

Briefing Note for Candidates

THE LABOUR MANIFESTO

Attached are quotations from "European Assembly Elections" with comments.

## Introduction

Labour's Manifesto is certainly a curious document. It advertises itself as having been adopted by the National Executive Committee of the Labour Party, but it certainly does not appear to have been adopted - to say the least - by Mr. Callaghan himself, either last January as Prime Minister or later as Leader of the Opposition. Indeed he has shown his hostility to it - and to its sponsors including Mr. Wedgwood Benn - on several occasions. It must be the first occasion in British political history that a major Party has fought an election on a Manifesto to which its leadership was overtly opposed.

Usually the Labour Party manages its affairs better. The normal procedure starts with the production of a draft by the National Executive with the usual calls for wholesale nationalisation, increased public expenditure and defence cuts. Battle is then joined between the NEC and the Parliamentary leaders and a compromise document emerges which is judged by the Parliamentary leaders to be sufficiently innocuous not to lose too many votes; but one or two hunks of good red Socialist meat are always left in order to satisfy the left without offending any large or powerful section of the electorate.

By these standards of stage-management something has gone very wrong with the production of Labour's Manifesto for Europe - so much so that pro-Market Labour candidates are likely to have to brave the wrath of their Left-wing and campaign on the basis of the European Socialist Group's Manifesto.

Candidates who find themselves with a pro-Market Labour opponent will certainly wish to question him on his opinion of his Party's Manifesto, and it will be interesting to see how Mr. Callaghan handles the problem when the Labour campaign starts on 24th May.

## 1. Disillusionment and Labour's attitude

"There can be no doubt that the British people have been deeply disillusioned by the experience of EEC membership. The promises and the forecasts of benefits have been shown to be false....The Labour Party warned the British people in 1975 of the dangers of membership" (p.1)

### Comment and Criticism

1. Disillusionment. In a recent poll conducted for the Commission in the United Kingdom, 39% of those polled believed membership to be good for the United Kingdom. In a MORI opinion poll for Yorkshire Television on 9th March 1979, 49% thought it was to our advantage to stay in, against 44% who wanted to pull out altogether.

2. In the referendum. The electorate voted by 2 to 1 for continued membership of the Community. Labour has failed to take advantage of the opportunities membership offers. No wonder people are disillusioned now.

3. Labour in 1975. Some members of the Labour Party (mostly on the Left) warned the British people against the Community. The Labour Government did not. After its 'renegotiation' of the terms of entry, Mr. Callaghan, then Foreign Secretary, said:

"....on the matter of the budget....arduous negotiations produced a satisfactory result....Britain will now pay less and as to the CAP, Mr. Peart has ensured that greater priority is given to consumers both in the disposal of surpluses and in overcoming some scarcities.

"....After 12 months experience, I have reached the conclusion that it is better for us to stay: better for the British people, better for the people of the Commonwealth, better for the future of Europe" (Islington, 26th April 1975).

4. Pressure of world events. No-one would claim that our six years of Community membership - five of them under a Labour Government - have been successful ones for our economy. But this is not a consequence of our membership; rather, it is due to the worst recession since the 1930s and Labour's own policies.

2. Sovereignty

"Our right to democratic self-government has been gravely weakened" (p. 1).

"The basis of democratic control, we believe, must continue to be vested in the right of the European people to govern themselves, as far as possible through their own national Parliaments....This is not because we are nationalist or anti-Europe, but because in our view, this is the way to strengthen democracy in Europe as a whole....our concern is to strengthen parliamentary democracy in each of the Member States" (p. 3).

Comment and Criticism

1. Political Sovereignty. Our best chance of exercising international influence is within and through the Community.

Mr. Hattersley said on 6th July 1975:

"....The best protection against decisions taken neither with our agreement nor in our interests is the economic power to withstand foreign pressures.... if the Community gives each members state increased economic strength.... we become more free, not less so" (Bristol, 6th January 1975).

