

EUROPEAN BACKGROUND INFORMATION COMMUNITY

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BACKGROUND NOTE

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WAY CLEARED FOR BRITISH REFERENDUM ON COMMUNITY MEMBERSHIP

Washington, D.C. -- Britain's future in the European Community will be put to popular vote, following the conclusion of "renegotiation" of British entry terms. Agreement on Britain's renegotiation requests was reached during the March 10-11 meeting of the EC heads of state or government in Dublin, the first of the new style European Council gatherings agreed upon at the December 1974 Paris "summit" of the EC "Nine." The meetings will be held thrice yearly, or whenever necessary. Following a March 18 UK Cabinet vote, the British Government will recommend that its electorate vote for continued membership in the Community in a referendum.

British Requests

Britain joined the European Community on January 1, 1973, while under the leadership of the Conservative party. A Labor Government returned to office in February 1974 on the pledge to "renegotiate" Britain's membership terms. British Foreign Minister James Callaghan outlined Britain's position to the Council of Ministers in April. Then in June, he presented the principal issues to be discussed to the Council of Ministers. The Dublin European Council meeting of heads of state or government marked the final stage of British "renegotiations," or "requests" as the European Community preferred to call them.

The eight British requests, pared down to two by the beginning of the meeting, were:

- Changes in the Common Agricultural Policy (CAP) allowing low-cost producers outside Europe continued access to the British food market
- Fairer methods of financing the Community budget
- Rejection of the fixed parities required for economic and monetary union
- Retention by Parliament of powers over the British economy needed to pursue effective regional, industrial, and economic policies
- Agreement on capital movements to protect British balance of payments and full employment policies
- Protection of the interests of the Commonwealth and developing countries
- No harmonization of the value added tax (VAT)
- Better terms for New Zealand butter exports.

Several of these requests were dealt with within the framework of traditional Community negotiations. The February 28 signing of the Lomé Convention, linking 46 African, Caribbean, and Pacific countries to the Community in trade and aid agreements, serves to protect the interests of Commonwealth and developing countries. The common agricultural policy (CAP) is now under Commission review so that improvements, benefiting all member states, can be made. A March 4 Council agreement sanctioned a Commission proposal to set up the long awaited Regional Development Fund, which will allocate 28 per cent of its resources to needy regions of Britain.

Certain issues, from the date of proposal to the time they reached the renegotiation table, had become irrelevant: for example, the Community's economic and monetary union -- proposed for 1980, has been pushed back to a later date, so that fixed parities are not yet required of Britain.

So the two main issues left for the European Council meeting in Dublin were the size of Britain's contribution to the Community's budget and the problem of continued New Zealand dairy exports to Britain.

Britain had protested that its proposed contribution to the Community budget -- about 24 per cent of the total by 1980 -- would be higher than its projected share of Community gross national product (GNP), calculated at 14 per cent by that date. The European Council agreed to inaugurate a correcting mechanism to allow Britain -- or any other member state paying a disproportionate amount to the Community budget -- a refund

- if its GNP fell below 85 per cent of the Community average
- if the rate of real growth of GNP per capita fell below 120 per cent of the Community average (if the economy of a poorer member state does not grow faster than the others, the gap will widen instead of narrowing), or
- if it showed a deficit on the balance of payments on current account. A ceiling of 250 million units of account (UA) -- \$301.6 million -- would be imposed on the correcting mechanism. If the Community budget exceeded UA 8 billion -- \$9.65 billion -- 3 per cent of the total would be refunded.

Britain also asked for a continuation of preferential treatment for its imports of New Zealand dairy products. The Council agreed to consider extending the 1977 deadline of Community-bound, duty free New Zealand dairy exports to 1980. The periodic price reviews requested by Britain are taking place within the general CAP review.

Referendum Format

The proposed referendum -- the first in Britain's history -- would be modeled after Parliamentary elections, according to a British Parliament White Paper published in February. Vote would be by popular ballot, with the results calculated on the basis of an as yet unspecified majority.

Votes will probably be counted centrally -- in London -- by hand, and ballot counting would be expected to take five working days. All registered voters would be allowed to take part in the referendum and absentee ballots would be provided.

The referendum question itself would ask for a simple "yes" or "no" to a single question, which might be: "The Government has announced the results of renegotiation of the United Kingdom's terms of membership of the European Community? Do you think that the United Kingdom should stay in the European Community? Yes? No?"

Before voting day, Britons would be provided with information on the renegotiation issues, as well as with instructions on referendum procedures. The Government plans to present pro- and anti-Common Market views in a single document containing a 1,000-to-2,000 word statement of each view, together with answers given by each side to the same set of questions. An information unit would be set up to handle referendum-related questions.

The vote is expected to take place before the end of June.