



BRITISH INFORMATION SERVICES

POLICY AND REFERENCE DIVISION

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POLICY BACKGROUND

5/75. EUROPEAN MEMBERSHIP: PART I, THE ISSUES

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"Her Majesty's Government have decided to recommend to the British people to vote for staying in the Community." With this announcement in the House of Commons on March 18, the Prime Minister, Mr. Wilson opened another phase in Britain's 15-year connection with the European Community.

From 1961, when a Conservative Government took the first decision to step outside EFTA (European Free Trade Association) and apply for membership of the EC, to January 1972, when the Treaty of Accession was signed, the developing relationship between Britain and Europe has been a complex one.

Two sets of negotiations in 1961-3 and 1966-67, had left many problems unresolved. However, the intensive talks which Britain, alongside Denmark, Norway, and the Irish Republic, held with the original Six EC countries throughout 1971 resulted in wide-ranging agreement. After 10 years of discussion and debate, the Treaty of Accession was signed in Brussels, its purpose to enlarge the Six to Ten as from January 1, 1973.

By that date Norway had withdrawn, following a negative referendum decision.

But meantime the remaining Nine had devised a percentage "key" system, whereby new members' financial contributions would correspond to their share of the Community's total Gross National Product. Britain's share of the budget was to begin at 8.42 percent, rising to 18.92 percent in 1977, by which stage it would stand at 92 percent of the total final assessed contribution. Other transitional arrangements, relating to agricultural prices, industry and the Commonwealth, had been designed to ease Britain's entry, although there was no avoiding the increase in food prices which membership appeared to involve.

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After the first year of British membership, the Conservative Government reviewed events, admitting that, while the high costs of entering the Market had been anticipated, a startling world-wide rise in oil prices and the consequent economic problems had not. "It is idle to pretend," said a Minister, "that everything is going to develop as we had foreseen..."

Renegotiation Terms

In March 1974 the present Labour Government took office, pledged to a renegotiation of Common Market membership terms -- in response to a growing feeling that food prices were too high, that the powers of Parliament were at risk and that the strain imposed by the Market on the British balance of payments was becoming intolerable.

Discussions were opened, and the Government's views crystallized around four basic points:

- . Britain's share of the Community Budget should be reduced;
- . the Common Agricultural Policy should be made more flexible;
- . arrangements for trade with Commonwealth countries should be improved;
- . that individual countries must have greater freedom to implement their own regional and industrial policies, and that there should be a less rigid structure for the administration of Community regional aid.

Progress was made on all points, particularly on aspects of the CAP, which had for some time been recognized as unsatisfactory, by other countries as well as Britain. The Convention of Lome, signed on February 28, 1975, represented a major step forward for relations between the Community and 46 developing countries, 22 of them from the Commonwealth. The Government's concern over regional aid for Britain was met by the European Commission's proposal to set up a Regional Development Fund, which would allocate 28 percent of its resources to Britain's needier areas.

Results of Dublin Meeting

By the time of the meeting of the European Council of the Heads of Government of the European Community, which took place in Dublin on March 10 and 11, the only two outstanding issues were: the Community Budget and arrangements for New Zealand dairy products.

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On March 12th, the Prime Minister, Mr. Wilson announced in the House of Commons that he felt Britain "had now taken our discussions within the Community on renegotiation as far as they could go." Without altering the original Treaty of Rome, Britain's objectives had been "substantially, though not completely, achieved."

Under the previous financing system, Britain would have been required to pay 24 percent of the Community Budget by 1980, while its projected share of the Community Gross National Product would have been only about 14 percent. Accordingly, a corrective mechanism was devised which will reduce the British contribution: the ceiling has been set at 250 Million Units of Account, or \$301.6 million per year.

New Zealand dairy produce would continue to receive preferential treatment until 1980, three years longer than originally planned, and prices would undergo periodic review.

For Mr. Wilson an equally encouraging sign of Community flexibility has been the regular use of Heads of Government Summit meetings, like those held in Brussels and Paris in September and December 1974, and Dublin in March 1975. "Compared with even a year ago," Mr. Wilson remarked, "vital interests of individual nations are now getting much more of a fair hearing."

Whether or not the British people feel that their interests are being served will become apparent in the nationwide referendum scheduled for early June.

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