

Daily Notes

Supplement

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BRITAIN AND THE EEC - WHY LABOUR ARE WRONG

'The consequences of abandoning membership are not being exposed adequately in London ... I think that Britain's interests are best served by being in the Community. If you ask what form of agricultural support we would use if we left, or what would be the loss in jobs, you do not get a clear answer' (Mr Roy Hattersley, Strasbourg, 6th July 1982).

1. **Would withdrawal from the Community enable a Labour Government to pursue every major aspect of its economic programme?**

No. Labour claim that the whole basis of their case for withdrawal without a Referendum is the incompatibility of their policies with the Treaty of Rome. It is not, however, clear that they would be able to impose import controls or subsidise industry at will even if Britain were outside the Community.

Import Controls. Labour propose leaving the EEC but remain committed to continued membership of the General Agreement on Tariffs and Trade. However, despite their use of phrases like 'increasing trade', they seriously intend to restrict imports of manufactured goods. This is clearly inconsistent with our obligations under the GATT. Articles 11 and 12 of the GATT prevent members from acting unilaterally to limit imports except as a temporary measure in exceptional circumstances.

Leaving the EEC, of itself, would not allow a Labour government to erect a whole panoply of import controls and, at the same time, keep Britain within the open-trading system. The United Kingdom exports 31 per cent of her total production - a higher dependence on overseas markets than any other major industrialised country. The open-trading system has been under great pressure during the years of recession, and it seems inevitable that any major trading nation that threatens its continued survival would be subject to massive retaliation. If Labour really intend to leave the GATT and introduce an Eastern European-style siege economy they should make that clear.

Subsidies to Industry. Labour make it clear that they intend to grant massive industrial subsidies in a way which would contravene the Treaty of Rome. Withdrawal, in their view, is essential if they are going to bring in their proposed policies for industry.

Mr Foot argues that: 'countries like Austria, Sweden and Norway are not in the Market, but they trade with the Market and we can do exactly the same'. This would, however, mean that Britain would need to negotiate an EFTA-type agreement with the Community which would prevent the employment of subsidies to industry by a Labour government.

The report of a Labour delegation to the EEC Commission (30th November - 1st December 1981) pointed out that a free trade agreement with the EEC countries would carry with it enforcement of many of the aspects of EEC legislation to which the Labour Party are opposed. They explain that '... an EFTA agreement would not allow the UK to carry out the sort of trade planning or state aids policy as envisaged in the alternative economic strategy, since the articles of the Treaty of Rome concerning state aids are written verbatim into the agreements between the EFTA countries and the EEC, and are apparently applied with the same vigour as they are applied internally'.

Thus an EFTA-type agreement between Britain and the EEC would leave us subject to a number of important Community regulations but with no voice inside the Community to influence what those regulations contain. Common standards applying to industrial products, and measures to prevent unfair competition, illegal subsidies and barriers to trade, would be decided upon in Brussels with no representative from the UK having any voice at all.

2. Could Britain be sure of having the same status as Norway, or Austria, remaining prosperous and having good trade relations with the EEC countries without being a member of the EEC?

No, not only would membership of a free trade agreement with the EEC countries be incompatible with Labour's policies, but it also seems very unlikely that we would get such an agreement at all. In a policy statement issued in February 1983 by Mr Eric Heffer Labour's spokesman on Europe, it was conceded categorically for the first time that: 'The EEC is very unlikely to accept a bilateral free trade agreement'.

So while Labour try to sell their policy of withdrawal as having no effect on trade and producing no reduction in jobs, they know all too well how much is at risk. 43 per cent of Britain's exports go to other EEC countries. Seven out of the top ten markets for British products abroad are EEC countries. If Labour intend to get a free-trade agreement to protect the 2½ million jobs which depend on this trade, they will have to abandon a good many of their extreme economic proposals. If they are not prepared to do that, and if they are honest about the chances of getting a free trade agreement, they must come to accept that a policy of withdrawal can only seriously increase unemployment in Britain.

3. Wouldn't Britain be better off if we were no longer part of the Common Agricultural Policy?

Even Labour's Anti-Common Market Safeguards Committee has admitted that a return to national forms of support for our agriculture would be very expensive indeed. Dr. D.R. Harvey of Newcastle University has estimated that being no longer subject to the CAP would save Britain about £390 million on its balance of payments. However, this has to be set against the cost to the taxpayer of a return to deficiency payments (which is clearly proposed in Labour's Manifesto) which would be of the order of £2,500 million per year. Such savings as could be made in buying our food imports on the world market may be very temporary. A paper prepared by the TUC economic staff suggests that 'The disparity between EC prices and world prices is not as great as it once was and there would be substantial difficulties in returning to the position whereby the UK enjoyed relatively cheap supplies of food from the Commonwealth' (TUC Economic Committee, document 5/12, 10th February 1982).

Labour allege in their Manifesto that Community rules, 'by preventing us from buying food from the best sources of world supply ... would run counter to our plans to control prices and inflation'.

In fact, food prices have risen over the past 10 years by less than the general rate of inflation, and only 8-12 per cent of the increase is attributable to the operation of the CAP. Labour policy ignores the comparatively small size of the world market. Britain's entry into the world market as a substantial importer would not only push up world prices in commodities such as butter (of which UK consumption equals 48.5 per cent of world trade) but would also undermine the position of many of our own agricultural producers.

