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Article — Digitized Version

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Intereconomics

Suggested Citation: Corbet, Hugh (1971) : The "Terms" of british membership, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 06, Iss. 10, pp. 296-299, <https://doi.org/10.1007/BF02929126>

This Version is available at:

<https://hdl.handle.net/10419/138533>

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Britain in the EEC

British membership to the European Communities will have political and economic consequences not only for the United Kingdom — as analysed in the White Paper of July — but also for the “older” member countries — which have not considered it necessary to make an evaluation of costs and benefits. But can the conclusions arrived at in the White Paper be considered valid? And which repercussions can be expected for the Federal Republic?

The “Terms” of British Membership

by Hugh Corbet, London *

The question of British membership of the European Community has hardly ever been a topic for rational analysis. From the outset it was subject to the pressure of emotive words and power politics¹. Now the outcome of Britain's Great Debate is entirely in the hands of publicists, pollsters and politicians. For the rest it has become a matter of patient endurance.

If the vote in the House of Commons on October 28 would settle the issue once and for all maybe public discussion could at last begin to focus seriously

on the reforms for which Britain will want to press when inside the enlarged Community.

Discussion of Details Still to Come

It seems to be generally agreed that, one way and another, the Government will get a Commons majority favouring “in principle” the adherence of the United Kingdom to the Treaty of Rome. When it comes to the details, however, the Treasury benches could lose support in the votes on clauses in the enabling legislation which will have to be passed before Britain can actually join the Common Market. With the Labour Opposition likely in the end to reject outright the “terms” negotiated by the Conservative Gov-

ernment the issue promises to remain alive and kicking well into 1972.

Not that the Great Debate will really end with the Royal Assent on the Common Market enabling bill. In a sense, it will be carried on within the larger European Community, most probably along the lines advocated in the recent “Wieland Europa” article in *Die Zeit*². Bureaucracy for the sake of bureaucracy, much less harmonisation for the sake of harmonisation, does not go down well in Britain on either side of the Great Debate³. Com-

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¹ For a perceptive and amusing account of the public debate in Britain at the time of its first application to join the European Community, see E. J. Mishan, “Britain, the Economist and the Six”, *The Bankers' Magazine*, London, August, 1962, pp. 85–105.

² *Die Zeit*, Hamburg, July 9, 1971, p. 3.

³ The difference between British and certain Community interpretations of what is meant by European integration is discussed in H. Corbet, “EEC: Strong British Doubts about Membership”, *INTERECONOMICS*, Hamburg, December, 1970, pp. 384–85.

menting on the article by "Wieland Europa", known to be the Community's Commissioner for External Trade, Ralf Dahrendorf, the Brussels Correspondent of *The Times* wrote: "The Common Market is as badly in need of a Great Debate about what it should be doing over the years as is Britain over the rights and wrongs of joining it⁴."

Indeed, on the development of democratic institutions in the enlarged Community, Edward Heath made an interesting aside at the Guildhall banquet in London in 1969, the purpose of which was to demonstrate how the Labour, Conservative and Liberal leaderships all supported British entry to the Common Market. "I will venture a prophesy", said the then Leader of the Opposition. "It will be those who are today most apprehensive about this aspect of Britain in Europe, national sovereignty, and who I do not see amongst us tonight, who will then be foremost in pressing for these [democratic] developments in the new Europe⁵."

Emphasis on the Terms

In Britain there is a sick kind of joke, which emerged after the Welfare State had come to stay, that "we are all planners now". In much the same way it might be said when Britain has joined the Common Market that "we are all anti-Market now". When the leaders of the original Six have said they want the British democratic tradition and outward-looking view of the world incorporated in the European Community it has not been clear from which quarters these in-

fluences are expected. For those most enthusiastic about a British role in European political union are usually inward-looking⁶ and contemptuous of "what the people think".

The point is illustrated by the way the Great Debate has been managed to concentrate attention on the "terms". At first the Government—under Harold Macmillan, then Harold Wilson and finally Mr Heath—said that the question of Britain joining the Common Market could not be decided in principle until the terms were known. Now that the terms are known it is said by the Government under Mr Heath, although not by the Opposition under Mr Wilson, that Britain would never have sought to negotiate the terms if the principle had not already been decided. The ploy did not fool Douglas Jay, Sir Derek Walker-Smith and company, but with Fleet Street's help it fooled, at least for a time, the public at large.

Neglected Basic Issues

Anyway, the upshot is that basic issues have still not been openly discussed, which does not augur well for the time when more is understood of what is involved in the pursuit of eco-

nomic and monetary union. The latest White Paper⁷ is thoroughly evasive on the loss of national sovereignty. It simply assumes the case for joining a larger economic grouping. The security arguments are wrapped up in mumbo-jumbo about "Europe united" and "Europe divided" that appears to date more from the 1930s than from current realities.