2. Legal Sovereignty. Under the European Communities Act 1972 the United Kingdom recognised a new legal regime which limited the exclusive rights of national parliaments to pass legislation. Within the Community system, national Governments through the appropriate Ministers in the Council decide upon legislation in the furtherance of agreed objectives and such legislation has "direct effect" in the Members States.

3. The Community requires that certain powers, defined by Treaty, should be ceded by national authorities to Community institutions. Experience has shown that national parliaments cannot effectively exercise the necessary democratic control over these institutions, and that this function is best carried out by a European Parliament working in conjunction with national parliaments. This gives the "European people" two lines of defence against abuse of power, and is in no respect a challenge to "the right of the European people to govern themselves" (nor is it incompatible with strengthening parliamentary democracy in individual Members States). Direct elections to the European Parliament are a recognition and an enhancement of this right.

4. The Real Threat. Mr. Callaghan said on 26th April 1975:

"The real challenge to our sovereignty comes not so much from our membership of the European Community, but from our inability to provide sufficient healthy growth in industry to create the wealth that will pay for a much-needed reform" (Islington, 26th April 1975).

## Powers of the European Parliament

3. "In our view the European Assembly cannot constitute a proper instrument of democratic control - unless we are prepared to see the EEC develop into a new federal superstate complete with a European level government" (pp 2-3).

"The Labour Party is firmly opposed to any extension of its (the Assembly's) powers" (p 2).

"... such a development would take power and decision making even further away from ordinary people ..... We will vigorously oppose any move in this direction" (p 3).

## Comment and Criticism

1. Inconsistency. Labour claim that the European Parliament is too powerless to constitute a proper instrument of democratic control, but they oppose any increase in the democratic powers of the Parliament because this would make the Community less democratic, ie take powers away from "ordinary people".

2. Powers. Under the European Assembly Act 1978 there can be no increase in the powers of the European Parliament without the approval of Westminster. Any formal increase in powers would require Treaty amendment and could not happen without the express agreement of all the Member States.

3. "Democratic Control" . The European Parliament has powers of democratic control over parts of the budget, powers of consultation with regard to Community legislation, powers of questioning the Council and the Commission, powers to dismiss the latter, and powers of debate on any aspect of Community policy. With a directly-elected parliament, these powers will bring Community decision-making closer to the "ordinary people".

#### 4. Reform of the Treaties

"Enlargement, in our view, will mean that the Community simply cannot evade the need for change" (p.2).

"Labour will

- amend the 1972 European Communities Act so as to restore to the House of Commons the power to decide whether or not any European Economic Community regulation, directive or decision should be applicable to the United Kingdom.
- subsequently seek appropriate changes in the Treaty of Rome ... failure to gain Community approval for this fundamental change will not deter us in any way from passing the necessary legislation at Westminster.
- make British Ministers directly accountable to the House of Commons on European Affairs" (pp. 3-4).

1. Reform of the Act: The European Communities Act 1972 is derivative, confirming in national law our international obligation to abide by the Treaty of Rome. Amendment would not absolve us from obligations. Only withdrawal from the Community would enable Britain to escape these obligations. Behind the threat of unilateral action at Westminster is a threat of withdrawal.

2. Accountability: British Ministers in the Council are already accountable to the House of Commons. In the General Election Manifesto, Labour made a commitment to "legislate to ensure that British Ministers are accountable to the House of Commons before making any commitment to the Council of Ministers" (p.34). This would result in delays in decision-making and would remove any power to bargain and compromise during negotiations.

3. Enlargement: In the General Election Manifesto, Labour say "enlargement of the Community will provide the opportunity for seeking changes in the Treaty of Rome, which would enable the House of Commons to strengthen its powers to amend or repeal EEC legislation" (p.34). Greece, Portugal and Spain are applying to join a strong Community with an institutional structure based on the provisions of the Treaty of Rome, not one in which national governments can choose whether or not to implement Community legislation. Amendment to some articles of the Treaty will be necessary, but not those defining the powers of the institutions.

