

Corbet, Hugh

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Strong British Doubts about Membership

by Hugh Corbet, London

In the third British attempt to join the European Community the state of public opinion in Britain will plainly be a major influencing factor. When the negotiations opened in July it appeared that the British electorate was overwhelmingly opposed to the whole proposition¹. Public hostility will no doubt ebb and flow. In the end the people of the United Kingdom may be sufficiently reassured that all will be well once the Treaty of Rome has been signed. But that must still seem a slim hope.

Since President Charles de Gaulle's withdrawal from the European political scene, the British Government has been putting a higher price on membership of the Common Market, reflecting serious Whitehall and public concern over the likely cost. The leaderships of the two main political parties have long since hedged their positions². Indeed, during the General Election campaign, both were on the defensive over their European policies and stressed that they were only committed to negotiate.

Only a Minority for Membership

It might be said that the retirement of President de Gaulle served to crystallise British public opinion. When Britain first applied to join the European Community the electorate had little opportunity to assess the issues involved, such as the highly emotional climate of discussion, although it was led to believe that what was being proposed was merely a new trading alignment. When the British Government sought membership a second time it was plain to the man in the street that the French Government was not going to let it happen anyway. The difficulties in the way of Britain's accession to the Treaty of Rome had always extended far beyond the

person of General de Gaulle, but it was convenient to present him when President of France as the principal if not the sole obstacle and so later when that obstacle decided to retire it became clear that the question of Britain joining the Common Market would have to be decided in Britain after all. By the autumn of 1969, with the issue again to the fore of public discussion, the opinion polls were returning remarkably consistent results which showed that only a minority in the country supported British membership of the European Community³.

To some extent the dramatic shift in public opinion may reflect, as some Government spokesmen suggest, a certain disenchantment with Britain's supplicant posture before the Common Market. But during the 1960s public opinion has become better informed and the Great Debate that Mr Wilson called for in 1966 has become more evenly balanced. Many aspects of the issue neglected in the early 1960s were brought out into the open in the late 1960s.

The issues are still far from generally understood. All the same, people are more aware of the arguments on both sides, and in the middle. The mood is certainly for closer relations with other European countries. But the Common Market involves more than that. Only a narrow section of British opinion would support membership of the European Community at the expense of Britain's close ties with other Commonwealth countries and with the United States. On that score there has been little fundamental change since the late 1950s when because of those extra-European relationships the United Kingdom declined to commit itself to the Treaty of Rome with all it was then meant to imply.

Hopes for a European-wide Free Trade Area

Any analysis of influential opinion on the European issue is complicated by those who support negotiations with the Common Market not because

* Director of the Trade Policy Research Centre in London.

¹ A survey by National Opinion Poll published in the Daily Mail, London, on October 27, 1970, showed that 61 p.c. of the British electorate is opposed to Britain joining the European Community against 24 p.c. in favour, suggesting little or no change of heart since a spate of polls in late 1969 indicated that roughly three-fifths of the country was disenchanted with the European idea.

² For instance see Mr. Harold Wilson's address, as Prime Minister, to the International Chamber of Commerce in London, October 23, 1969.

³ Parts of this article are based on my testimony to some hearings in Washington on March 18 to 19, 1970, conducted by the Joint Economic Committee, United States Congress: A Foreign Economic Policy for the 1970s, Washington D.C.: US Government Printing Office, 1970, Part 2, pp. 173-190.

they think such negotiations will succeed, or even because they want them to, but because they believe that until the issue is settled it will be extremely difficult for any British government to shift national policy on to a new or broader course. If full membership for Britain, and for the other applicant states (Denmark, Eire and Norway), proves too difficult to negotiate, however, the discussions may be broadened to include other members of the Organisation for Economic Co-operation and Development (OECD).

Some in Britain would not be satisfied if broader, and more flexible, arrangements became the subject of inter-governmental discussion. It would be quite wrong to suggest that these would be confined to the Foreign Office. But the disappointed would not extend far beyond that section of Britain's political élite which has had the most difficulty in adjusting to Britain's lesser status in great-power politics and, since the transformation of the British Empire into the Commonwealth of Nations, has been casting about for a new domain to run.

