



*European Communities
Commission
Press Release*

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Embargoed until 21h00 G.M.T., Friday, March 8, 1974

COMMUNITY GOODWILL FOR NEW BRITISH GOVERNMENT

"There are many within the Community who want to be as helpful as they can in bringing about a situation in which Britain's continued membership of the Community will cease to be an internal issue in British politics," declared Mr. George Thomson, Member of the Commission of the European Communities in York, on Friday, March 8, 1974.

He was giving the Goodricke Lecture at the University of York, on the Social Policy of the E.E.C.

"The new British Government," he said, "comes to power at a time when a period of serious re-appraisal of the Community of Nine was in any case becoming increasingly necessary. The coming into office of the Labour Government in the paradoxical way things so often happen in politics may act as a constructive catalyst. We must wait and see.

"Certainly there are many in the Community who want to see various aspects of the Community improved and reformed. There are many who feel that an intolerable gap has been growing between the stratospheric rhetoric of Summit meetings and the hard haggling of the Council of Ministers. They want to see a constructive and realistic middle course struck between the visionary blueprints of the stratosphere and the ethics of the Oriental bazaar. And there are certainly many within the Community who want to be as helpful as they can in bringing about a situation in which Britain's continued membership of the Community will cease to be an internal issue in British politics.

"The new Labour Government, therefore, sets out on its dialogue with the Community in a situation in which, while there is apprehension about its intentions, there is also support and goodwill to be drawn on.

"The Foreign Secretary's first statement that he does not approach the Community in any spirit of ultimatum will certainly meet with a reciprocal response in Brussels.

"The new Ministers, as they study the departmental papers, will discover that many of the facts of life relating to British membership of the Community have changed radically. This is particularly true in the field of agricultural prices. The relationship between Community prices and world prices has been turned upside down. So much so that for several of the major commodities the Community's system is operating to hold prices down rather than pushing them up " .

The following are the relevant sections of his speech :

"What are the prospects for giving the Community a more human face - for a dynamic development of its social policies ?

There is no denying that the Community is going through a stormy and uncertain period. Its solidarity is under intense pressure from a number of quarters.

First, from early in 1974, there was the world inflationary boom in the prices of basic commodities. Second, there was the particular action of the oil producing states both on supplies and on prices. Thirdly there was the emergence in Germany of a mood of increasing impatience especially amongst the younger generation, at what she regarded as the lack of balance of benefits and burdens she enjoyed in a Community to which she was such a large financial contributor. Fourthly there was the French decision to follow Britain and Italy and float the franc with the consequent consolidation of a currency group around the Deutschmark. Finally there is the new element of uncertainty about the future in the advent in Britain of a new Labour Government committed to re-negotiation and to submitting the results of that negotiation to a referendum or a General Election.

It is a formidable catalogue of question marks hanging over the future of the Community. But underneath this sombre analysis there are certain redeeming features. The new British Government comes to power at a time when a period of serious re-appraisal of the Community of Nine was in any case becoming increasingly necessary. The coming into office of the Labour Government in the paradoxical way things so often happen in politics may act as a constructive catalyst. We must wait and

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Wheat, instead of being cheaper for Britain on the world market than within the E.E.C., is at present 232% above the level of import levies of intervention buying in Britain. The Community has had to impose an export - but not an import - levy on wheat. This means that in practice France is giving Britain a bread subsidy !

Even with New Zealand dairy products, where there remains a big gap with E.E.C. prices, the world position has changed. The New Zealanders, for instance, find they can earn more for their butter and cheese on the world market than in Britain. They have chosen not to take up their full entitlement in Britain. With a butter quota of 163,000 tons, they have fallen short by 33,000 tons. On cheese they are actually 22,000 tons short on a 67,000 ton quota. My New Zealand friends tell me that a farmer who sells to Britain instead of to America at higher prices is considered mildly eccentric.

The same has been happening with sugar. The Commonwealth Sugar Agreement price of £61 a ton had recently to be raised to £ 83 a ton. Even at that, it was away below the residual world price of £260 per ton. Countries like Jamaica and Guyana have been under great pressure to increase their earnings by concentrating their sales on the high price world market.

Nobody can prophesy the future levels of world prices. But the best estimates are that high levels are likely to persist for the next two or three years. Anyway one can say with certainty that they will last a lot longer than the lifetime of the present Parliament.

Indeed, whatever fluctuations there are in average world food prices, it is an illusion to believe that ever again Britain would be able to base her economy on cheap world food; it will simply not exist.

Meantime, changes have been taking place internally in the C.A.P. The Commission has proposed reforms which would over the next few years reduce overall costs by about £ 500 million a year. The changes are being sought in two ways. First through budget saving by getting a better balance between the relative prices of products. Second through a more rational determination of annual price reviews, prices being based on the cost of efficient farms rather than inefficient farms.

"A modest beginning has been made to a better way of distributing income amongst farmers, by the Commission's proposals for Community hill-farming subsidies. And meantime the annual percentage of farmers on the Continent continues to come down from 15.5% in 1967, when the last Labour Government originally applied to join, to 12 % in 1971 when the Conservatives accepted the terms of entry, to 11 % now. The size of the Community farming problem therefore steadily decreases, as indeed does the political factor of the farming vote.