## 5. Labour's Industrial Policies

"We believe that the long-term solution lies in the British Government having the freedom to apply Labour's industrial policies:

- the taking into public ownership of firms occupying key positions within our economy, under secure democratic control.
  - the taking of additional statutory powers over prices investment and job location.
  - the selective use of state aids.
  - the use of import penetration ceilings....
- ....We will seek specific derogations (i.e. exemptions) from Community requirements on industrial and regional policies" (pp. 4-5).

### Comment and Criticism

1. Some of these policies are wholly inconsistent with the free market principles enshrined in the Treaty of Rome. They could only be pursued in direct contravention of Community rules such as those on free trade and on fair competition or if the United Kingdom were to withdraw altogether.

2. Specific derogations: Labour calls for the allocation of a greater proportion of the budget to regional and social policies but seeks to deny the Community any say in how the money should be spent. They cannot have it both ways.

3. Dr. Owen said at Bolton on 27th January 1978:

"In the present atmosphere of world recession, any country which adopts protective measures on its own is extremely vulnerable to retaliatory measures".

## 6. Labour, the EMS and the Exchange Rate

"Given the increasingly disorderly character of international currency markets, we especially support the retention of powers to impose strict controls on capital movements....

"....The exchange rate....represents an essential instrument of economic policy....We will continue to resist British membership of the Economic and Monetary System....The Labour Party will maintain its opposition to Economic and Monetary Union, the introduction of which would have serious consequences for the level of employment throughout the Community" (pp 5-6).

### Comment and Criticism

1. Inconsistency. Labour complain about the disorder in international currency markets, but reject the EMS which is partly designed to control currency markets. They want to retain exchange controls and if necessary increase them to help against currency speculation, but the 1975-6 speculation against the pound occurred under a strict system of exchange controls.
2. If the exchange rate is an essential instrument of economic policy, the Labour Government have misused it. The effective sterling exchange rate devalued by 27% between February 1974 and October 1978; only the Italian lira devalued more than this. This has meant that our import bill has risen significantly. Can this be described as sound management of the exchange rate?
3. EMS as a threat to jobs. Successful membership will require control of the money supply. This might affect jobs. However, a stable exchange rate and monetary discipline would provide the groundwork for increasing trade, economic growth and employment. Between 1973 and 1977 investment by Community companies in the United Kingdom exceeded that by United Kingdom companies in the Community by £3,310 million to £2,784 million (Letter, Frank Judd, 12th February 1979).
4. Exchange Controls. The 1975 White Paper (Cmnd. 5999) said:  
"We have made use of the relevant articles of the Treaty of Rome to revert to broadly the same exchange control regime as applied before entry. We can continue to take action under these articles to protect our balance of payments".

7. VAT

"(We will) reject any upward harmonisation of VAT or any reduction in the existing range of zero-rated VAT items in Britain" (p. 6).

Comment and Criticism

1. The present aim of the Commission is to harmonise systems not rates of VAT.
2. In 1975, the Labour Government's White Paper (Cmnd. 5999) said:

"We will be able to resist any (VAT) proposals which are unacceptable to us....the (current) proposals....provide for our system of zero-rating".

## 8. Budget

"At the moment the way the Community raises and spends its money disregards all of these principles (justice and equity)....The UK pays into the budget considerably more than it receives....By 1980, if the present system continues, we shall head the list of net contributors....

"....We will therefore be insisting on a radical reform of the CAP and a shift in emphasis in Community expenditure from agriculture and towards regional and social policies. At the same time we are seeking a more equitable collection of community funds so that it is closely related to the GDP per head of member states. What is more....we shall be looking for a sharp reduction over the years, in real terms, in the absolute size of the budget itself" (pp. 6-7).

### Comment and Criticism

Labour "renegotiated" our budgetary contributions in 1975.

Mr. Callaghan said in 1975:

"That on the matter of the budget, long and arduous negotiations produced a satisfactory result....Britain will now pay less" (Islington, 26th April 1975).

In fact the "correcting mechanism" has never been triggered off, since one of the qualifying conditions - an overall balance of payments deficit - has, as a consequence of North Sea oil, never been met.