Nowhere in the White Paper, or in the speeches of Government ministers, is it acknowledged—implicitly or otherwise—that since the 1940s international security has been a matter of global balance. Nor do official statements reflect an acquaintance with the degree of integration and interdependence achieved in the world economy during the 1950s and 1960s. In the 1970s it is essential, in the present writer's view, to think in global terms.

Political integration in Western Europe has been promoted on a functional basis. But techno-

⁴ The mood of withdrawal which has developed in Britain over the last decade is discussed from several standpoints in P. Streeten and H. Corbet (eds.), *Commonwealth Policy in a Global Context* (London: Frank Cass, 1971), particularly in the papers by A. A. Mazrui, L. Gelber, H. Corbet and M. Lipton.

⁷ The United Kingdom and the European Communities (London: Her Majesty's Stationery Office, July, 1971).

⁴ The Times, London, August 2, 1971.

⁵ "News at Ten", Independent Television News, London, July 29, 1969. The aside was recorded on television; it was not part of the official text.

The phrase "Britain in Europe" is an example of the emotive phraseology which has made for some difficulty in communication between the various sides of the Great Debate. Some would apparently have it that for centuries geography and history teachers the world over have been quite wrong about Britain already being a part of Europe.

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logical advances in transport and communications, together with the liberalisation of trade and international capital movements, have resulted in functional integration taking place on a world-wide scale. The integration of the world economy may still assist political union in the European region. It will not do so, however, if political endeavours in Western Europe are bent towards staying functional integration with the rest of the world⁸.

Danger of Protectionism

Yet that is what the European Community often appears to be trying to do, as over its mercantilist agricultural system, its preferential trade arrangements, its embryo industrial policy and even its plans for monetary union⁹. As *INTERECONOMICS* observed editorially earlier in the year, "the Community has not tried to solve its problems in the spirit of international free trade", which is the mounting complaint of the United States and the Commonwealth countries that will be adversely affected by the Common Market's enlargement¹⁰.

Some therefore argued that the United Kingdom should have insisted, for instance, on the evolution of the common agricultural policy being the subject of discussion with the Six and

that it should have been "prepared to forgo short-run gains on the application of the present arrangements in order to secure agreement on long-term improvements"¹¹. But that was too much to ask for. The British Government preferred to leave all the major issues—agricultural arrangements, industrial and regional policy, the development of democratic institutions, monetary union and so on—until after Britain has become a member of the club.

All the Brussels negotiations were concerned with, then, were the transitional arrangements for Britain's accession to the Community and the arrangements for Commonwealth sugar (Australia's excepted) and New Zealand farm products. The final package was far from satisfactory, but it might have been far worse, which meant it produced an extraordinary euphoria of gladness all round. In presenting the "terms", narrowly defined, the White Paper is therefore unashamedly propagandist — and just because it had to be in any case is no reason for ignoring the fact¹².

Propagandistic White Paper

For a start, the White Paper does not represent any significant advance, in terms of calculations, on the economic assessment published by the Wilson Government early in 1970¹³.

In fact, it avoids figures almost completely, but some journalists and politicians have got wind of several of the estimates the Heath Government has declined to release.

¹¹ H. Corbet, "EEC: Strong British Doubts about Membership", *op. cit.*, p. 386. A fuller statement of the case was put in T. E. Josling, *Agriculture and Britain's Trade Policy Dilemma* (London: Trade Policy Research Centre, 1970).

¹² A. Harris, "What the White Paper leaves unsaid", *The Guardian*, London, July 8, 1971.

¹³ Britain and the European Communities: an Economic Assessment (London: Her Majesty's Stationery Office, February, 1970), cited below as the 1970 White Paper.

There is no White Paper estimate of the cost on the balance of (non-agricultural) trade as a consequence of tariff changes, including the loss of preferences in overseas (Commonwealth and EFTA) markets, something the original Six never had to lose when the Common Market was formed. But the Whitehall estimate is £200 mn to £300 mn¹⁴.

Whether one should include the trade effects of cost inflation resulting from higher food prices is a moot point. There is an assiduously argued line that the Heath Government would have introduced an import-levy system of farm-support regardless of its long-standing commitment to get Britain into the Common Market come what may¹⁵. But to whatever cause it is ascribed, the rise in food prices, which the White Paper puts at 15 p.c. over the transition period, will have a substantial effect on wage demands and thus on labour costs, thereby affecting Britain's capacity to pay the "cost of entry".

The 1970 White Paper gave the rise in food prices at 18 to 26 p.c. The lower estimate now given is accounted for by the rise in food prices in Britain in the interim. In the interim, though, world food prices have been affected by a coincidence of short-falls in production in the European Community, the

¹⁴ The 1970 White Paper estimate was £125 mn to £275 mn. For the most authoritative study to appear to date on the likely effects of Common Market membership on British industries, based on trade statistics, see S. S. Han and H. Liesner, *Britain and the Common Market: the Effect of Entry on the Pattern of Manufacturing Production* (Cambridge: Cambridge University Press, 1971).