The overall result of these external and internal events is that the Common Agricultural Policy is in a much more fluid position than in the past. The Labour Government has the chance to build on reforms already foreseen and to propose new policies in the assurance that ideas that were unthinkable a few years ago are now open to debate.

Another major matter for the new Government concerns contributions to the Community budget. This has nothing like the same immediacy as the agricultural prices. Certainly until the end of 1977 the transitional arrangements ensure that there is a budget key which, although increasing, lies well below the British share of the Community GNP. With world prices remaining high, the proportion of the Community budget provided by agricultural levies may well drop during these years. In that case, the VAT element will take on a greater importance. I recognise the domestic objection to VAT as a tax, but in Community terms it has the advantage for Britain that it is directly proportional to GNP. If our relative GNP falls, so will the amount we are obliged to contribute on VAT. Equally, if VAT is to provide a bigger proportion of the Community's budget because of a reduction in the agricultural element, then that is to the British national advantage.

Incidentally, the fears that have been expressed that the Community is set to compel Britain to impose VAT on food and books and other necessities is a good example of the way in which the facts of life in the Community have been changing. The present position is that Britain's zero-rating has been agreed for an indefinite period and the future left entirely open either way. There is nothing to prevent the Community in the future deciding to agree to the British system of VAT-free necessities for everyone as a positive act of social policy.

On the budget, the Labour Government may well get a sympathetic hearing for the proposition that Britain, when it finally comes fully under the Community budget system, should not find herself making a disproportionate contribution to a Community budget which is predominantly designed to support agricultural prices. But even Labour's more sympathetic partners would be inclined to ask the Government to wait and see what happens. In my view, what is necessary and urgent is to ensure the development of new policies in the regional and social fields, where Britain has a right to benefit on Community grounds. In that way a balanced pattern of budgetary expenditure can be created in place of the present over-concentration on the C.A.P.

"It is here the new Government can make a constructive - and indeed could make an historic - contribution to the construction of Europe.

What one seeks to build in the modern mixed economies of Western Europe is the just society. Indeed the mixed economies cannot be made to work, cannot solve the fundamental problem of consent within a modern democracy except on the basis of a just society.

But, as I sought to argue at the beginning of my lecture, there are important aspects of economic social and political life where the full potentialities of our societies can only be obtained on a Community basis.

There is a widespread desire for change in the Community. There is less agreement about the nature of the change required and inside the Community there is a deep built-in national inertia resisting the implications of change. It sometimes needs a major shock to the Community to produce movement. The shock administered by the oil producers unfortunately made Member States run for cover. It is profoundly to be hoped that the impact of a British Government committed to renegotiate will produce a fresh impetus to find means of remaining together.

The people of Europe need - indeed the world needs - a Community which can ensure that the wealth-creating capacity of multinational corporations is made responsive to democratic control, a Community with a more sensible way of working towards economic and monetary union, a Community where economic resources are taken to the human resources and not vice versa, a Community which by tackling the energy crisis cooperatively can save and enhance our quality of life, a Community which can find new and relevant forms of economic fellowship with the Third World in the face of radical changes in the distribution of wealth there.

I have always thought that the concern of those who were sceptical about Britain's entry into Europe was much more with the kind of Community Britain was entering than with the terms of entry as such.

The terms of entry are closely linked with the transitional arrangements and, as I have been describing in relation to farm prices, have in many ways been overtaken by events. The real concern is with what the transition leads to rather than with the details of the transition itself.

I think this distinction between the terms of membership as Britain finds it inside the Community and the more juridical terms of entry is one of political importance and need not detract in any way from the desire of the Labour Government for a serious renegotiation.

"If I may put it another way, if there is a concentration legalistically on renegotiating the Treaty of Accession, this will run into formidable juridical obstacles and lose Community support which otherwise could be enjoyed. If, on the other hand, there is a concentration on renegotiating the character and policies of the Community, there will be the chance of winning allies and making progress.

And that, I venture to think, remains the real British interest. Never was there a time when it was less possible to turn one's back on the international fact of interdependence. The mounting trade deficit, dramatically worsened by the energy crisis, means that over the next year or two Britain will need all the support she can get from her friends in both Community Europe and in the United States, which, whatever its own criticisms of Community trade and agriculture policy, would undoubtedly view with dismay the disruption of the Community.

And that brings me to my final point. People in Britain studying the present state of the Community which I have sought to describe frankly, would not be led into deceiving themselves about its staying power. The Community of Six has existed for 22 years and survived many crises. The economic advantages to the other new members, Ireland and Denmark, are paramount for them. The forces promoting solidarity are in the end stronger than those promoting division for a very good reason - they reflect the economic realities.

There is a very simple difference between British public opinion and continental public opinion. It is not that one is apathetic or hostile to the Community and the other is not. There is much apathy and much criticism of the Community on the Continent. But no one contemplates the possibility of leaving the Community or of the Community ceasing to exist. There is not a single political party or trade union (including the Communists) who takes that view. Therefore whatever happens about renegotiation, whatever the British people finally decide to do, the Community will go on and will grow, however spasmodically, in its ability to shape and influence the world events which determine the living standards of its citizens. And in an intensely interdependent world, that is a certainty that a trading people like the British will not wish to forget. I for one do not wish to have any share in leaving the next generation in Britain in that position."