

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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BRITISH PARLIAMENT SUPPORTS UK MEMBERSHIP IN THE EUROPEAN COMMUNITY

The House of Commons has endorsed Britain's continued membership in the European Community by a 396-to-170 vote, supported by opposition Conservative votes. The vote, which took place April 9, followed three days of debate on a "White Paper," which clarified the British Government's arguments for staying in the Community. The White Paper was published in March and presented to the British Parliament by Prime Minister Harold Wilson. The issue of continued Community membership will now be put to the British electorate in a referendum, tentatively scheduled for June.

Wider Effects of Withdrawal

The White Paper states that British withdrawal from the European Community would result in long-term uncertainty which would be damaging to the country. Confidence in Britain would be affected, both in investment in the United Kingdom and in Britain's ability to finance its balance-of-payments deficit. Employment would be jeopardized and inflation would worsen, for a short time at least.

British withdrawal would necessitate the negotiation of a new trading relationship with the Community and the rest of the world. British exports would face a high Community tariff on such products as chemicals, commercial vehicles, and textiles.

Britain could no longer participate in the Community's institutions or in its political cooperation processes, if it were to leave the Community. Britain would have to pursue its interests and apply its influence vis-à-vis the Community from the outside.

Britain's influence in international affairs would be diminished if it were to act as a single country, as opposed to the weight it would carry as part of a nine-nation Community.

Direct Benefits of Community Membership

British membership in the European Community, the White Paper points out, gives that country access to the

- European Social Fund, which provided the United Kingdom with over 20 million pounds annually in 1973 and 1974 to help with industrial retraining for workers
- European Investment Bank, which made loans totaling 113 pounds to Britain in 1973-74 to aid economic expansion
- Regional Development Fund, which would bring the United Kingdom up to 60 million pounds net from its operation over the next three years.

The removal of barriers to trade, one of the main Community objectives, is slow and laborious, the White Paper notes, but progress has already been made in the harmonization of industrial and food standards and free movement of workers within the Community.

Through North Sea oil reserves, Britain, alone out of all Community members, is in sight of self-sufficiency in oil. The UK Government emphasizes the importance of British cooperation in a common energy policy which would help the Community reduce its dependence on imported energy.

Community political cooperation stems from informal agreement among the nine member governments. If the British people do vote in favor of continuing membership in the upcoming referendum, then Britain will have to accept the Community's special institutional features in order to achieve effective and worthwhile cooperation. The March 10-11 Council meeting in Dublin on "renegotiation" has shown how the direction of Community policy can be changed to accommodate a member state's basic requirements.

Labor Party Manifesto Objectives

A February 1974 Manifesto, published by the British Labor Party, detailed the seven objectives for which renegotiation of British terms of entry into the Community were desired. The White Paper shows how each renegotiation objective has been resolved within the Community.

Food and Agriculture

The Labor Party Manifesto undertook to secure "major changes in the common agricultural policy (CAP) so that it ceases to be a threat to world trade in food products, and so that low cost producers outside Europe can continue to have access to the British food market." The White Paper noted that: CAP price levels have been held down in real terms to assure consumers food at fair prices; the CAP has achieved greater flexibility in meeting special circumstances; an improved marketing system for beef has been secured; progress has been made to discourage the creation of surplus stocks; financial control of Community expenditure is being strengthened; access to the Community has been secured for sugar from the Commonwealth countries, and arrangements for continued access for New Zealand dairy products to Britain after 1977 have been made. The current stocktaking of the CAP provides an opportunity to seek further improvements.

Community Budget

The British Labor Party Manifesto stated that one renegotiation objective would be to find "new and fairer methods" of financing the Community budget. The March 10-11 meetings of EC heads of State or Government in Dublin agreed on a budget correcting mechanism to provide a refund to Britain if in any year its contribution to the Community budget went significantly beyond what is fair in relation to its share of the Community's gross national product (GNP).

Economic and Monetary Union

The Labor Party Manifesto rejected "any kind of international agreement which compelled us [Britain] to accept increased unemployment for the sake of maintaining a fixed parity, as is required by current proposals for a European Economic and Monetary Union (EMU)...The monetary problems of the European countries can be resolved only in a world-wide framework." The movement toward EMU by 1980 was found to be over-ambitious and has been pushed back to a later date. The White Paper found that closer cooperation between Community countries in the economic and monetary fields was valuable and no threat to employment in the United Kingdom.

Regional, Industrial, and Fiscal Policies

The Labor Manifesto's objective was to ensure the "retention by Parliament of those powers over the British economy needed to pursue effective regional, industrial, and fiscal policies."

The Government has expressed satisfaction that Community obligations will not hamper actions taken in the regional, industrial, and fiscal areas, and that national governments are the best judges of what is required in their own countries.

Capital Movements

The Labor Manifesto called for an "agreement on capital movements which protects our balance of payments and full employment policies." Experience has shown, the White Paper pointed out, that in practice the Government can act to control capital movements when necessary. This renegotiation objective was secured, without any special agreement, under the existing terms of the treaty creating the European Economic Community.

Commonwealth and Developing Countries: Trade and Aid

"The economic interests of the Commonwealth and the developing countries must be better safeguarded. This involves securing continued access to the British market and... the adoption... of trade and aid policies designed to benefit... developing countries through the world."

Continued access on good terms has been secured for sugar from developing countries and improvements have been obtained in arrangements for dairy products from New Zealand. Reductions in tariffs on items of special interest to Commonwealth countries have been secured through talks within the General Agreement on Tariffs and Trade (GATT). The Lomé Convention, linking the Community to 46 African, Caribbean, and Pacific countries, provides free entry into the Community for these countries' industrial exports, almost free entry for agricultural goods, and substantial aid. A start has been made in securing a more balanced distribution of Community aid. Additional major improvements have been secured in the Community's generalized tariff preferences for 1975 which benefit other developing countries, particularly the Asian countries.