9. Is the CAP bad for British Agriculture?

"The CAP has created serious problems for British Agriculture, distorting the balance of production, decreasing consumption and hindering the rational expansion of the industry" (p. 7).

Comment and Criticism

1. The operation of the CAP has certainly created problems for this country, and others like Italy, but the Labour Government's refusal to devalue the Green Pound to a level at which our farmers can compete fairly with continental farmers has added to our problems. The Conservative Government intends to devalue the Green Pound within five years to a point where our farmers can compete on fair terms with those in the rest of the Community.

2. Labour and British Agriculture. Through Labour's policies in Europe and at home, farmers have had a bad deal: under the Conservatives, between 1972-3, net farm incomes rose by 41% in real terms while under Labour from 1974-8, they fell by 31% in real terms. In order to invest, farmers have had to resort to bank borrowings which has more than doubled in 5 years of Labour Government.

3. The reform of the CAP was one of the main topics for the 1975 renegotiations. Mr. Callaghan claimed the renegotiations had been successful. Dr. Owen said at Taunton on 17th March 1979 that: "Reform of the CAP is one of the successes of the Labour Government", but Mr. Silkin admitted in Farmers Weekly (20th April 1979) that:

"In what was claimed to be the successful renegotiation of 1975, one result was that there was going to be a stock taking of the Common Agricultural Policy....This it was hoped would bring in these reforms....It did not because nobody was prepared to do anything. Therefore we have had to continue renegotiating".

## 10. Labour's Proposals for Reform of the CAP

"A sharp reduction in support prices and an end to the scandal of food surpluses.

- more scope for national support arrangements
- open access for imported foods such as New Zealand Butter and Lamb
- a change in emphasis from price support to structural and social reform
- better use of surpluses by a reduction in prices".

"We shall continue to use the Green Pound as a mechanism to alleviate some of the worst excesses of the CAP. We will not devalue the Green Pound by more than the devaluation of the market rate of sterling" (p. 8).

### Comment and Criticism

1. A reduction in support prices is unrealistic in view of the rapidly rising costs of production. At the most cuts in the intervention price of some products may be possible from time to time.

2. National Support Arrangements. A significant return to national support arrangements would be very expensive. If we reverted to a deficiency payments system, the cost would be an estimated £1,000 million p.a.

3. If Labour wants open access for imported foods from Third countries to keep down costs, they should remember Mr. Callaghan's words:

"My view is that cheap food from abroad is no longer a slogan for us, whatever it may be for anyone else"  
(Hansard, 9th April 1975, Col. 1361).

Unrestricted access for imported foods would mean vulnerability once more to world food shortages and price fluctuations of a free world market.

4. Surpluses are already distributed at reduced cost particularly in the dairy sector (for example, butter is disposed of to be turned into concentrate for industrial use or made available to people on social assistance). Labour has never taken up the latter alternative although it has been open to all Member States for over 2 years. 17% of total EAGGF expenditure in 1978 went on price subsidies for milk products.

5. Green Pound. No-one would expect Labour to devalue the Green Pound by more than the devaluation of the market rate of sterling. It is Labour's refusal to devalue it by anywhere near that level which has had such a bad effect on British farming. The Green Pound alleviates the effects of the fall in the value of sterling under Labour on the consumer but not on the farmer.

## II. Labour's policy on Fishing

"With Britain contributing the major portion of the Community's fish stocks, we realise that there is little common ground for the formulation of an acceptable Common Fisheries Policy. The present CFP - cobbled together shortly before British entry - is wholly inadequate. But the measures the Labour Government has proposed to the Community - with their dual aim of conserving fish stocks and protecting the livelihood of all those who depend on fish - will benefit not only British fishermen....but also all those in the Community dependent on fish" (p. 9).

### Comment and Criticism

1. Renegotiation. There is of course no CFP and Fisheries formed no part of Labour's "renegotiation".
2. The Manifesto section on fishing is very short and wholly lacking in detailed policy content.
3. Conservatives would also like to see a fair CFP, but it is wrong to suggest there is "little common ground". The lack of common ground is a reflection of Labour's attitude to the lack of agreement over detail. They have consistently refused to make any firm statement on their view of a new CFP. Only ad hoc conservation measures have been undertaken.