¹⁵ Some have followed the trials and tribulations of Britain's Common Market endeavours long enough to recall that the negotiations on its first Brussels application were never resumed at ministerial level after Mr. Heath and Mr. Soames, as Minister of Agriculture, broke them off in October, 1962, having failed to obtain any worthwhile concessions from the Six in their effort to reconcile the British deficiency-payments system and the Common Market's nascent import-levy system.

⁸ This point is developed in H. Corbet et al., *Trade Strategy and the Asian-Pacific Region* (London: Allen & Unwin; and Toronto: University of Toronto Press, 1971), pp. 42–44.

⁹ The impact of the European Community's policies on American attitudes is dealt with in C. F. Bergsten, "Crisis in U.S. Trade Policy", *Foreign Affairs*, New York, July, 1971, pp. 626–29. The article appeared just after Dr Bergsten resigned from President Nixon's staff on which he was Assistant for International Economic Affairs. Also see H. G. Johnson, "Problems of European Monetary Union", *Euromoney*, London, April, 1971, pp. 39–43.

¹⁰ O. G. Mayer, "Free Trade in Peril", *INTERECONOMICS*, February, 1971, p. 35. For a recent strong American statement on the subject, albeit from a source outside the Administration, see H. Humphrey, "Agriculture's Place in International Trade", address to the Trade Policy Research Centre, London, July 30, 1971.

United States, Australia and New Zealand. The latest White Paper estimates of Britain's prospective contributions to the Common Market's agricultural fund are based on the narrowed gap between Community and world producer prices for feed and foodstuffs. While the Government and some economists, notably T. E. Josling, argue that the gap will steady or narrow still further, agricultural traders expect the gap to widen again as normal or bumper outputs are resumed in agricultural producing countries.

At any rate, the White Paper estimates Britain's net budgetary contributions at £100 mn rising to £200 mn in 1977; and the Whitehall estimate for afterwards

is £300 mn or more. The White Paper adds another £50 mn a year after the transition period for the higher cost of food imports.

Balance-of-Payments Cost

On current account, the balance-of-payments cost could well be in the region of the frequently quoted Whitehall figure of £500 mn, which is acceptable to those who are confident about the dynamic benefits of Common Market membership. But the possible effects of economies of scale, greater specialisation and keener competition will not be felt in the transition period. It cannot be said, however, that the short-run costs are insurmountable and,

in the last resort, they can always be passed on.

In the final analysis, therefore, the effect on the United Kingdom, with its world-wide trading and investment interests, of joining the European Community depends greatly on what happens in a global context. It is vital, as the recent dollar crisis has underlined, that the enlargement of the European Community should be followed by multilateral trade negotiations, bold and imaginative enough to counter the protectionist trends that are developing all round the world¹⁶.

¹⁶ On this theme, see H. Corbet, "Global Challenge for Commercial Diplomacy", Pacific Community, Tokyo, October, 1971, where the free trade treaty proposal is discussed in the light of the European Community's enlargement.

Germany in the Enlarged Common Market

by Dr Dietrich Keschull, Volker Bethke, Rasul Schams, Hamburg

The agreements of Luxembourg have brought a positive end to the discussions on Great Britain's accession to the EEC, which had lasted for years. On July 7, the British Government submitted a White Paper, which—basing on these agreements—evaluates the effects of an EEC-membership for Britain. Although no detailed quantification as in the White Paper of 1970 can be found, the paper gives data on costs and benefits of this step.

Even this rough evaluation is missing up to now for particular EEC members—a fact, which may have its roots in the predominating advantages. Britain's joining has without doubt also for the Federal Republic of Ger-

many repercussions, which touch the field of domestic as well as economic policy.

Strengthening of the European Idea

For the Federal Republic in particular the political shift of emphasis emerging from an enlargement of the EEC can be significant. This is true for the situation within the EEC as well as its position vis-à-vis the outside.

Within the EEC, Germany has up to now—despite its economically leading role—been regarded as a political junior partner of France. An enlarged community, in which France, Britain, Italy and Germany have

a balanced position, offers the chance to change this. The national interests, being excessive in the EEC, could perhaps be pushed back and the "European" idea could be strengthened.

For the Federal Republic and its policy this means, on the one hand, additional political scope, but, on the other hand, the possibilities of conflicts grow. Particularly under the aspect of an independent foreign policy outside the Community, Britain's membership will be welcomed by Germany. This applies above all to the special relationship to the USA, which was often the root of economic and political tensions. West Germany frequently carried out plans—with