4. Is it true, as Labour suggest in their Programme 1982, that 'there is little evidence to suggest that withdrawal would induce multinational companies to relocate or reduce their investments in the UK'?

No, multinational companies mostly plan their operations on a Europe-wide scale. In the three years prior to accession to the Community, the United Kingdom attracted 22 per cent of U.S. investment in the present Community Member States. Ten years later this proportion had doubled. Given a choice between servicing the British market of 56 million people from the Continent, or the 220 million consumers in the rest of the Community from Britain, while having to operate over a tariff wall, it is fairly clear which course commercial expediency would dictate.

Car manufacturers based in Britain have stated publicly that withdrawal would be a serious blow to their industry. Mr Eric Fountain Director of Vauxhall Motors, has said; 'It would be a disaster if Britain left the Common Market - it's saved Vauxhall'. Mr Sam Toy, the head of Ford in Britain, has said; 'It would be catastrophic (if Britain withdrew). Thousands of jobs would be lost because we need a big market' (Daily Mail, 18th May 1983).

5. Would it be possible for Britain to withdraw 'amicably' within the lifetime of a Parliament?

Labour's plan to withdraw 'amicably' within the lifetime of a Parliament is just as unrealistic as their belief in withdrawal itself. Labour's National Executive said in 1982 that withdrawal would take 18 months. In its review of the prospects for withdrawal, The Economist (21st May 1983) estimates that the process could take at least four years and it would 'probably demand more legislation, international negotiation and government energy than the rest of Labour's programme put together'.

Mr Norman Buchan, Labour spokesman on Fisheries, has stated 'that with regard to fisheries ... even the formal ending of the legal jurisdiction of the EEC is going to take a lot longer. Certainly, I would think, three, four, up to five years in some cases, to phase in a new form of support' (Fishing News, 20th May 1983).

Withdrawal would be complicated for several reasons. Principally, Britain is a party to all the trade agreements negotiated by the Community with third countries. This includes the 63-member Lomé Convention the steel agreement with the USA, the Multi-Fibre Arrangement and numerous bilateral agreements between the Community and individual countries around the world.

Labour propose to amend the 1972 European Communities Act rather than repeal it straight away. But repeal of Section 2 of that Act, which makes Community law binding in Britain, would produce damaging uncertainty in those key areas which are fundamentally affected by Community legislation. In particular, steel and textiles would be hit, as would our fisheries and agriculture. Labour have provided no guide whatever as to what measures would be taken to safeguard these sectors in the interim.

While Britain was still formally a member of the Community, amendments to legislation and action contrary to the Treaty of Rome, would probably be illegal. This could lead to a lengthy and costly process of litigation.

Withdrawal would not be easy or amicable, especially if a Labour government chose to impose import controls at the outset, as they propose in their emergency programme. Even without the imposition of import controls, it is not likely that Labour ministers would enjoy very cordial relations with their counterparts in other EEC countries. If the reaction of other European socialists to Labour MEPs is anything to go by. A recent issue of **Labour Weekly** (22nd April 1983) suggests that anti-Market Labour MEPs are ostracised even by their Socialist colleagues in the European Parliament.

6. Would Labour have a mandate for withdrawal if they were to win a General Election?

Labour argue that withdrawal is an integral part of their programme and as such inseparable as an issue. Presumably this represents a rejection of Mr Benn's views, expressed in a letter to his constituents in November 1970:

'Would an election fought on the Common Market help very much? It would be quite wrong to expect a life-long supporter of one party who deeply believed in its philosophy to vote for the other Party just because he or she agreed with them on the Common Market. The case for a referendum is, in my opinion, immensely powerful.'

Britain's entry to the Community was not undertaken without wide discussion in the country. Membership was advocated by both Conservative and Labour Governments during the sixties. In October 1971, during Mr Heath's government, the House of Commons approved, by a majority of 112, the White Paper setting out the terms of membership. In the spring of 1975 the Commons endorsed the slightly 'renegotiated' terms of membership by a majority of 226. In a Referendum in June 1975 the British people voted in favour of continued membership by more than two to one, with 17,378,581 votes being cast for the 'Yes' campaign.

After the Referendum result, Mr Benn declared: 'I have always said that the Referendum would be binding ... there can be no going back' (**The Times**, 7th June 1975).

A further test of opinion was made in the European elections in June 1979. The Labour Party adopted a hostile approach to the Community, falling just short of advocating withdrawal, but those parties solidly in favour of the Community polled 64 per cent of the vote.

It is quite clear that Labour reject the idea of another referendum because they know that they would lose. The best excuse that they have produced for the rejection of their case in the 1975 Referendum was given in Labour's **Statement on Withdrawal from the EEC** (August 1981): 'The people voted to remain within the Community - helped, as it is now much more generally appreciated, by a Tory, media and big business campaign which was extremely successful in misleading the electorate'. Among the tools of the 'Tories' and 'big business' were none other than Mr Denis Healey, Sir Harold Wilson, Mr James Callaghan, Mr Roy Hattersley and Mr Merlyn Rees.