Whatever some politicians and officials might say, the British, by and large, would be well satisfied with a European-wide free trade association. Insofar as it would dispose of the problem of the EFTA neutrals and a number of Commonwealth problems it would probably ease the way for Britain to join the Six at a later date. When close attention is paid to the arguments deployed in the Great Debate, it appears that what people have really wanted, even in speaking of joining the Community, is a large tariff-free market in Western Europe. It cannot be said that opinion formers in Britain have generally understood the finer distinctions between the various stages through which economic integration can go from a free trade area to a customs union to a common market to an economic union. But it is rarely argued by advocates of British membership of the Common Market that it is necessary in a free trade scheme to harmonise economic policies across-the-board as it is commonly argued in the Common Market itself.

EFTA—Economic Integration as Primary Aim

Customs union theory was formulated long before the European Community and the European Free Trade Association were formed. Various economists have since shown though that under a free trade association the need for policy harmonisation additional to what is required of countries already extensively engaged in international trade is relatively slight⁴. Further harmonisation (beyond the elimination of tariffs and quotas) is

more a matter of choosing to augment the benefits of free trade rather than harmonising as a result of free trade. In any case, little of importance is lost through not harmonising other policies. Such harmonisation issues as do arise can be handled, as EFTA has shown, by the consultative and negotiating procedures with which governments are familiar. They do not require elaborate international agreements.

The member countries of the European Community, and the Commission particularly, have disliked the free trade association concept because it does not implicitly invoke significant centripetal forces among the participating states. Differences between them and the EFTA countries can be explained by the dichotomy in what is meant by European integration.

From an economic point of view, the harmonisation of economic policies, insofar as it is necessary to overcome distortions of competition, requires a co-ordinating authority. But it is enough that the co-ordinating authority is effective. It might be intergovernmental. It does not have to be supra-national in character. In the economist's scenario of events, political union is therefore deemed almost incidental, as it were, to the real and primary goal of economic integration.

EEC—Political Integration as Real Goal

The argument is turned upside down by those, the founders of the European Community and its main supporters, who instead envisage political integration as the real and primary goal. They argue that the determination to integrate economic policies (even if the economic benefits are marginal) will compel the formation of a supra-national economic government which in time will assume responsibility for foreign policy and military security. Theirs is a doctrine of functional inevitability. Economic integration, from the politician's point of view, seems merely to be a pretext for political union; it is a means to an end, not an end in itself. It does not matter how small or how large are the economic gains from policy integration. What is important is the will to go ahead regardless⁵.

Most shapers of public opinion and makers of public policy in Britain hold the economist's view. They may not do so for reasons that can

⁴ See, for example, Harry G. Johnson, "The Implications of Free or Freer Trade for the Harmonisation of Other Policies", in Johnson et al., *Harmonisation of National Economic Policies under Free Trade*, Toronto and London, 1968. Also see Hans Liesner, *Atlantic Harmonisation*, London: Atlantic Trade Study, Trade Policy Research Centre, 1968.

⁵ The issue is developed more fully in Hugh Corbet, "Role of the Free Trade Area", in Corbet and David Robertson (eds.), *Europe's Free Trade Area Experiment*, Oxford, 1970.

be found in formal economic theory and empirical analysis. Instead they may do so because of what they know of the bureaucratic nature of the European Community's institutions or because of Britain's very strong extra-European ties with other Commonwealth countries and with the United States⁶.

Failures of the White Paper

It is often forgotten that, by contrast to the Six, nearly two-thirds of Britain's trade is done outside Western Europe and over 85 p.c. of her income from overseas investments derives from outside Western Europe. This partly explains the world-wide outlook of the United Kingdom and the difficulty many of its people have in seeing themselves immersed in a European arrangement that involves dislocating traditional economic and political links.

Britain's membership of the Common Market is thus far from a foregone conclusion. Earlier in the year the British Government's White Paper on the costs and benefits confirmed much that the critics and sceptics of membership have been saying all along. On the costs side, the White Paper blurred the issues, giving a wide range of possibilities⁷.

In terms of payments across the exchanges, food imports might involve a gain of £85 mn; on the other hand, they might involve a loss of £225 mn. Britain's contribution to the Community might be only £150 mn; on the other hand, it could be as high as £670 mn. Receipts from the agricultural fund might be £100 mn; on the other hand, they may be only £50 mn. The balance of trade (apart from food) might be worse off by £125 mn; on the other hand, it might be worse off by £275 mn.