## Energy

12. "We believe in the closest co-operation and harmonisation of energy policy especially in the field of research and development and conservation. However we are entirely opposed to the transfer of any power to control energy or energy policy from member states to the Commission, the Council of Ministers or the Court. We will ensure that the benefits of this country's indigenous fuels are retained for the British people" (p 9).

### Comment and Criticism

1. Frank Judd in a letter of the 12th February 1979 said:

"The EEC Commission has explicitly recognised that the Community's energy policy does not in legal terms affect Britain's control of North Sea oil at all because the British Government enjoys complete sovereignty over these resources".

The United Kingdom is free to determine the depletion rate of oil, and is only limited by the Treaty of Rome in its competence to limit exports and in its freedom to pursue discriminatory pricing policies. There is no threat to our sovereignty over our own energy supplies and the profits from them.

2. The immediate issue is the low-interest loans to United Kingdom firms engaged in the supply of equipment for North Sea oil exploration and recovery. The Commission believes that these infringe competition policy.

3. The Labour Government failed completely to take advantage of the United Kingdom's position of strength with regard to energy supplies. Mr. Benn's failure to secure help for our coal industry - as part of the Community's policy to encourage the development of indigenous energy sources - is just one example.

### 13. The Labour Party and the Third World

"The policy (Aid) should encompass all needy areas in the World; in particular much more aid should be given to the Indian Subcontinent" (p. 10).

"The root cause of continuing poverty and underdevelopment in the Third World lies in the unequal trade relations with the industrialised countries,...but this merely underlines the relevance of Socialist policies. We must have a planned growth of trade rather than allow it to be subject to the vagaries of the world market and speculative commodity deals" (p. 10).

#### Comment and Criticism

In general, Labour concentrated its efforts on direct aid to governments and has the record in the Community of being the most protectionist government in areas like textile policy. They preferred to protect old and ailing industries in the United Kingdom by massive subsidies and to pay lip service to the need for guaranteed market access for LDCs. Their General Election manifesto says "We will not allow our industry to be wiped out by excessive imports. Labour will ensure that imports enter our market only within acceptable limits" (p. 3). What are "acceptable limits"?

14. Arrogance towards other European Socialists

"The policies we advocate are relevant, not only to Britain but to Socialists in all the EEC Member States and we are therefore sure that they will be taken up by the Socialist parties throughout the Community" (pp. 10-11).

Comment and Criticism

The Socialist Group in the European Parliament is the largest group. There are Socialists in government in 3 Community countries. However, there is no evidence that any other Socialist party in the Community would support the Manifesto drawn up by Labour's NEC. Those passages relating to Treaty amendment in particular would arouse the hostility of Socialists committed to the idea of common action at Community level. It is in the highest degree improbable that they would be "taken up" by anybody, except possibly by the French Communists.

## 15. Threat of Withdrawal

"We recognise and we affirm that Britain's membership of the EEC depends on the continuing assent of Parliament. We declare that if the fundamental reforms contained in this Manifesto are not achieved within a reasonable period of time, then the Labour Party would have to consider very seriously whether continued EEC membership was in the best interests of the British people" (p. 11).

### Comment and Criticism

1. Since extensive amendment of the Treaty of Rome is their most fundamental policy and since this would never be agreed by the other members of the Community, the Labour demand amounts to a threat of withdrawal.
2. Mr. Callaghan said in 1977 to the Parliamentary Labour Party: "This Party really must grow up. They must realise that our commitment is enshrined in the Treaty itself and we must adhere to the obligations we have and use our best endeavour to comply....We are in Europe to stay and it is high time we realised this. When is the Party going to come to terms with reality?" (Reported in The Times, 6th April 1977).

and

"The people of this country decided the issue and there is not much point in continually fighting old battles" (Hansard, 3rd May 1977, Col. 219).