by brick from the foundations you slow down almost to a standstill before the walls are completed and the roof is on, then in stormy weather the half finished structure becomes so useless that it is likely to be abandoned. The real challenge to the Community in the period immediately ahead is to recover some of the vision of the original architects of the European Community and to generate enough of the political will to restore the momentum of the building of that house of Europe and to get its roof on as quickly as possible.