What was most alarming about the White Paper was its failure to distinguish the balance-of-payments cost of joining the Common Market from the consequential effects on real incomes and economic welfare. The net contribution that the United Kingdom would have to make to the European Community's financial arrangements, which Mr Anthony Barber dwelt upon at the opening of the negotiations in July, would be a cost on the real income and welfare of the country. But increases in industrial costs and export prices, brought about by the rise in the cost of living, would not be a real cost where the balance-of-payments is concerned because it could be rectified by an adjustment of the exchange rate.

⁶ This point has not been lost on all European political leaders. See Ludwig Erhard, "The Prospects for European Integration", *Lloyds Bank Review*, London, January, 1969.

⁷ Britain and the European Communities: An Economic Assessment, London: HM Stationery Office, 1970.

All the same, the adjustment problem and fall in real incomes is likely to be very great, casting serious doubts on the wisdom of the whole exercise. If the Community goes ahead with its plans for monetary integration, ruling out the possibility of exchange rate adjustments, those doubts could harden and become more widespread.

Dynamic Effects of Integration for Britain?

On all sides it is agreed that much depends on the outcome of the negotiations. Since the balance-of-payments cost seems bound to be at the higher end of the range of £100 mn to £1,100 mn a year suggested in the White Paper, a lot must be expected from the benefits of Common Market membership which are seen in terms of the dynamic effects. Although the British Government has attached considerable importance to these last, the benefits from them will materialise in the long run as British industry gradually exploits opportunities for economies of scale and, hopefully, management efficiency is improved in the ensuing more competitive conditions.

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Whether the elimination of the European Community's tariffs, which by 1972 will average only 7.6 p.c., would make a great difference seems highly problematical. It would not offer as big an improvement in margins as the 1967 devaluation of sterling and the difference that made is well enough known. Under present conditions the Common Market has in any case come to account for over 20 p.c. of British exports.

Elimination of tariffs, however, does remove an element of uncertainty in corporate planning. And there is another aspect that is worth bearing in mind. The greater specialisation of the British economy on a European-wide basis would result, over time, in a greater proportion of British sales and purchases taking place in other parts of the enlarged Common Market, thereby making for easier management of the economy. For the less British industry depends on the United Kingdom market, and the more British consumption absorbs goods from outside the United Kingdom, the more effective will be any check on domestic demand in correcting a balance-of-payments situation.

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Growth Performance of EFTA also Remarkable

Much else could be said about the long run aspects. The fact remains, however, that nothing has been said, either in the White Paper or in subsequent statements, to satisfy professional economic commentators that there is anything in the argument that membership of the European Community would impart some fresh impetus to growth in the British economy. The growth performance of the Six in the 1960s was of course remarkable. Put aside the record of the United Kingdom and the growth performance of the remainder of EFTA can be seen to have been no less remarkable. Introduce the subject of Japan, though, and suddenly it is recognised that some economies are different. The trouble with comparing growth performances is the underlying assumption that growth is the sole objective of every economy.

Without enlarging on the point, it does bring this discourse back to the aspects of the British economy which help to make it different from the economies of the Six, and for that reason only are posing problems for European integration as it is presently being pursued. There have been, first, the relatively liberal policies of the United Kingdom which relate to agriculture: direct support for domestic farmers and free, or virtually free, entry for food imports (upon which the New Zealand economy, more than other Commonwealth economies, has been built). Then there are the relatively liberal policies towards less developed countries where the Commonwealth sugar agreement and the position of Hongkong pose particular difficulties. These are the chief preoccupations in the foreground of the Brussels negotiations.

Agricultural Problems

In discussing Britain's adoption of the European Community's common agricultural policy it will be hard to get away from short run matters such as the transitional arrangements. After all it is the short run which concerns politicians. (In the long run, as Keynes said, we are all dead.) But with international trade in agricultural products becoming one of the major issues confronting the world economy the Brussels negotiators will sooner or later have to face up to the external aspects of the Common Market's farm policies. Britain should insist on the evolution of those policies being the subject of discussion and be prepared to forgo short run gains on the application of the present arrangements in order to secure agreement on long term improvements.